

Challenges of agent banking experiences in Kenya

Fred Gichana Atandi

Lecturer of Entrepreneurship and Project Management, Jomo Kenyatta University of Agriculture and Technology, Kenya
E-Mail: fredatandi06@yahoo.com

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Abstract

More than ever before there is a global concern to entrench financial deepening access to previously ignored areas due to some areas considered economically unviable where majority of the MSEs operate their businesses. There is an increasing need to promote technological and institutional innovation as a means to expand financial system access and usage, including addressing infrastructure weaknesses and empowering business enterprises by developing financial literacy and financial capability programs to bring all people on board and all to participate in economic development of a country, perhaps agent banking will offer a solution to slow pace of individuals enterprise development especially from the rural areas. The uptake of agent banking in Kenya has not been well appreciated by the target beneficiaries who include among others the micro and small enterprises in the rural areas in Kenya who were expected to benefit from this technologically innovative service. In as much as it has been witnessed that there is an increase in penetration of agent banking services clients have not fully made use of the available agents at their localities to cut down on transaction costs occasioned by travelling to traditional branches and also time wasted on queuing for services. It can also be noted that, the banks have not fully taken advantage of agent banking to explore all market segments at a low operating costs. The researcher also identified some of the factors hindering the well functioning of agent banking despite mounting financial literacy training to Equity bank clients. Lack of mobile network services and float, lack of capital, issues of insecurity and fear of robbery. The paper is based on a study conducted to reveal the challenges which are hindering the rural people of Kenya from benefiting from agent banking.

Key words: Agent, agent banking, Financial literacy, rural Kenya, Micro and small enterprises

Introduction

According to Suoranta and Mattila (2004), as technology continues to be an important element in financial service delivery, understanding the factors that influence the behavior of

consumers towards using electronic banking technologies will continue to be an important area of research

According to the EFIA (2010), MFIs, commercial banks and other financial institutions have tended to establish their traditional branches in urban centre leaving out on areas that often do not have incentive or capacity to establish formal branches, this leaves out a significant population from accessing banking services. Accessing financial services ensures that an individual can access credit for personal development. MFIs and banks today can take their financial services to this hard to reach and geographically dispersed areas and tap this segment of clientele through agent banking . According to the Oxford policy management (2010), the agents make use of the mobile phone technology and internet banking technology to connect to the server of the principal institution to carry out customer transactions. This model provides significant opportunity to reduce transaction cost such as travelling by clients to seek services in established branches. When MSEs uses technology to access financial products and services from traditional bank branches it confers on the users of the service, convenience, reliability and affordability .The usage of technology will make more people to be included in active financial systems without any discrimination. This study will focus on why a large number of micro and small enterprises are not yet using technology based financial products and services to transact with financial institutions using mobile phones and prepaid cards to access their bank accounts with very minimal travelling if any but in steady prefer travelling up to where the brick and mortar branches are located.

According to Koivu(2002),an appropriate banking environment is considered a key pillar as well as an enabler of economic growth (Koivu 2002).In an environment with a continuously emerging wave of information driven economy, the banking industry in Kenya has inevitably found itself unable to resist technological indulgence.The need for convenient ways of accessing financial resources beyond the conventional norms has seen the recurrent expansion and modernization of banking patterns

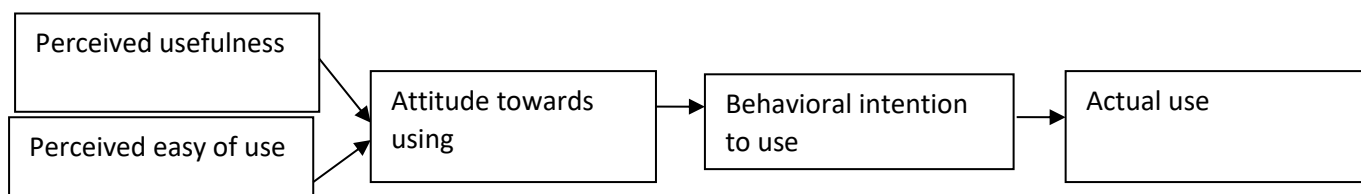
According to Financial Sector Deepening Kenya (2010), the most recent data available indicates that only 19% of adult Kenyans reported having access to a formal, regulated financial institution while over a third (38%) indicated no access to even the most rudimentary form of informal financial service. This leaves a percentage of more than 80% outside the bracket of the reach of mainstream banking. The pent up demand for an affordable and reliable way of holding funds while ensuring that risk levels are consigned to a minimum is consistently unfolding. A system with the potential to obliterate the historical hurdles of cost and free access which have for a long time stood in the way of willing partakers of banking services evokes immediate attention and interest. The implementation of agent banking services in Kenya is a testament to this fact.

According to the G20 Financial inclusion experts group report(2010),the members countries were committed to identify and assess key policy, regulatory and supervisory issues associated with new modes of financial service delivery to broaden and deepen access to and use of formal financial services. These issues includes electronic money, stored value instruments, retail payment systems, third party agent use, a diverse array of financial services like deposit taking, insurance, lending, payment services among others and financial services providers such as banks and non-banks, interoperable payment systems, financial capability like literacy, capacity and education ,consumer protection, competition and other risk based approaches to promoting financial integrity This research will done to find the MSEs perceived suitability of the technology to meet their immediate needs especially after undergoing a financial literacy and education training equipping them with knowledge and

skills on money management and technology based financial services available to them at a close range using agent banking.

According to Kwon and Schumann (2005), have come up with many factors cited in the literature that motivate consumers to use internet banking including convenience, greater accessibility from a time and place viewpoint, time saving, compatible with past technology experience, ease of use, relative cheapness, improved service quality, and satisfactory personal experience with other banking technologies .reported that consumers are concerned about the confidentiality of personal information provided online and how banks may use this information. Other studies by Curran and Meuter (2005),however, have shown that the confidentiality element may act as a positive force so that feeling comfortable about providing personal information through electronic banking system positively influences adoption of internet banking .According to Wong and Chang (2005),studies on other dimensions of risk, the results are also inconsistent with finding that consumers felt secure and safe conducting their banking on-line, believing that transactions will be handled correctly, thus leading to a very positive attitude towards on-line banking. According to Kaynak and Harcar (2005),the desire for personal face to face service has been identified as a key reason for consumers not using internet banking ,however over 50% of respondents in a study indicated lack of face to face contact did not discourage them from adopting internet banking. Further, according to Curran and Meuter (2005) ,found that need for interaction did not predict attitude towards internet banking, while according to Durkin et al. (2003),the importance attached to face to face contact positively predicted the importance of using internet banking .

Figure 1.1 Factors influencing the usage of agent banking .



Source: Davis, Bagozzi and Warshaw (1989)

According to Safaricom (2011), financial inclusion is a big challenge in Kenya ,only 22.6% of the adult population has a bank account. There are, however, more than 45,500 agents offering financial services. In terms of branchless banking, Kenya is probably best known for nonbank-based models, specifically those launched by MNOs. According to CGAP(2010), the usage of semiformal financial services in Kenya including m-banking platforms such as M-PESA increased from 8.1% in 2006 to 17.9% in 2009, while the proportion of the population with access to only informal financial services decreased from 35% to 26.8%. The share of the population excluded from any financial service decreased from 38.3% to 32.7%, these statistics suggest strong gains in financial inclusion coinciding with the introduction of M-PESA. However, there is evidence to suggest that M-PESA is not actually serving the very poorest or previously unbanked, 72% of M-PESA clients live in households with at least one account with a formal financial institution, indicating significant overlap between the user base of M-PESA and banks.

According to Central Bank of Kenya(2010),the success of M-PESA also led to a partnership between Safaricom and Equity Bank developing a bank-based model called M-KESHO which

was launched in May 2010. M-KESHO account opening can be undertaken by M-PESA agents and by the end of 2010 more than 600,000 MKESHO accounts had been opened, with a total value of over US\$5 million. The impact of these developments on financial inclusion, however, appears so far to have been less significant than has been claimed by some observers. There have been innovations, such as M-KESHO, the Prepay Safari Card a prepaid VISA card issued through M-PESA by I&M Bank, the use by Musoni MFI of its own middleware to service clients through M-PESA; and a Pre-Paid Health Card issued by Changamka. Most financial institutions have encountered difficulties in the attempt to extend their products and services through M-PESA including technical difficulties arising from their inability to adapt their own operating software to the M-PESA platform and difficulties in agreeing pricing structures as a result, a substantial proportion of the population is using M-PESA as an addition to bank savings accounts and, less frequently, as a full-scale substitute. While this does offer a great opportunity for un or under-banked people to build up a useful lump sum, which therefore facilitates savings, the concern in relation to financial inclusion is that poor people will use M-PESA as a full scale substitute for financial inclusion. According to Coetzee G, Kabbucho K and Mnjama, (2002), the growth of Equity Bank has deliberately targeted low income clients through its agent network, and its growth has reflected a shift to a client- and market-driven approach rather than a product-driven approach. According to OPM(2010), it has reported that people have seen the value at the bottom of the pyramid the magic of Equity Bank is that it has shown that geographically, by product, by different customer profile that you can build a market there. According to CBK/PG/15(2010), an agent is allowed to carry out the following activities on behalf of the principal institution, cash deposit and cash withdrawal, cash disbursement and cash repayment of loans, cash payment of bills, cash payment of retirement and social benefits, cash payment of salaries, transfer of funds, balance enquiries, generation and issuance of mini bank statements, collection of documents in relation to account opening, loan application, credit and debit card application, credit and debit card collection, agent mobile banking services, cheque book request and collection, and any other activity prescribed by CBK. Agents are not allowed to grant loans, or appraise account or loan applications nor are they permitted to carry out customer due diligence . The principal institution is responsible for deciding on a case by case basis, based on a risk assessment of the agent, which of the services listed above a particular agent should provide.

Methodology

The study adopted Census Survey design. The Census survey design was preferred because it assumed that when all items are covered, no element of chance is left and the highest accuracy is obtained Kothari(2004), and it is the only instrument through which designed information can be obtained more easily and with fewer expenses as compared to other sources Sharma(1989). This design helped the researcher gather information from all respondents more easily and with minimal errors. Census Survey design actually was the most suitable because it elicits a wide range of baseline information regarding the area under study. The design is also used in preliminary and exploratory studies Lucky & Reuben (1992) since the area under study is new, this allowed the researcher to gather information, summarize present and interpret for the purpose of decision making. There's also no clear way of checking the element of biasness or its extend except through a survey or use of sample checks. This type of design also involves a great deal of time and money and energy Kothari (2004). However the study was keen to ensure no element is omitted from the study also

enough time was allocated for the study dedication and well budgeted financial resources to cover the study.

Target population

According to Mugenda and Mugenda(1999),target population refers to the one which a researcher wants to generalize the results of the study. Pokot County consists of four divisions namely. West- pokot, East Pokot, North Pokot and Central Pokot. The county has a population of 512,690(district dev. report 2012).The target population for this study consisted of all 40 equity bank agents in the region. Pokot district has been excluded from financial access for a long time owing to the culture of Pastoralism and also being geographically disadvantaged region due to harsh climatic conditions, poor infrastructure and insecurity due to cattle rustling. The area was chosen for this study because the people of this region needed desperately financial services since they could not easily access the bank branches at Makutano. The county also has 40 Equity bank agents(Equity bank approved and Operational agents reports, May 2012).These are Central bank approved agents who are operational and are spread across the region in all market Centres. These agents have authority to carry out financial services such as deposit taking, withdrawals, account opening, easy 247 registration on behalf of equity bank hence the region was the best for the study.

Sample size and Sampling procedures

This section discusses how the sample was obtained and the procedure followed in conducting the sample. The sample size consisted of all 40 agents. Purposive sampling was used to select all the forty Equity agents. This technique was preferred because all these respondents were the only individual in that capacity that were required for the study. This technique is the best because all the respondents required for this study have unique characteristics and can not be replaced by any other person hence purposive sampling was suitable.

Research instruments

The study employed both questionnaires, and document search as methods of data collection.

These tools were selected basing on the nature of the study, time and objectives of the study. Questionnaires was used because it gives respondents adequate time to provide well thought out responses in the questionnaire items and enables large samples to be covered within a short time Feveman(1997). The study was concerned with views , opinions ,perceptions, feelings and attitudes of agent operators regarding challenges facing agency Banking. This information is best collected through questionnaires Bell(1998). The questionnaires comprised of both closed and open ended items. Secondary data was obtained through document search to gather information on central bank guidelines on agency banking and regulations of agency banking and also on Pokot county population and literacy levels at District Development Office. This study therefore employed questionnaires and document search schedules to gather all information needed for the study. The census survey used one questionnaire designed for agents, the questionnaire was relevant here because banking is a

confidential issue and could not be observed. Also variables that the study was concerned about could not be observed eg views, opinions and feelings of agent operators regarding the challenges they experience. Documentary analysis gathered information about the county's literacy level and the county's population at the district statistics office.

Reliability of research instrument

Reliability is the ability of research instruments to consistently yield the same results when repeated measurements are taken under the same conditions Sharma(1989).The questionnaire was pre-tested through pilot study to ascertain reliability of instrument in collecting required information for the study. Reliability of the data collection instrument was established through test re-test method .After first administration of the questionnaire to the sample of 10 agents who were part of the the sample before data was collected, the same questionnaire was administered to the same sample after two weeks. Each recording responses and the two responses compared.The reliability coefficient of atleast 0.5 was considered enough for the instrument to be used for the study Kerlinger(1986) The instrument was found reliable as the responses obtained from the two administration of the same sample of ten agents after two weeks was found to be consistent with a reliability coefficient of 0.58 on using spearman's moment correlation formular.

Validity of data collection Instrument

Validity and reliability of research instruments ensure scientific usefulness of the findings arising from the study .Validity refers to the degree of of success of an instrument in measuring what it is set out to measure so that differences in individual scores can be taken as representing true references in the characteristics under study, Nachimias and Nachimias, (1996) ,also noted that validity is the extend to which instruments capture what they purport to measure. Oso and Onen(2005) ,noted that validity of instrument is critical in all forms of reserves and the acceptance level largely depends on logical reasoning experience and professionalism of the researcher who should have a good understanding of the various quality control techniques.The content validity was used in determining the validity of the instruments. In subjecting the tools to validation, the process first started by discussion with the supervisor of the study who scrutinized all the questions in the tools to assess their appropriateness in addressing critical issues in the study, secondly content validity was established through pilot testing where the responses of the subjects were checked against the objectives. A coefficient of at least 0.5 will imply that the instrument is valid, after computation a coefficient of 0.6 was obtained confirming that the instrument was valid.

Pilot – testing

Pilot- testing was done to check for the validity of the questionnaire and also to check for their ethical appropriateness. The instrument was pilot-tested to ten agents in West Pokot division. The division was chosen because of its proximity to Makutano town, which facilitated speedy access to the respondents.After pilot- testing study a number of questions were rewarded in the questionnaire, some questions were added and others deleted. The final tools were re-done and data collection proceeded on.

Data Collection procedures

The research permit was obtained through clearance from the University of Nairobi. The questionnaires were administered to bank agent operators at their agent locations within the county. The exercise took 14 days with a break on 6th & 7th day. Document search was also to collect secondary data from the district development office at Kapenguria on population and literacy level of the people of Pokot county. The sample questionnaire used, and clearance letter are attached in the appendices section.

Data Analysis Techniques

Data analysis is examining what has been collected in a research and making deductions and references Kombo(2004). The data so analyzed seeks to fulfil research objectives and provide answers to research objectives Bryman and Cramer (1997). The process begun with editing of the collected data by field supervisors to minimize errors, this was followed by coding the open ended data entry transformation, analysis and interpretation. Descriptive method was used in analyzing qualitative data while Statistical package for social sciences was used to run descriptive analysis which produced frequency distributions and percentages, while tables

were constructed using MS EXCEL. Deductions and inferences were then made in relation to total number of questionnaires expected to be filled. In this study, the research required administration of questionnaires to forty respondents who were equity bank agents in

Pokot County. All the questionnaires were administered and completely filled hence the return rate was calculated at 100%.

Table 1.1 Operational definition of variables

Independent variable	Measurement	unit of measurement
Insecurity	No. of robberies reported Fear in clients/agents Lost clients	nominal Ordinal nominal
Network failure	No. of hours per day clients/ Agents experience network failure	nominal
Unavailability of capital	amounts needed to start sources of capital	nominal nominal
Liquidity problem	No. of times agents visit the Bank per day to top up float	nominal

Perceived credibility/trust	willingness by clients to transact	nominal/ordinal
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Dependent variable.

Agency banking	Amount transacted	nominal
	No. of agents recruited	nominal

Findings

Return Rate

This is the proportion of questionnaires that were returned and filled during the study in relation to total no of questionnaires expected to be filled. In this study, the research required administration of questionnaires to forty respondents who were equity bank agents in Pokot County. All the questionnaires were administered and completely filled hence the return rate was calculated as 100%

Table 1.2 Return rate.

Respondents	targeted	obtained	percentage(%)
Agents	40	40	100
Total	40	40	100
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Demographic data of respondents

The demographic information of the agents in this study comprised of sex and level of education.

Table 1.3 Demographic characteristics of respondents

Gender	frequency	percentage(%)
Male	28	70
Female	12	30
Total	40	100

Respondents were characterized basing on their gender and level of education. in terms of gender, 28 respondents who covered 70% of the respondents were found to be males while 12 (30%) were female. In terms of level of education, 22 (55%) of the respondents were found to have secondary education as their highest level of education while 18 (45%) had proceeded to tertiary colleges. There were no respondents who were university graduates and those who have never gone beyond primary education. Generally, the characteristics of respondents were as presented in table 4.2. Showing the different genders of respondents was important since it showed that both genders were considered in this study and hence the sample was representative and hence not biased. It was evident that more males have ventures into the agency business than female this is because males were more economically

empowered than women, hence raising start up capital for them is easier than for their female counterparts.

Education of respondents

Table 1.4 Level of Education.

	Frequency	percentage(%)
Graduate	0	0
College	22	55
Secondary	18	45
Primary	0	0
Never been to school	0	0
Others	0	0
Total	40	100

It is evident that most of the agents are college leavers and those who have completed secondary school education. It was found out that there are no university graduates who have invested in agency business, this is because individuals with this level of qualifications have found other formal jobs, and hence not self employed. Those who have not completed primary education and those who have never been to school or through any other form of learning have not ventured into the business since they don't have required knowledge to do transactions on behalf of banks.

How insecurity affects agency banking.

The research question targeted to determine the extent of insecurity among bank agents and their customers and how it has affected development of their operations. On administration of

the question, all respondents that is; 40 (100%) said that they have never experienced any incident that suggested insecurity among them or on their customers. Robbery cases within the agency area was not reported by any of the informants. However on follow up question that asked whether there were any fears by some agents on their security and that of their customers.

Table 1.5 Indicators of insecurity situation.

Indicator	frequency	percentage(%)
Whether agents are satisfied with security	32	80
Number of robberies reported on agents	0	0
Number of robberies reported on clients	0	0
Whether agents have fears of insecurity	8	20
Whether clients have fears of insecurity	8	20
Whether agents have lost some customers due to their	8	20

It was clear that thirty two agents, that is; 32 (80%) were satisfied with security within their working environment, there were no responses indicating number of robberies either on agents or on customers. 32 (80%) said they were satisfied with security while 8(20%) indicated lack of satisfaction in security situation within their working environment. On clients, 32 (80%) of the agents feel their customers are secure carrying on banking transactions at their agent location while 8 (20%) of them feel their clients were insecure to bank at their agent locations. Of 40 respondents, 8 (20%) mentioned having lost some customers because they felt insecure to carry out transactions at their banking agency while 32 (80%) have never had cases of losing customers due to feeling of insecure among them. This region is prone to cattle rustling activities and residents own illegal firearms, and this is why some agents and customers have fears of banking at the agent locations. Poor roads and mobile phone networks have also contributed to the fear as there can be no communication between the police and customers incase of a robbery.

To determine effect capital unavailability on the adoption of agency banking.

It was established that on average, agents had initial startup capital of kshs. 100,000 (hundred thousand Kenya shillings) and also 100% of the informants said the amount was not easy to raise so affordability of starting the business was low. The sources of funds included family savings, sell of animals and sell of private property and land. In addition, 100% of respondents also run other businesses for upkeep. Affordability is low due to the hard economic times experienced across the country, hence most families can not raise the amount required.

Table1.6 Sources of start up capital.

Sources of capital	frequency	percentage(%)
Savings	4	10
Sale of property	6	15
Bank borrowing 2 5		
Borrowing from friends	28	70
Total	40	100

It was clear that 28 out of 40 respondents representing 80% of agents find it difficult to raise start up capital and hence opt to borrow from friends and family,4(10%) of agents are able to raise the start up capital from their own savings,6(15%) raise capital through sale of their family property such as land and cows, while only 2(5%) approach banks to get some credit to start the business.

How Mobile phone network availability affect agency banking

Availability of network as a challenge to agency banking in North Pokot was mentioned by 40 (100%) of the respondents. This is as presented in the results in table 4.3 below

Table 1.7 Challenges facing agency banking

Response	Frequency	percentage(%)
Network	40	100

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Insecurity	8	20
Liquidity	20	50

Results above indicate that unavailability of network is a big problem in North Pokot and this is a major challenge to agency banking in the area. 40(100%) admitted that this was the major problem affecting agency operations. On further questioning of the agents about the average number of hours per day they experience network failures, the results were as per the table

Table 1.8 Number of hours per day Agents experience network failures.

No. of hrs(per day)	frequency	percentage(%)
5	36	90
6	4	10

It can be noted that 90% of the respondents admitted that they experience an average of 5 hour per day without the network, this affects mainly agent locations in North, East and South Pokot, Only four agents in West pokot representing 10% said they only experience this problem for four hours per day and especially between 9AM and 2PM.

How liquidity (float) related problems affect agency banking?

It is clear that (20) 50% of respondents mentioned liquidity related problems as one of major problems affecting agency banking while an equal number of 20 (50%) never mentioned this as a problem. On a further follow up question to agents on how many clients they lose due to this problem per day, the response was that on average every agent lost 5 customers per week due to lack of float and sought help from the bank branch. Of the 5 customers lost due to float one customer may come later to check if services have resumed, the other four never come back instead stay with cash in their houses or travel to traditional bank branches to transact. This is a big problem because of the long distances agents have to travel to the nearest branch to top up their float, this takes a lot of their time and clients give up along the way in waiting. On the follow up question about the number of times the agent visits the branch in order to top up float,

Table 1.10 No. of times per day agents visit the bank to top up float.

No. of visits to bank/day	frequency	percentage(%)
2	36	90
1	4	10

How perceived credibility (trust) affect agency banking

The research question targeted at determining what agents do to keep the credibility of the company they work under among clients. 40 (100%) said they keep all transactions between them and their customers private and this was important in developing trust among

customers.

Table 1.11 Whether customers trust the agency banking.

Response	frequency	percentage(%)
Yes	36	90
No	4	10
Total	40	100

It can be observed that 36 (90%) of respondents showed that customers have trust while dealing with agents and the company the agents represent, while 4 (10%) said some customers lack trust on them as agents and by extension the company they work for. Trust issues are very critical in banking industry, customer account details must be kept private and confidential to be able to earn trust. On a follow up question, agent operators were asked to state whether potential customers within their areas of operation were willing to transact at their agent locations.

Table 1.12 Willingness of customers to transact.

Willingness	frequency	percentage(%)
Yes	36	90
No	4	10
Total	40	100

It was clear from the table that ,36(90%) of the agents admitted that clients within their vicinities were willing to transact at their agent locations while only 4(10%) of the agents said clients are not really willing to transact at their agent locations. Clients who showed unwillingness are those who have at one time been disappointed by either network failure, liquidity problem or insecurity issues.

Summary of findings

On determination of how insecurity affects agency banking, it was found out that 32 (80%) of agents were satisfied with security within their working environment, there were no responses indicating number of robberies either on agents or on customers, while 8 (20%) indicated lack of satisfaction in security situation within their working locations. On clients, 32 (80%) of the agents said that their clients felt secure carrying out banking transactions at agents while 8 (20%) of them said their clients were insecure transacting at agents locations. Of 40 respondents, 8 (20%) mentioned having lost some customers because they felt insecure to carry out transactions at their banking agency while 32 (80%) have never had cases of losing customers due to the feeling of insecurity among them. On determination of the effect of unavailability of capital on agency banking, It was established that on average, agents had initial startup capital of kshs. 100,000 (hundred thousand Kenya shillings) and also 100% of the informants said the amount was not easy to raise so affordability of starting the business was low. The sources of funds included family savings, sell of animals and sell of private property and land. In addition, 100% of respondents also run other businesses for upkeep.

Availability of network as a challenge to agency banking in North Pokot was mentioned by 40 (100%) of the respondents. They admitted that lack of network was a serious problem to agent banking business in the county. On liquidity 20(50%) of respondents mentioned liquidity related problems as one of major problems affecting agency banking while an equal number of 20 (50%) never mentioned this as a problem. On average agents lose five customers everyday due to lack of float and seek help from the bank branch. Of the five customers lost due to float one customer may come later to check if services have resumed, the other four never come back to that agent. All agents indicated that they keep customers' transactions and their records private and confidential and this improves credibility and trust on their side, as a result 36(90%) of agents trust the bank and only 4(10%) do not. Informants expressed that the customers have confidence in the company they work for and also in the agents.

Discussions

The purpose of this study was to unravel the challenges facing equity agent banking in West Pokot. The first objective was to determine the extent to which insecurity affects agent banking. All the forty respondents asked about the security situation said that it was not such a big problem. 32(80%) of the respondents admitted they have no problem with the security situation in their areas of operation, while 8(20%) said they have fears about the security situation as they feel robbers are likely to attack them, this makes them close their businesses early enough hence limiting the time available for customers to transact. On the side of clients, agents were asked whether any of their customers have fears about the security while transacting at agent locations, and 32(80%) of the agents said their customers had not reported such thing and never have they felt insecure transacting at agent locations, while 8(20%) of agents said their clients have fears of being attacked and some fear withdrawing or depositing large amounts, and if they need large amounts they prefer to visit traditional bank branches. 8(20%) of the agents said they had lost clients from the fear of insecurity. It is clear from the study that 20% of clients in West Pokot fear to use the agents to carry out transactions owing to the fear of being robbed (insecurity) and this may translate into 30% of the potential segment of the population not using the agency banking hence not accessing financial services. This fear is mainly due to the fact that the region is vast and security agents are far from the people and are also few, also cattle rustling and thick forests, valleys and hills that provide hiding places for criminals, however above all is the availability of small illegal fire arms hence criminals may use to rob, though from the findings no client and agent has been robbed but the fear of probable robberies at agent locations scare away the clients and hence inhibit financial access. Insecurity inhibits growth of agency banking, according to research done by CGAP (2010) and the Fundação Getúlio Vargas business school 41% of agents have been robbed in the past three years in Brazil. It is therefore critical to put in place measures to secure agents and clients.

The second objective investigated the extent to which capital availability affects agency banking, to be recruited as an agent one needs to have capital so as to put in place operating capital, which is held in his/her account with the principal institution. This cash is used as the agents float which must be replenished all the time as he receives deposits and also withdrawals from the clients. From the study it is clear that agents ought to raise an average of KShs 100,000 as capital. All agents admitted that was not easy raising capital, some sold property in order to raise the amount. A large population are left out because they can not raise this capital. This limits the spread of many agents and hence inhibits financial access.

The hard economic conditions are definitely to blame for lack of affordability of starting capital. On network availability, the study wanted to establish the extend to which mobile network failures affects the operations of agency banking. All respondents interview admitted that agency banking depend on mobile phone network. Pokot county experiences serious mobile phone network challenges, this means that most clients are turned away due to network challenges. 40(100%) of agents said that this was the major problem. With every agent turning a way about five clients per day as a result of lack of network, based on average transactions of 10 initiated by each agent per day, then it is clear that this problem affects 50% of the agency business. And therefore it is a major problem. The Safaricom and Zain networks have very limited coverage in the region, with people climbing trees or finding high locations where they are able to get the network for their day to day communication, given that banking can only be done from one location that is enclosed and secure, network failure completely affect the operations of agency banking. On fourth objective of study in establishing the effect of liquidity/float related problems on agent banking, agents at all times have to rush to the bank and replenish their accounts held with the principal institution so as to continue serving clients. if their reserves are exhausted the agent codes are automatically deactivated, this is only activated after topping up their float at the bank, the time they move up to banks and deposit interrupts the operations of agency. From the study an average of 5(7.14%) of clients are not served by agents per week and hence turned away due to lack of float. Out of those turned away only 1(1.428%) come back to find out later if the problem has been sorted so as to transact, 4(5.712%) never return to the agent location. It is clear from the findings that float related problems affects transaction numbers at agent locations by affecting a significant 5.712% of clients transacting at our agent locations, who never transact again at the agent due to one time lack of services as a result of lack of float.

The final objective of this study that investigated the extend to which perceived credibility or trust affect the agency banking. Banking being a confidential matter, requires that clients must entirely trust the bank and those carrying out transactions on their behalf. Banking agents must be trusted so as to be able to attract many clients to transact with them. Simply the principal institution must be trusted(Wang et al,2003). From the study 36(90%) of the agents admitted that clients trusted the bank, while 4(10%) of the agents feel some customers do not trust the bank and hence don't trust them either, and therefore don't deposit their cash or even never opened an account with them. Also from the findings of the study, every agent receives an average of 10 clients

Conclusions

From the findings, the researcher concludes that Pokot county needs agency banking but has various challenges most pronouncedly lack of mobile network services and liquidity (float) related problems. There is no major bank branch but they are served with the nearest being Kapenguria Branch hence agency services are needed by clients in the county. There is lack of capital and many investors can't afford to venture into agency banking unless they sell their personal property such as animals or from family subsistence foods. Members have not engaged in loan accessing and hence they strain in investing into agency business as their main activity but they also run other business activities hence divide their attention and reduce productivity, Issues of insecurity are also at play, as clients and agents fear that they might be robbed while transacting. It is clear therefore that agency banking in Pokot county is poor because of the aforementioned challenges.

Recommendations

The researcher recommends that;

1. More should be done to improve mobile network accessibility in the county.
2. Those that want to carry out agent business should also be encouraged to access loans to improve their affordability to engage in agency banking as their main business activity to improve the services in the area.
3. Equity bank should also consider ways of automatically topping up agents' float to assist clients especially those affected by float related problems and extend into the interior to serve residents.
4. Issues of insecurity should be addressed so that the fear among customers and agents that they might be attacked and robbed are minimized, this will restore confidence and improve transactions and financial access.
5. More information and awareness should be put in public to build confidence and trust in agency banking as a secure, efficient and modern way of banking.
6. It can be noted that the capacity of a wider population of Kenyan users is fairly not being fully conversant with all that they can accomplish through agent banking and therefore deliberate interventions must be undertaken to successfully ensure that the targeted persons particularly the rural residents and females are empowered not only with technology but with skills and finance as well. To prevent MSEs in the rural areas from lagging behind they need to be trained on financial literacy skills for the to recognize the opportunities availed through agent banking through financially including all population in economic development of a country.
7. The study found that the MSEs and majority of the unbanked people are the biggest beneficiaries of the transformational agent banking with 38 percent of the agent banking service users surveyed are new to banking having no prior experience in banking services. The dominance of these groups as the key users can be provided for by the cash transaction limits set by the service providers in line with Central Bank's requirements. The current maximum transaction value allowed at a time is Ksh 100,000.
8. There is need to balance technology with a reasonable human interface. These findings coincide with those of Lyman et al. (2008) which assert that low income and education individuals attach a high premium to interaction and interpersonal relationships. 73 percent of non users and infrequent users of agent prefer face to face financial dealings rather than electronic devices even though the devices are faster and convenient.
9. Most MSEs have appreciated the importance of the agent banking . The usage patterns appear to be largely driven by personal missions and marketing strategies of service providers.

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Corresponding Author

Timothy Barasa Wabwoba
Lecturer of Project Management University of Nairobi
E-mail: barasatim01@yahoo.com

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