

**AGENCY BANKING AND DEPOSIT MOBILIZATION ON COMMERCIAL
BANKS IN KENYA, NAIROBI CITY COUNTY BRANCHES**

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**A THESIS SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL
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UNIVERSITY**

OCTOBER, 2020

DECLARATION

This thesis is purely my original work and has never been presented for a defence in any other University.

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DEDICATION

I dedicate this work to my parents, Late Philip and Norah who have inspired and supported me to this far both morally and materially. They have been a constant reminder that determination and hard work pays. I would also like to extend the dedication to my brother Duncan for his mindfulness and my wife Mercy, for encouraging me not to despair in this journey. Many thanks and God bless!

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OPERATIONAL DEFINITION OF TERMS

Agency Banking Model: This is a mode of banking where agents transact on behalf of a banking institution.

Agent: Is a party that has express (whether oral or written) or implied authority to conduct or act on behalf of another party (principal) so as to bring the principal into contractual relationships with other parties.

Cross-sell: Refers to leveraging on existing customers to sell different products for the same organization. In this context, the bank agents cross sell insurance policies, credit facilities and custodial services to the bank's existing customers.

Demand deposit: These are deposits that can be accessed any time without giving prior notice to the bank which can be easily be accessed through bank agents, bank teller, online banking or ATMs in form of withdrawals.

Deposit mobilization: Is a drive to collect deposits through saving accounts, and alternative channels of banking like agency banking model for use in their lending activities through various methods.

Deposits: Are money transferred by customers to their savings or checking account held at a bank and can be made by individuals or corporates.

Financial inclusion: Refers to the pursuit of bringing individuals and businesses to have access to useful and affordable financial products and services that fulfil their needs.

Float: Is the money available to an agent to facilitate banking transactions.

Interest rate spread: this is the difference between the rate that banks lend at and the rate they pay customers for their deposits.

Institution payments: these are the payments made to Corporates, Universities, Colleges and any other parastatals or ministries.

Term deposit: Is a kind of deposit that cannot be accessed for a specified period.

Throughput deposits: Is the amount of money that goes through the agents networks. The amount is occasionally replenished when debit transactions has depleted it.

Tier 1 banks: These banks have been in existence for many years and have accumulated assets of billions of shillings.

Tier 2 banks: These medium size banks controls 41.7% of the market share and include Family bank, I&M, NIC, DTB, BOA and CFC Stanbic.

ABBREVIATIONS AND ACRONYMS

AFI	Alliance for Financial Inclusion
ANOVA	Analysis of Variance
ATM	Automated Telling Machine
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poor
CRB	Credit Reference Bureau
ICT	Information and Communication Technology
KCB	Kenya Commercial Bank
KDIC	Kenya Deposit Insurance Corporation
KRA	Kenya Revenue Authority
NHIF	National Hospital Insurance Fund
NSE	Nairobi Securities Exchange
PIN	Personal Identification Number
POS	Point of Sale
PR	Public Relations
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
SACCO	Savings and Credit Cooperative Organization
SME	Small and Medium-sized Enterprises
SPSS	Statistical Packages for Social Sciences
USE	Uganda Securities Exchange

ABSTRACT

Banking industry has been competitive in the past years. Kenyan Banks are exploring all strategies to remain competitive in lending and in ensuring that their clients are satisfied. They have diversified their products from lending to offering custodial and insurance services. Lending continuity mainly depends on the reserves or rather bank's available deposits. As an initiative therefore, Kenyan commercial banks have employed various strategies to mobilize cheap and stable deposits, as is the game changer. In line with this, most banks have invested in technology and alternative banking channels. There has been an impressive uptake of agent banking model after Central Bank Implemented it in the year 2010. Some banks have leveraged on it and casted it wider to net more customers across the country particularly in the rural areas to fish out for the idle deposits and in the process promoting financial inclusion in the country. Tier 1 banks have benefited much on this alternative channels while Tier 2 banks are still struggling with their agency business. These banks are aggressively implementing various strategies to mobilize their deposits and one of the strategies is agency banking. Several studies have expounded on commercial banks' deposit mobilization and lending. However, no study available has documented the role of agency banking in the banks' deposit mobilization initiatives. This study therefore sought to determine the role of agent banking in deposit mobilization for the Commercial Banks in Kenya. The commercial banks under the study are Equity, KCB, Co-operative and Family Bank. All of these banks have branches and agents spread within Nairobi. The specific objectives of the study was to find out the effect of deposit transactions, account opening, institution payments and bill/utility payment and size of the agents on the banks' deposit mobilization. The study was anchored on agency theory, financial intermediation banking theory and fractional reserve banking theory. Descriptive research was employed with the study targeting the branches within Nairobi County for the banks under the study. The target population of the study was 152 respondents including 4 branch managers, 8 agency banking officers and 140 bank agents. A sample size of 60 respondents was drawn from the population for study where primary data was mainly used. Primary data was collected through semi-structured questionnaire. The data collected was analysed by use of descriptive and inferential statistics thereafter presented by charts and frequency tables. The study findings revealed that there is a significant relationship between agent deposit transactions and deposit mobilization ($p=0.000$); there was a significant relationship between agent account opening and deposit mobilization ($p=0.000$); there was a significant relationship between bill/utility payments and deposit mobilization ($p=0.000$) and that there was a significant relationship between number of agents and deposit mobilization ($p=0.000$). The study concluded that an increase in the number of agents increases the deposit mobilization of commercial banks in Kenya and that a decrease in volume of deposits negatively affects the deposit mobilization of commercial banks. The study concluded that deposit mobilization by bank agents in Kenya need to be looked into more so as to mobilize more transactions made on agent banking thus Agency banking should be used as a tool by commercial banks to mobilize deposits in places where customers are far away from the bank. From the foregoing conclusion, there is need for Commercial banks in Kenya to leverage on expansion of agent network in order to improve their deposit mobilization drive.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Agency banking is increasingly becoming an ultimate strategy for reaching out and on boarding remote population into financial inclusion in many countries (AFI, 2012). In the last ten years, agency banking model has been adopted and implemented by a number of developing countries specifically in Latin America. Brazil is on the lead as the first country to adopt and implement the model with coverage of 99% on its country. Other countries like Peru, Colombia, Mexico, Bolivia and Venezuela followed suit in the early 20's. While other countries around the world including Philippines, Pakistan, India, Uganda, South Africa and Kenya have utilized it (AFI, 2012).

It is imperative for any financial institution and more specifically banks to incorporate agency banking in their distribution model. The model allows the banking institution to penetrate to the remote areas of the country and offer their services smoothly to their target market. It is quickly becoming a medium of bringing remote customers into the formal financial sector (Navaratnam, 2017).

World Bank reports that around 2 billion people globally do not hold a basic bank account, 59 percent of them says lack of affordable banking services is the main reason they do not have an account. Inaccessibility to banking services in the rural areas and complicated on boarding process are some of the other challenges. However, governments across the globe are promoting all strategies of financial inclusion in an effort to reduce poverty and ensure stable economy to everyone (Paranjape, 2018).

Banks worldwide are adopting agency banking because setting up branches in the rural areas are costly as it will take quite long for the branch to break even and generate ROI. This has been one of the prime reasons banks cannot easily on board the rural customers other than the technological challenge accustomed with low literacy level that makes it hard for the rural residents to embrace the mobile banking model (Paranjape, 2018).

According to “Eclectics International”, agency-banking model is an essential part for the financial inclusion strategy in Africa. Distance and poor infrastructure make it difficult for those living in remote areas to access financial services. Agency banking model brings about a financial freedom with longer business hours to the rural dwellers and at the same time offer convenient banking where else infrastructure is a challenge.

The regulation, design, and implementation of the model differ from one country to another. These are in terms of services offered, kind of businesses offering the agency services, type of financial businesses that offer their services through agents and the business structure used to manage them. This variation brings about disparities in the way the agent banking bridges the financial inclusion gap (AFI, 2012).

According to AFI (2012) report, Central Bank of Brazil passed a banking regulation to allow banks implement agency banking which it expanded later in 2003 to allow other financial and authorized institutions to offer agent-banking services. Colombia passed its agent banking regulation on 2006 to allow banks offer their services through agency banking and later on extended it to other financial institutions including co-operatives with a saving and credit section. Peru put into effect the model in 2011 and made it open for all commercial banks, microfinance and co-operatives to utilize the model.

South Africa implemented the agent banking model in the year 2004 with South Africa Reserve Bank regulating the operation of the model. This has seen the country extend the financial services to low income population, which initially did not access finance (CGAP, 2008). Tanzania effected its law on the branchless banking in 2013 and has since been able to reach out to a big number of its unbanked population although it still has a challenge in managing liquidity problem (Thiong'o, 2013).

Since 2011, two major Kenyan banks namely KCB and Equity have been rolling out their branchless banking within East Africa region. The banks have been offering stiff competition to the local banks in these countries. They have been casting their nets wider through branchless banking to get closer to the low-income earners and in areas with poor infrastructure (Ssekyondwa, 2017). Stable connectivity and wider network of the two banks' agents has made it difficult for Ugandan banks to catch up with it. The two banks have successfully on boarded quite a good number of customers to consume their financial services in the last two years (Ssekyondwa, 2017).

Thiong'o (2013) notes that Kenyan Commercial banks which have adopted the agency-banking model have reaped a handful of commission from the agency banking business. According to the Kenya Bankers of Association in their estimates, deposit transactions make up about 40 percent of the agent transactions, while withdrawals accounts for about 36 percent. Equity bank has managed to migrate the cash transactions to agents and expect the number of agent transactions to exceed those of banking halls in the next few years. This will allow the bank halls to handle high value transactions, corporate clients and SMEs. Agents will handle lower transactions like account opening, withdrawals and deposits (Mwangi, 2013).

1.1.1 Concept of Agent Banking

Agency banking is a mode of banking where an agent enters into a legal contract to offer particular services of a bank. The contract is binding to both parties and the bank act as a principal while an agent can be any individual who is willing and qualified to offer financial services on behalf of the principal. The contract however is supposed to comply with CBK's prudential guidelines on agent banking. These services range from deposits, withdrawals to utility payments (Basoga, 2016).

Banks intending to offer agent-banking business are first supposed to seek for approval from the Central Bank of Kenya (CBK, 2010). One agent may act as an agent of more than one bank at ago but at the customer end, the outlet is supposed to offer services of a single bank. The bank assigns the agent one of its branches for supervision and monitoring of its activities. An agent is provided with a POS machine with sim connectivity to the bank's system. During the transaction, an agent is expected to identify the customer through national identity cards, PIN or biometrics (BB, 2009). The agent operates on a 'float' system just as the case in mobile banking, this means they will need to have a point to deposit the excess cash and appropriately not far from their operation areas (Ngigi, 2015). The commission accrued from the services offered by agent is shared between the bank and the agent according to the agreed commission structure.

The concept behind it is to infiltrate into rural and remote areas and make banking services available to the rural and remote population at a much affordable cost. It is also a strategy of decongesting banking halls and migrating customers to bank at their convenience. The agents operate with a lot of flexibility and can cover areas that telecommunication industries may not (Basoga, 2016).

At the onset of 2010 when the CBK introduced agency banking, there were perceived challenges that the uptake might be slow due to the failure by the public to embrace it over security and confidentiality concerns. However, some years later, the public have embraced the model, which Kenyan Banks are now busy replicating in regional countries (Ngigi, 2015).

Prospective agents are subjected to a vetting against reputation and morals by a respective bank. They have to hold a clean certificate of good conduct and CRB certificate from the relevant authorities. Legally registered companies must provide records of audited accounts and be of good financial reputation. The services a particular agent should offer is determined by the bank based on their risk assessment and regulations (The Standard, 2016).

Agents offer a range of banking services ranging from deposits, withdrawals, account balance inquiry, generating mini-statement reports, SACCO transactions, school fee payment, NHIF, KRA and utility bill payment. Customers can now make these transactions with unlimited banking hours at their neighbourhoods without having to go and que in banks for long hours and over a long distance (Bankelele, 2017).

Agency banking picked up in Kenya in the year 2011 after the Central Bank of Kenya enacted prudential guidelines in the year 2010 (Banker, 2011). According to CBK report (2015), 17 commercial banks and 3 microfinance had adopted agency-banking model with agents spread countrywide. The number of transactions rose by 13.2% as compared to the previous year due to increased confidence and acceptability of the agency banking model as an efficient and effective channel of delivering financial services (CBK, 2015). Over 90% of the agents belong to three banks namely; Equity, KCB and Co-operative Bank. Equity bank has a bigger share of these agents with its numbers being associated

with numerous branches spread out in the country. This is brought about by the fact that the agents manage their liquidity from the nearest branch.

1.1.2 Deposit Mobilization by Commercial Banks

According to Bartleby (2012), Commercial banks are those financial institutions that accept deposit of an individual and offer credit facilities. They are a good source of working capital to trade, industry and agricultural sector. They transfer funds from savers to users. Deposit mobilization is an initiative to raise bank's deposits; the Head office of a bank fixes an annual target that is then subdivided to the regions then branch and eventually each member of staff (Nampoothiri, 2018).

Deposit mobilization is a core activity of commercial banks. Banks mobilize deposits in form of savings, utility and bill payments. While the banks obtain commission from charges levied to individual customer accounts, they also accumulate working capital through deposit mobilization (Narayana, Kalyan and Panigrahi, 2015). Commercial banks play a critical part in the current economies and are the centre of any financial system. Through their lending and investing activities to borrowers and business, they make funds available. They therefore need to mobilize their deposits in a profitable, secured and marketable sector (Bartleby 2012).

Classical economist explains that business community gains from the community savings invested elsewhere. Capital formation of a banking system involves collection of current funds for uncertain future benefit. When customers make deposits to the banks, the banks have to invest them in other ventures that multiply their production (Narayana, Kalyan and Panigrahi, 2015). According to KDIC (2018), commercial banks are an important sector in Kenyan economy; they facilitate payments, act as link between depositors and borrowers, and act as agents for the transmission of monetary policy. They are likely to

face solvency and liquidity risks because they convert short-term liquid deposits into long-term and less liquid loans.

From the CBK's statistics, Kenyan banks have shifted their deposits into demand deposits and reduced their loan maturities to less than 5 years because of unstable banking sector accustomed with capping of interest rates. Customer deposits mobilized through agency banking and mobile phone transactions rose by 7.1% in the first quarter of 2017 as opposed to the first quarter of 2016. These demand deposits accounted for 53.7% in the total deposits (CBK, 2017). The statistics further shows that 51.5% of the transactions done by bank agents are cash deposits with 1.4% being payment of bills and utilities.

Tier 1 banks held on to big and cheap deposits as their customers faced an unexpected credit shortage. The banks mobilized about Sh. 2.1 trillion deposits through their current accounts that translated to a 12.5% rise as compared to the previous year. In addition, the interest expense on these deposits grew by 1.02% (Alushula, 2018). Despite the various challenges faced by the banking sector ranging from interest rate capping, prolonged drought in the agricultural areas of the country and intense electioneering period in Kenya, the banks managed to raise their customer deposits by 11 percent in 2017 as opposed to the previous year (CBK, 2017).

Equity Bank is leading with 3234 agents, followed by KCB with 2600 and Cooperative Bank with about 1800 agents (CBK report, 2011). NBK began agency banking in the year 2013 (NBK report 2013). The introduction of agency banking by banks and deposit taking microfinance institutions were aimed at increasing the level of formal financial inclusion in underserved and un-served areas (CBK report, 2013). The number of banks conducting agency banking has increased by 30% in the period 2012 to 2013 economic

years while the number of approved agents increased by 228.6% (from 7,144 to 23,477) by the end of December 2013. The number of transactions increased by 40% from 29,937,112 transactions recorded in 2012 to 42,056,854 transactions in 2013 (CBK report, 2013). Though deposits transactions are more than withdrawal transactions in agency banking, banks should motivate agents by giving them incentive so that they don't charge customers who goes to deposit in agents.

On the converse, banks suffered a lot in terms of lending and pre-tax profitability. The lending reduced by 5 percent and pre-tax profitability by 9.6 percent as opposed to the previous year. Among the strategies that banks employed to respond to these challenges includes reviewing their business models by embracing digital channels and automating their services to improve on throughput and service delivery as well as integrating their channels to better their customer experience (CBK, 2017).

1.1.3 Commercial Banks

Among the 44 licensed commercial banks in Kenya, 18 of them has embraced agency banking as part of their alternative banking channels, CBK (2017). The study will revolve around the top four performing banks in terms of agency banking. The banks on focus are; Equity bank, KCB, Co-operative and Family Bank with their respective agents duped as Equity agent, KCB *Mtaani*, *Co-op Kwa Jirani* and *Pesa Pap*.

Equity bank has its head office in Nairobi, Kenya with subsidiaries in Uganda, South Sudan, Rwanda and Tanzania with its shares listed in NSE and USE. Founded in 1984 as Equity Building Society tasked with providing mortgage financing to the low-income population, it run into financial insolvency in 1993 that saw its transformation from microfinance to a commercial bank. The bank pride itself with over 9 million customers and as the bank with largest customer base.

Equity bank limited strives to offer inclusive; customer focused financial services that socially and economically empower its customers. Its management is rooted on a seven board member committee with Dr. James Mwangi being at the apex as the managing director and chief executive officer. The bank has 173 branches and thousands of ATM machines spread countrywide with majority of the branches being within Nairobi. Equity bank aggressively rolled out their agency banking services across the country ahead of the other banks which adopted the channel in 2011 (Matara, 2018).

KCB bank is among the Kenya's tier 1 commercial banks that launched its agency-banking channel back in 2011. The management comprise of a board of 8 directors with Joshua Oigara running the business as the Group's CEO and Managing director. It has over 200 branches across East Africa with 192 branches across the 47 counties. The bank has since rolled its agencies throughout the country leading to increased transactions from the external tellers and a reduction in the branch transactions.

In their half-year financial report, the bank stressed importance of agency and mobile banking as a fundamental part of their business (Maina, 2018). The bank has 39 branches in Nairobi County with some of them operating for extended hours and has rolled out intelligent ATMs that take deposits and credit customers' accounts in real time; a move they believe will simplify their customers' world and enhance their progress. The bank cited a growth in their deposits owing to a "flight to safety" phenomenon following collapse of some banks (Otieno, 2018).

Co-operative bank is among the Kenya's tier 1 commercial banks and evolved as a co-operative society that has since been owned by co-operative societies in Kenya. The societies accounts to 64% of its stake. The bank pride itself as a best bank for SMEs in Kenya and bagged award on the same in 2018. From its website, the bank is managed by

a team of 18 board of directors with Dr. Gideon Muriuki as the group managing director and CEO.

The bank has 150 branches spread across the country with 51 of them within Nairobi County. The bank announced its plans to double up their agents last year in a bid to grow its presence in the market and boost revenue through non-funded income (Ngugi, 2018). It is the first bank to introduce their agents inside branches in a strategy to migrate their customers from the banking hall to the alternative channels. The bank stationed at least three agents in every branch to serve their customers and inform them of other services than can be done out of branch including use of the bank's mobile money service. Since then, the bank has seen a reduction in customer traffic in the halls and has withdrawn some of the in-branch agents (Mwaniki & Ciuri, 2016).

According to its website, Family bank founded in 1984 as a building society has grown to a bigger tier 2 bank with over 1.8 million customers. The bank is managed by a team of eight directors with Dr. Wilfred Kiboro sitting at the centre as the chair. The bank has 102 branches spread across the country and 25 of them within Nairobi County. The bank notes that over 30% of their transactions are handle by their agents. Moreover, pride itself with over 3,000 agents across the country.

Otieno (2018) explains that the bank posted a net loss of sh.743 million against sh. 963 million the previous year. This saw the bank into taking a drastic measure of cost cutting by closing down three of its branches and leveraging on their agents to serve their customers in the affected branches. The bank rolled out a campaign to double their agents in 2016 in an effort to deepen their financial inclusion and avail their service to their customers' door steps (Ochieng, 2016).

From the Central Bank of Kenya's annual report (2017), delivery of financial services through agent banking rise by 14% in 2017 with approved bank agents rising by 7,457 in the year 2017. At least 89 percent of approved bank agents belonged to three banks; Equity, KCB and Co-operative bank. Out of these three banks, Equity had 28,663 bank agents, which translates to 46.77% of the bank agents countrywide. KCB bank takes the second largest share of 14,466 agents while Co-operative comes third with 11,207 agents. These agents provide a basket of services to their customers without necessarily having to visit their respective bank branches. The services include debit and credit transactions, account opening, balance enquiry, bill and utility payments, debit card application and reactivation of dormant accounts.

1.2 Statement of the Problem

From the foregoing background literature, huge amount of money lies idle within the rural population who keep their money in their homes and under the pillows while banks are thirsting for them (Rutherford, 2000). Banks are exploring ways to reach out to this idle money as an ingredient to their lending process. Deposits in the Kenyan banking industry has been a game changer which banks are exploring alternative channels to obtain cheap and stable deposits.

According to CBK's 2018 report on the impact of rate capping on the Kenyan economy, the banks shunned time deposits and maximized on the demand deposits. This was as a result of CBK capping the lending rate to not more than 4% CBR rate and on deposit held by banks to at least 70% of the same rate. In 2018 however, the parliament voted for removal rate capping for deposits held. While this could work in favour of the lenders, the high bank depositors who have been enjoying good returns since 2016 suffered a big blow and pulled out their deposits (Ndubi, 2018). Consequentially, this has saw most

commercial banks turn their focus to ways of mobilizing cheap and stable deposits. One of this ways is the agency banking model that most commercial banks have bankrolled.

The backbone of banking institutions stems from deposit mobilization activities. However, since these banks rely on their existing deposits to lend to their customers, there is a relationship between deposit mobilization and banks operational activities. For these banks to suffice their deposit mobilization capacity there is a need to improve on their deposit mobilization strategies (Tuyishime, Memba & Mbera, 2015). With the daily widening customer base, these banks are likely to experience a huge number of borrowers and therefore need to have sufficient deposits to quench their borrowing thirst.

Several research studies have been done on deposit mobilization; Okun (2012) did a study on the effect of deposits on financial performance of commercial banks in Kenya. Tuyishime *et al.* (2015) did a study on the effects of deposit mobilization on financial performance in commercial banks in Rwanda. Maharana *et al.* (2015) did a study on deposit mobilization of commercial banks in Bhubaneswar City. Banson *et al.* (2013) did a research study about the role of mobile deposit in deposit mobilization in Ghana. Abishua (2010) carried out a study on the strategies used by Equity bank to compete in the Kenyan banking industry.

In view of the foregoing, commercial banks are striving to have cheap deposits that can give them a competitive edge since they will earn a good interest rate spread. Banks are releasing the wholesale deposits due to their high costs from the rates negotiated by their customers and pursuing avenues to acquire cheap deposits, (Were, 2013). While banks have invested more on the alternative channels and even increased their profitability, they are still maximizing on the channels to harvest cheap deposits and widen their customer base.

Several studies have drawn positive views about the effect of agency banking on financial performance of commercial banks and development of banking sector in Kenya. Others studied on the competitive strategies Kenyan commercial banks have used while others dwelt on effect of deposit levels to profitability of commercial banks. However, none has explained the effect of agency banking on deposit mobilization and especially on the commercial Banks. This study therefore sought to investigate the effect of agent banking in deposit mobilization of commercial banks.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study was to investigate the effect of Agent banking in deposit mobilization for the commercial banks in Kenya.

1.3.2 Specific Objectives

- i. To determine the effect of agent deposit transactions on deposit mobilization for the commercial banks in Kenya.
- ii. To determine the effect of agent account opening on deposit mobilization for the commercial banks in Kenya.
- iii. To establish the effect of agent institution payments on deposit mobilization for the commercial banks in Kenya.
- iv. To establish the effect of agent bill and utility payments on deposit mobilization for the commercial banks in Kenya.
- v. To establish the effect of the number of agents on deposit mobilization for the commercial banks in Kenya.

1.4 Research Questions

- i. What is the effect of agent deposit transactions on deposit mobilization for the commercial banks in Kenya?
- ii. What is the effect of agent account opening on deposit mobilization for commercial banks in Kenya?
- iii. What is the effect of agent institution payments on deposit mobilization for the commercial banks in Kenya?
- iv. What is the effect of agent bill and utility payments on deposit mobilization for the commercial banks in Kenya?
- v. What is the effect of the number agents on deposit mobilization for the commercial banks in Kenya?

1.5 Significance of the Study

This research study will be useful to various stakeholders in the banking and financial industry including; CBK, Commercial banks, and scholars in the field of finance.

The CBK as a regulator in the banking industry will find it good in appreciating the role of agent banking not only in deposit mobilization but also in boosting the financial inclusion in the country. It will also find it resourceful in implementing more policies to curb on money laundering and terrorism financing and on streamlining interest rate capping on deposit held by banks. The study was of value to the banks under the study in exploring more ways to streamline their agency-banking model to suit the dynamic and ever competitive market.

The study will provide hindsight to other commercial banks in determining whether to adopt the agent-banking model as strategy of mobilizing cheap and stable deposits. While most studies have focused on just financial performance by commercial banks, this study

will add on to the existing knowledge of agency banking and trigger further research on the strategies on deposit mobilization.

1.6 Scope of the Study

The study focused on the role of bank agents on deposit mobilization for the Commercial Banks. The four banks under the study have 140 branches spread within Nairobi County. The study limited its scope to Nairobi City due to high level of agent concentration and agent activities. The study confined itself to the Nairobi branches and focus on agent activities that amounts to the bank's deposit mobilization. CBK (2017) report shows that Equity Bank Ltd. with 25,428 agents, Kenya Commercial Bank Ltd. with 12,883 and Cooperative Bank Ltd. with 8,856.

1.7 Limitation of the Study

Agency banking is not an exclusive variable in mobilizing cheap and stable deposits. This study does not consider other strategies the banks under the study employs in deposit mobilization and as such, the results were only subject to agent banking. Since the banks' branches are spread within the country, it may not be practical to visit far branches and the study only restricted itself within Nairobi that has a concentration of branches and easily accessible.

1.8 Organization of the Study

This study runs from chapter one to five. The first chapter covers the background of the study, statement of the problem, objectives of the study, research questions, significance of the study, its scope and assumptions while the second chapter covers the literature review; both theoretical and empirical with a conceptual framework. Chapter two reviews theoretical and empirical literature, summary of the literature, a critical review and conceptualize the research problem. The chapter three provides the research

methodology; research design, target population, sample design, data collection and analysis. Chapter four highlights the findings of the study as outlined in the research objectives and methodology. Chapter five presents the summary of findings, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will review both theoretical and empirical Literature on the Agent banking and deposit mobilization. It runs from theoretical review to empirical and summary of the literature. It will also provide a critical review and conceptualize the research problem.

2.2 Theoretical Review

2.2.1 Agency Theory

Founded by Jensen and Meckling (1976), the theory of agency explains the simplest form of organization where one party (the principal) contracts another party (agent) to undertake some obligations on his behalf. Ross was responsible for the formulation of economic theory of agency while Mitnick dealt with institutional theory of agency, though the main approaches of both are similar (Mwende, Bichanga & Mosoti, 2015). The two complement each other in their applications, Ross fronted the problems arising from the agency compensation where agency is considered as an incentives problem. While Mitnick drew a concept that organizations build around agency and struck a deal with agency in response to agency relationship.

Agency theory stresses out the relationship between principals like the Organization's shareholders and the agents like the organization's CEOs. In this relationship, the principal contracts an agent to deliver his obligations. The theory attempts to solve two main challenges arising from the relationship; first in ensuring that the goals of the principal and that of an agent do not conflict, and second is that both parties accommodate tolerance for risk (Mwende, Bichanga & Mosoti, 2015). The main idea of this model is that the principal is too committed to offer a particular service and so

contracts an agent to do it, but the principal still monitors it. The principal can reward agent in number of ways including profit and commission sharing (Gibbons, 1999).

Agency theory works on the assumption that both parties are driven by their self-interest; and it is in this assumption that has brought up many criticism of the theory. If both parties are inspired by their self-interest then agents are likely to pursue their own objectives, which may deviate, from the principal's hence conflict of interest yet agents are supposed to act solely in the interest of its principal (Mwende, Bichanga & Mosoti, 2015).

The agency theory stipulates the basic guidelines for banks to sub-contract bank agents who offer services on their behalf to their customers. Banks take the position of a principal while individuals sub-contracted are playing the role of an agent. This brings about the agency banking in the banking industry.

2.2.2 The Financial Intermediation Banking theory

The theory holds that banks are just financial intermediaries like non-bank financial institutions; they collect deposits and lend out to the public. The banks create liquidity by borrowing short and lending long, in other words they borrow from the depositors with limited maturities and loan to borrowers at longer maturities (Werner, 2015). Initial proponents of the theory include Von Mises (1912) who wrote about the bank activities. Banks negotiate their credit by lending other people's money. They borrow then lend. Banks can only be those who lend other people's money and not those who lend their own. The ones deposit mobilization their own are capitalists (Mises, 1912).

Although Mises claimed that this was only one function of the banks, Keynes (1936) explains that no investment takes place without savings and hence the banks need to

gather savings. Banks therefore exist in the essence of intermediating between saver and borrower. The differences between commercial banks and other financial intermediaries are the special reserve requirements and interest rates capping to which banks are bound with (Werner, 2015).

Banks are mere financial intermediaries that cannot create money but immerse themselves on a kind of risk transformation. They consolidate and transform risk on one hand and serves dealers and brokers in the credit markets on the other hand (Werner, 2015). Banks borrow from depositors and lend to borrowers, the borrowers could be investors who are short of capital to fully fuel their projects and hence resort to borrowing from banks. Deposits are cash paid in by the depositors. Tobin (1963) explains all financial intermediaries have to borrow in order to lend. Retail banks borrow from the household while the investment banks borrow from other financial institutions.

Banks play a vital economical role in balancing surplus funds to deficit funds. It reconcile varying needs of borrowers and lenders through conversion of small-size, low-risk and highly liquid cash deposits to loan which are of larger size, illiquid and with a high risk (Casu *et. al.*, 2006). Banks help economy by providing loans; however, any other financial institution can provide loans. Banks only become unique since they have available reserves from their depositors (Admati and Hellwig, 2012).

The theory asserts that banks have to source for money to suffice their lending. In that perspective, banks are using agency banking model as a tool to collect money from the public in form of savings and deposits which in turn becomes their reserve for lending.

2.2.3 The Fractional Reserve Banking theory

Similarly, this theory holds that bank is a financial intermediary; however, the banking system creates its money through multiple deposit expansion. The proponents of this theory are; Culbertson (1958), Aschheim (1959), Warren smith (1959), Paul Smith (1966) and Guttentag and Lindsay (1968). Every bank lends some percentage of its deposits, which in turn becomes another bank's deposit hence, multiple creation of deposits in the banking system. One way of creating multiple deposits is through bank transfers. Deposit creation is in an act of recording a transaction entry and by this; banks are making entries of their transactions (Werner, 2015).

An individual bank cannot create deposit out of nothing but the banking system can. A new bank's loan through an iterative process becomes a deposit to another bank. Bank A lends it and the borrower uses it either by acquiring something or spending it, the seller or the person offering the services takes the money to bank B as deposits and that is how a chain of deposit is created. What bank A used to lend is deposits from its customers and eventually bank B will use it as loan. All banks together do accomplish what one cannot (Samuelson and Nordhaus, 1995). Banks uses reserves from central banks as their input and then transforms them into a big amount of bank's money. Each bank cannot loan nor invest more than they have in their deposits. Banks therefore gets their deposits through a diffuse process that a single bank cannot control (Werner, 2015).

As the theory puts it clear, bank agents play a role in circulating funds within the network of commercial banks. They provide an avenue to customers to withdraw from one bank and deposit to another bank at the same point without necessarily having to travel to the respective banks' branches.

2.3 Empirical Review

2.3.1 Deposit Transactions and Deposit Mobilization

Katalai (2008) sought to establish the determinants of Kenyan Commercial Banks deposit growth and used Quantitative research design with time series to collect and analyse results. He notes that deposits in Kenyan commercial banks have been growing at slow rate while the demand for investment has been rising. To achieve his objective of establishing the role of commercial banks in mobilizing deposits, he used a time series data for 38 years and a single regression equation. From his findings, banks' deposit growth was highly influenced by the Structural Adjustment Programs.

Abishua (2010) highlighted the strategies used by Equity bank to compete in Kenyan banking industry. The study employed a case study design with an aim of establishing the strategies that the bank used in responding to competition. It established that Equity bank expanded its distribution network, diversified its products, developed internal resources and infrastructure and cost management.

Okun (2012) established a relationship between the deposit level and financial performance of commercial banks in Kenya. His objective was to find out if there is relationship between customer deposits and banks' profitability. Using causal research design with a target population of 44 commercial banks, he used secondary data covering a period of 8 years and analysed his data using regression model. From its findings, deposit ratio, ROE, and ROA had a strong positive relationship.

Banson *et al.*, (2014) conducted a study on the role of mobile deposit on deposit mobilization in Ghana. The study's objective was dictated by the positive uptake of mobile phone transactions in the country and deposit mobilization in the country. They used descriptive statistics with stratified, convenience and purposive sampling to collect

and analyse their data. From their finding, they discovered that mobile banking technology has proved to be an effective way of mobilizing deposits. Mobile banking proved to be a complementary deposit mobilization tool.

Maharana, Choudhury & Panigrahi (2015) carried out a study on deposit mobilization of commercial banks and noted that deposit mobilization is a core activity of banking. Collection of savings through acceptance of deposits as a way of mobilizing deposits is a basic function of commercial banks. The study took into consideration demand deposits, savings deposits and term deposits in an attempt to investigate the trend and growth in deposit mobilization. Over the five year period that the study considered, concluded that current deposits had an upward growth but fluctuated year by year. To achieve this objective, the study utilized time series data and descriptive statistics to analyse data while it used questionnaire to collect data.

2.3.2 Account Opening and Deposit Mobilization

A study on the relationship between agency banking and banks' profitability was done by Kabira (2013). The study weighed on increased customer base with the transactions' value. Most studies have focused on the relationship between adoption of agency banking and financial inclusion. This study determined to close on the gaps surrounding the aspects of loan repayments, deposits and number of customers among others. It used census to cover the banks already offering agent banking services by employing regression analysis. In its findings, volume of transactions does not directly translate into the banks financial performance as measured by ROE. Recommendation on more supervision and improved security to ensure that the agents can handle greater volumes of cash and spread deeper into the society was made.

Tuyishime, Memba and Mbera, (2015) highlighted the effects of deposit mobilization on the financial performance of commercial banks in Rwanda with Equity bank being their case study. Among their objectives were to find out the effects of marketing strategies, change of interest rates and banking technology on the performance of commercial banks. They used census to conduct their study with descriptive research design. The findings showed that the bank's marketing strategy has led to the increase customer base, deposits and interest rates have a positive relationship and introduction of innovative technology led to increase deposit with decrease costs on it.

Lotto (2016) carried out an analysis on the role of agency banking in promoting financial inclusion in Tanzania. Its objective was to assess the advantage provided by agency banking in enhancing financial inclusion. The study employed descriptive research design and used primary data to obtain its findings. In its findings, agency banking has simplified banking and brought the services close to the customers. The banks vet their agents to ensure that the agents do not face liquidity problems in their operations and this has reduced the cost of banking to the banks. It concluded that the agency-banking model has narrowed the geographical distance between the bank branches and their customers hence promoting financial inclusion.

CBK's report on developments in the Kenyan banking Sector (2016) indicates that banks still rely on customer deposits for funding their lending activities. As compared to the previous year, the sector deposits increased that year by 8.3% which translates from increased deposit accounts and alternative banking channels. Deposit accounts rose by 26.3% compared to the year 2015, part of this accounts were opened through alternative channels.

2.3.3 Institution Payments and Deposit Mobilization

Hawkins (2012), sought to establish if agency banking can improve financial inclusion in South Africa. The study measured financial inclusion through percentage of consumers utilizing more than one financial service over a period of 6 years. It concludes by suggesting that the barriers of implementing agency banking should be addressed though on its own cannot improve financial inclusion. The factors barring the channel should be addressed and monitoring be done on financial inclusion.

Mwende, Bichanga and Mosoti (2015) carried out an assessment on importance of agency banking in providing banking services to Kenyans. Its intention was to establish the functionality and contribution of agency banking in decongesting banking halls, cost of agency transactions, accessibility and convenience of agency banking. They used descriptive research design with equity bank agents being the target population. Data was collected by use of questionnaires and documentation review. They found out that the agents have brought the bank services close to the bank customers, efficient in transaction costs and offered the services for longer hours than the conventional bank branches. The agency banking model is efficient in cost and time. The agency banking offered an array of bank services ranging from deposits to balance enquiry. The study recommends that banks should integrate credit facilities into the model and ensure sufficient float all time.

Kitali, Chepkulei and Shibairo (2015), investigated how agency banking has influenced the customer satisfaction in Kenya. The study focused on service delivery time, extent to which customers consume the banking service, service quality, affordability of the service and reliability of the agents' service. The study used questionnaires to obtain data from the agent banking customers by adoption of stratified random sampling technique.

The study draws that the customers were satisfied with the agent services and can refer their peers to it.

2.3.4 Number of Agents and Deposit Mobilization

Sunguti (2013) used descriptive survey to determine the factors affecting growth of agency banking in Kenya. The use of model improved the access to service and deepened financial inclusion in the country. It greatly reduces the banks' cost of offering services and saved customers' time in accessing the services. The study used ANOVA and multiple regressions to analyse data and found out that number of customers, number of agent transactions, value of transactions and agents' commission resulted to growth of agency banking in Kenya. It further recommended other banks to adopt the channel and the existing banks to review the commissions levied as service charge on customers with an aim of making it affordable to the customers.

Watiri (2013) analyzed the adoption of agency banking model by Equity bank in its international business operations. The study utilized a case study research design and collected its data through interviews. The study realized that commercial banks are stimulated by cost reduction, improvement of customer service and expanded bank network to adopt the agent-banking model. The agents should be restructured to facilitate heavy cash transactions, accept cheques in exchange of cash and deal with foreign currency exchange.

Muigai (2015) sought to find out the role of agent banking on the development of banking sector in Kenya. It targeted all commercial banks in Kenya but sampled the banks that already adopted the agency banking model with the study considering a time scope of 5 years between 2010 and 2014. The study employed descriptive design with quantitative analysis to collect and analyse data. The study targeted all the commercial

banks despite the fact that not all the banks have adopted the agent-banking model. In addition, several strategies are taking a role in shaping the banking sector in Kenya other than the agent banking. Mobile banking technology, investment and insurance policies have been offered by banks as a form of product diversification.

Kambua (2015) explains that several banks in developing countries are adopting new ways of extending their financial services to the remote population. She sought to investigate the effect of agency banking on financial performance of Kenyan commercial banks. She adopted descriptive research design and targeted 16 commercial banks that have rolled out agency banking model. She obtained secondary for the past 3 years and analysed them through quantitative and qualitative techniques. She discovered that there exist a positive relationship between cash deposits, volume of withdrawals, and financial performance. She further finds out that bank size is directly proportional to its performance, the number of agents determines the asset size and hence the bank's financial performance.

Kambua (2015) recommends that banks should leverage more on agents through promotion so as to recruit more agents and on board more customers which in turn will raise the agents' activities. The government should also strengthen its security to boost the operation of agents and accessibility of their services. The much bureaucracy should also be simplified in order to reap more in transactions and profitability.

Ndambuki (2016) used descriptive research design and secondary data to conduct a study on the effect of agency banking on profitability of commercial banks in Kenya. The study fanned to time scope of 5 years, a period since the Central Bank of Kenya implemented agent-banking model. The study targeted 43 commercial banks licensed by CBK and sampled 12 that had adopted agency banking model. From Pearson correlation coefficient

and multiple linear regressions, the study found out that the number of bank agents has less significance in relation to profitability of commercial banks. The volume of deposits had negative significance in relation to profitability however; the study recommended that banks should further invest on agent banking in order to realize increased returns.

Remote population encounter difficulties in accessing financial services from the banks. Up to 2016, it still remained unclear how far the agency banking has influenced the growth of banking industry in Kenya (Mwenda & Ngahu, 2016). This therefore necessitated the study on the role of agency banking in growth of Kenyan banking sector. The study targeted bank agents within Nairobi County and used a descriptive survey to establish its objective. Data was collected by use of questionnaire and subjected to descriptive and inferential statistics for analysis. On its outcome, the study established that agency banking provides economies of scale to banks in providing service to the remote population and recommends other banks to exploit the channel.

2.4 Summary of Literature

Several studies have been done regarding effect of agency banking on the development of banking industry; others have attempted to explain the effect of agency banking on the performance of commercial banks while others dwelt on the effect of deposit level on the profitability of commercial banks. While most of these studies held a view that agency banking has a positive effect on the performance of commercial banks, few have attempted to explain the effect of deposit mobilization on lending and profitability of commercial banks. This study unlike many others who have focused on the causality relationship between agency banking and performance of commercial banks will attempt to establish the effect of agency banking on deposit mobilization. The below figure summarizes the literature related to this study.

Table 2.1 Summary of Literature

Source: Author (2018)

Author/s	Topic of Study	Research Gap
Katalai (2008)	Determinants of Kenyan commercial banks' deposit growth.	Did not assess the effect of agent deposits in deposit growth.
Abishua (2010).	Strategies used by Equity bank to compete in the banking industry.	The study failed to factor in agency banking model and establish its role in deposit mobilization.
Okun (2012)	Effect of level of deposits on financial performance of commercial Banks in Kenya.	The study took a causal research design while the current study will take descriptive research design and study the past 5 years (2013 – 2017).
Watiri (2013)	Adoption of agency banking by Equity bank in its international business operations.	Used content analysis and interviews as a tool for collecting data. The study failed to incorporate questionnaires and establish what role the model plays in the bank's operations.
Muigai (2013)	Role of agency banking on the development of banking sector in Kenya.	The study sampled all agent banks while the current study will specifically target Equity bank. Also did not explain what development of banking industry entails.

Jagongo & Musau (2015)	Analysis of the utilization of agency banking on the performance of Kenyan banks.	The study sampled all banks that have adopted the agency banking model but did not explain whether agency banking has effect on the banks deposit mobilization.
Choudhury & Panigrahi (2015)	Deposit mobilization of commercial banks in Bhubaneswar City of India.	The study failed to explain what strategies this banks have put in place to mobilize the deposits.
Kitali, Chepkulei & Shibairo (2015)	Impact of agency banking on customer satisfaction. A survey on agent banks in Kenya.	Targeted customers only and did not explained which specific transactions the customers are satisfied with.
Mwende, Bichanga & Mosoti (2015)	Importance of agency banking in provision of Banking services in Kenya. (A case study of Equity bank in Kitui Central).	While the study acknowledges that agency banking model has brought services closer to the banks customers, it did not explain how banks has benefited in terms of deposit mobilization from this model. The study used inferential statistics while the current study will use descriptive statistics.
Banson <i>et.al.</i> ,(2015)	Role of mobile deposit mobilization in Ghana.	The mobile technology has been effective in mobilizing deposits. The study failed to complement agency

		banking model in its deposit mobilization for the banks.
Tuyishime, Memba & Mbera (2015)	Effects of deposit mobilization on financial performance of commercial banks in Rwanda. (Case study of Equity Bank, Rwanda).	Marketing strategies have built the bank's brand and led to rise in deposits mobilized over the years. There exist a positive relationship between deposit mobilization and financial performance of the bank. The study failed to explain the methods used by the bank to mobilize deposits.
Lotto (2016)	Role of agency banking in promoting financial inclusion in Tanzania.	Agency banking has simplified banking and lessen the travel time for customers. Cost of banking is low and with less liquidity problem. Focused on the financial inclusion only and not the benefits of deposits collected through agents.
Mungai & Omagwa (2017)	Challenges associated with adoption of agency banking and bank performance.	The study only focused on the challenges of adoption and not its role in banks performance.

2.5 Conceptual Framework

The conceptual framework of this study brings out relationship between agent banking and deposit mobilization as shown in the figure below.

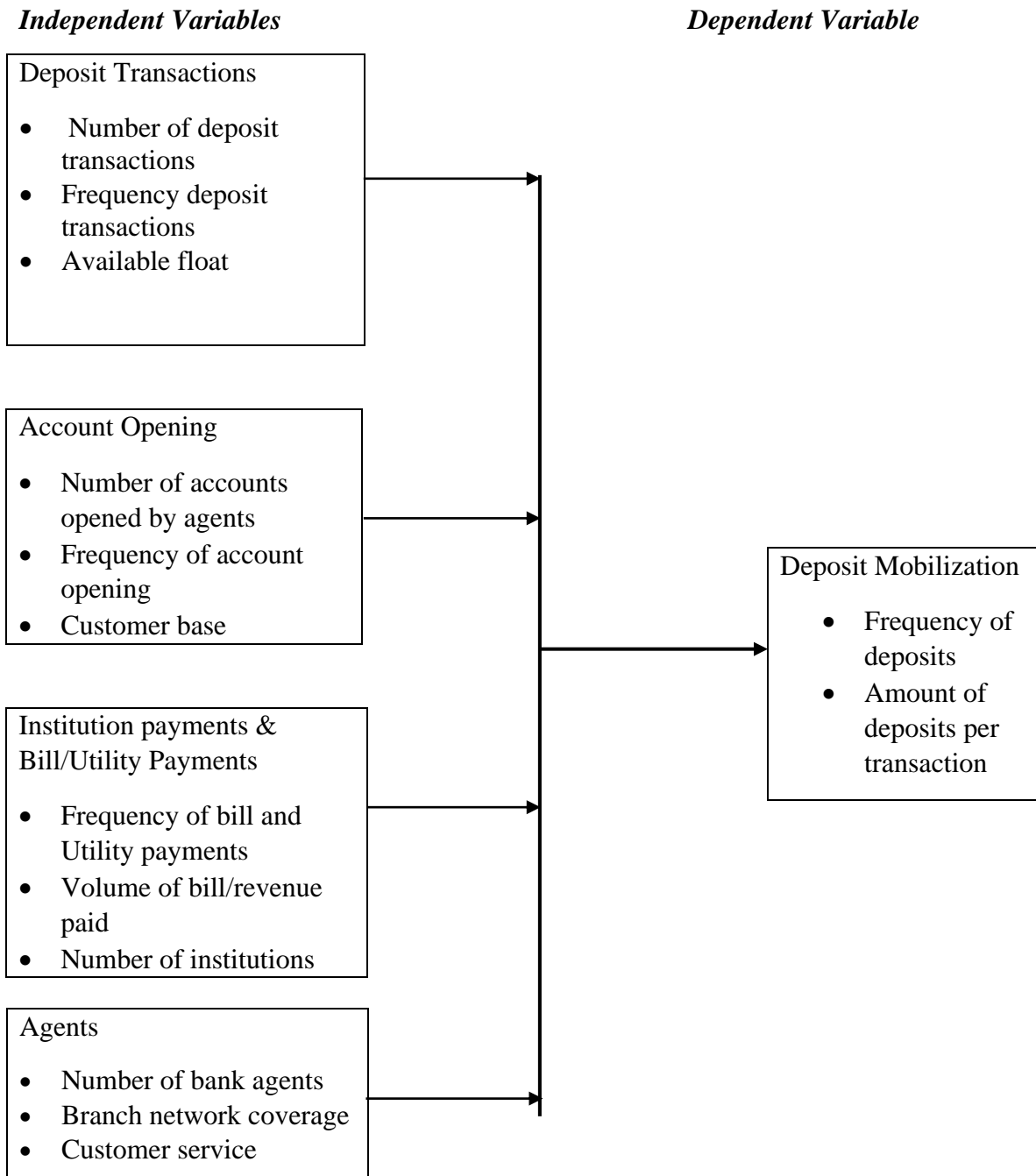


Figure 2.1. Conceptual framework

Source: Author 2020

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter defines and discusses the research design that the study will take and justify why it was appropriate. It also describes the population from which the sample was drawn and discussed the sample design that was applied in the study. In addition, it describes the type of data to be used and the appropriate data collection method. It further explains how the data was analysed and presented plus the ethical considerations that was observed during the research course.

3.2 Research Design

According to Kothari (2004), Research design constitutes making a decision on what, where, when, how much, and by what means concerning a research study. It is the conceptual structure within which the study is conducted and smoothens the various research operations making it efficient as possible to yield maximum information with minimum cost. The study adopted a descriptive research design to investigate the effect of agency banking in deposit mobilization for the banks under the study. Descriptive design was appropriate as the study involved quantitative variables and allowed for generalization of findings to the larger population and allowed analysis and relation of variables.

3.3 The Target Population

The target population refers to the group, individuals or objects under the study and to which the researcher is interested in obtaining its information. It is from it that sample can be drawn (McLeod, 2014).

The target population of the study was four commercial banks' branches within Nairobi County. The banks have 140 branches spread out within Nairobi County (Matara, 2018). The unit of analysis was the 140 branches while the unit of observation was the branch managers, agency banking officers and bank agents. The target population of the study was therefore 152 respondents including 4 branch managers, 8 agency banking officers and 140 bank agents as depicted in Table 3.1.

Table 3.1 Target Population

Target Group	Population
Branch Managers	4
Agency Banking Officers	8
Bank Agents	140
Total	152

Source: Respective Banks (2019)

3.4 Sample Design

Sample size is a number of respondents that represents the attributes, behaviour or characteristics of the whole population drawn from (Kothari 2004). The sample size should neither be too large nor too small but rather an optimum size. Optimum size is the one which fulfils the requirements of efficiency, representativeness, reliability and flexibility. However, population variance, confidence level and cost should be factored in while drawing a sample size.

For a finite population, Yamane's formula of corrected sample size can be used. Finite population is a population where the number of items is certain (Kothari 2004). Since the study is certain of its population, Yamane formula of corrected sample size was used to obtain the study's sample size. Yamane (1967)'s Formula;

$$n = N/(1+Ne^2)$$

Where, n is the corrected sample size, N is the population size and e is the Margin of error (for precision purpose, the study considered a confidence interval of 90% and thus a margin of error value is 0.1).

$$n = 152 / (1 + (152 \times 0.1^2))$$

$$= 152 / 2.52 \approx 60 \text{ branches}$$

Bhat (2019) explains that stratified random sampling technique is appropriate where the whole members of population can be divided into sub-groups called strata so that members can be picked randomly from the strata. Members in each of the sub-groups should be distinct so that each can have an equal chance of being selected randomly.

3.5 Data Collection Instrument

This study used primary data that was collected by use of a semi-structured questionnaire and was administered orally in form of an interview. The questionnaires were administered on a face-face manner, which were filled by the respondents and picked by the researcher. Semi-structured questionnaire contains both open and close-ended questions (Pillai, 2014). Other than its practicability and cost effectiveness, the tool is appropriate for a descriptive survey that requires both qualitative and quantitative data.

3.5.1 Reliability and Validity of the Research Instrument

This research instrument was pilot tested on The National Bank of Kenya branches that were picked randomly within Nairobi County, before it was administered to the respondents in order to establish its validity and reliability. Mugenda and Mugenda (2003), notes that pilot testing is an act of administering the data collection tool to a small section of the intended respondents in order to test its acceptability and consistency. The tool was administered to 10 percent of the intended sample size for pilot testing.

3.6 Operationalization and Measurement of Variables

Variable	Indicators	Measurement
Deposit Transactions	<ul style="list-style-type: none"> • Volume of deposit transactions • Number of deposit transactions • Available float 	Use of Multiple Choice Questions
Account Opening	<ul style="list-style-type: none"> • Number of accounts opened by agents • Frequency of account opening • Customer base 	Use of Multiple Choice Questions
Institution payments & Bill/Utility Payments	<ul style="list-style-type: none"> • Frequency of bill and Utility payments • Volume of bill/revenue • Number of institutions 	Use of Multiple Choice Questions
Number of Agents	<ul style="list-style-type: none"> • Number of bank agents • Branch network coverage • Customer service 	Use of Multiple Choice Questions
Deposit Mobilization	<ul style="list-style-type: none"> • Frequency of deposits • Amount of deposit per transaction 	Use of Multiple Choice Questions

3.7 Data Collection Procedure

The researcher sought an introductory letter from the University and a permission from the commercial banks to carry out the study. During the data collection process, the researcher visited the commercial banks and made appointments for data collection through the branch managers. The researcher personally distributed the questionnaires and collected them. The respondents were informed of the purpose of the study and given an information leaflet which was on the front page of the questionnaire. They read the contents on the leaflet and decide whether or not to participate.

3.8 Data Analysis and Presentation

Data collected was analysed using descriptive statistics. These statistical tools include percentages, frequencies, means and standard deviation. Advance statistical techniques (inferential statistics) were also used. SPSS, MS Excel were used to analyse data and generate quantitative reports which were presented through tables, charts and graphs. Qualitative data was analysed by use of content analysis. Multiple regression analysis was used to determine the relationship between the independent variables and dependent variable.

Multiple regression model;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \alpha$$

Where Y is the dependent Variable (Deposit mobilization).

β_0 = constant term

β = linear coefficient which determines the model's power

X_1 = deposit transactions

X_2 = account opening

X_3 = institution payments & bill/utility payment

X_4 = number of agents

α = the standard error term

Analysed data was presented in form of charts, graphs and frequency tables.

3.7 Ethical Considerations

In order not to infringe on the privacy rights of the respondents, the researcher conducted himself in a professional manner by introducing himself and assuring the respondents that the study is only meant for academic purposes and their information was treated with utmost confidentiality. Further, they were told of their liberty to take part or not to in the study, or withdraw at any point without any restrictions. A clearance letter was obtained from Kenyatta University, Department of Accounting and Finance. The researcher also explained to the respondents the value of the study and promise to share with them the research findings.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

The purpose of this research was to analyse the effect of agency banking on deposit Mobilization in the Commercial Banks in Nairobi Area, Kenya. This chapter highlights the findings of the study as outlined in the research objectives and methodology.

4.2 Questionnaire Response Rate

The study sampled 60 respondents and managed to collect data from 56 branches of the Commercial Banks in Nairobi. This represented 94.9% response rate.

4.3 Demographic Information

In this section, the study sought to find out the demographics of the respondents including their gender, years in the commercial bank, how long the bank has been offering agency banking, the number of agents, time of operation; days of the week on operation as well as the kind of services offered at the agency banking. The study findings were as presented.

4.3.1 Gender of the Respondents

The study findings on the gender of the respondents revealed that majority of the respondents (72.0%) were male as compared to 28.0% who were female as illustrated in figure 4.1 below.

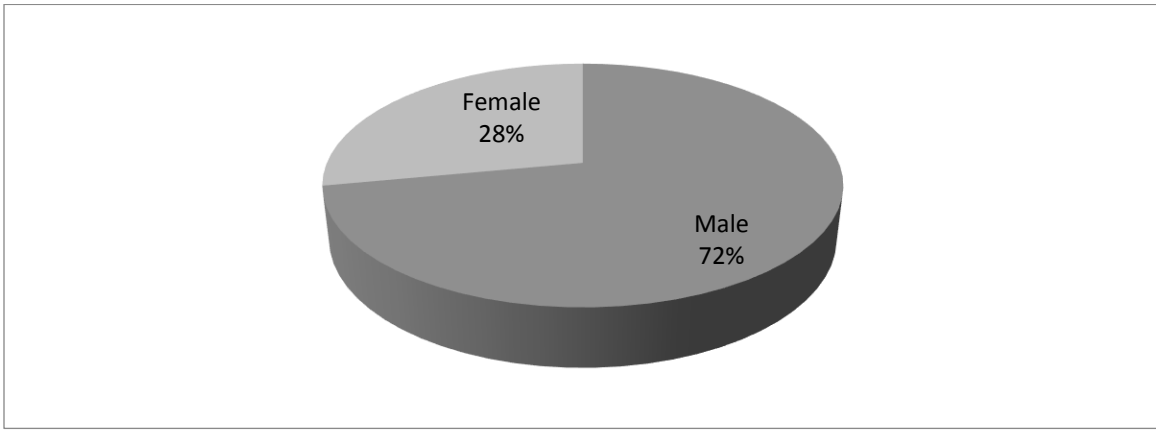


Figure 4.1: Gender of the Respondents

4.3.2 Number of Years in the Bank

Table 4.1 Number of Years in the Bank

Number of Years in the Bank	Frequency	Percentage
Below 5 years	18	30.9
5-10 years	34	61.8
Over 10 years	4	7.3
Total	56	100

The study sought to find out the period the respondents had worked for the bank. The findings were highlighted in table 4.1. 61.8% of the middle managers had been in the bank for 5-10 years, 30.9% had worked in the bank for less than 5 years while the rest had been in the commercial banks for over 10 years.

4.3.3 Duration of Offering Agent Banking Services

The study sought to establish how long the bank has been offering agency banking, the study results were as presented in table 4.2

Table 4.3 Duration of Offering Agent Banking Services

Duration	Frequency	Percent
0-3 years	8	12.7
4-6 years	29	52.7
7-10 years	19	34.5
Total	56	100.0

The study results revealed that majority of the commercial banks (52.7%) have been offering agency banking for 4-6 years, 34.5% have been offering agency banking for 7-10 years whereas 12.7% have been offering agency banking for less than 3 years.

4.3.4 Number of Agents

The study sought to find out the number of agents operated by the commercial banks. The study results were as presented.

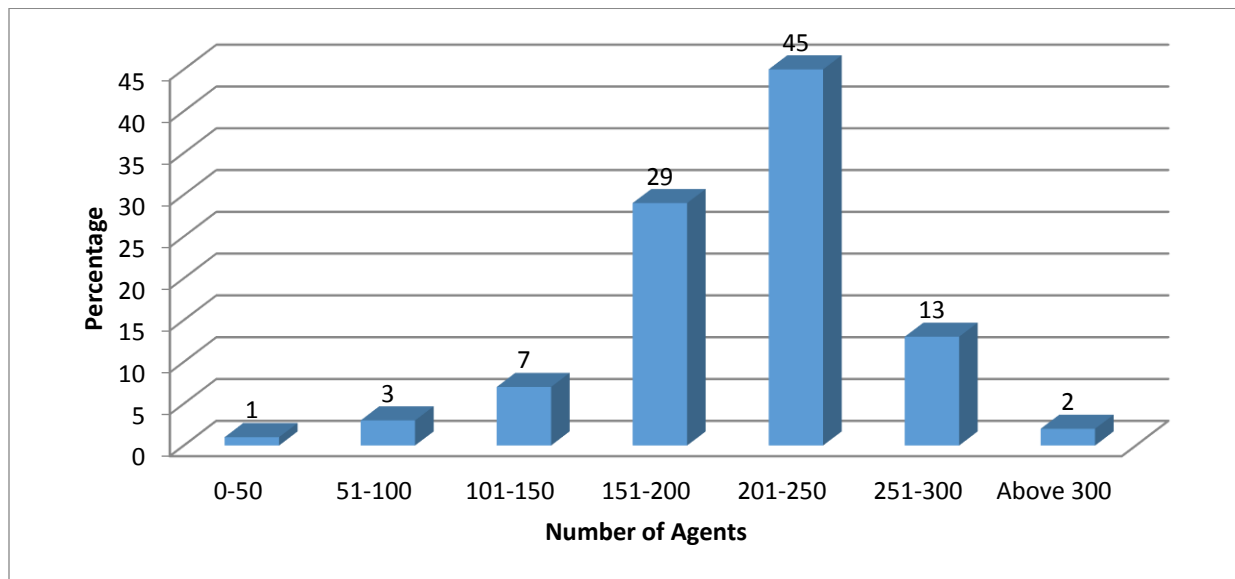


Figure 4.2: Number of Agents

The study inquired the number of agents in operation among the Commercial Banks. Figure 4.2 outlines their responses, 45.0% had 201-250 agents, 29% had between 151 and

200 agents and 13% had 251-300 agents operating while the rest contributed to 13% of the number of agents operating among the Commercial Banks.

4.3.5 Time and Days of Agent Banking Operations

The study sought to determine the time of operation and the days of the week on operation of the agent banking services. The study results were as depicted in table 4.4.

Table 4.4: Time and Days of Agent Banking Operations

Time and Days	Frequency	Percent
8 hrs.	9	14.5
10 hrs.	35	63.6
12 hrs.	12	21.8
Total	56	100.0
Mon-Fri	11	18.2
Mon-Sat	37	67.3
All days of week	8	14.5
Total	56	100

The study results on the time of operation of agent banking services revealed that 63.6% operated for 10 hours; 21.8% operated for 12 hours and that 14.5% operated for 8 hours. The study findings on the days of operation revealed that 67.3% of the agents operated from Monday to Saturday; 18.2% operated from Monday to Saturday while 14.5% operated all the days of the week.

4.3.6 Services Offered by the Agent Banking Services

The study sought to establish the kind of services offered at the agency banking. The study findings established the agent banking services offered the following services; account opening, bill and utility payment, deposit transactions, mobile banking services as well as card withdrawal transactions.

4.4 Specific Objectives of the Study

In this section, the study sought to answer the specific objectives of the study. These included; to determine the effect of agent deposit transactions on deposit mobilization for the Commercial Banks; determine the effect of agent account opening on deposit mobilization for the Commercial Banks; establish the effect of agent institution payments and bill/utility payments on deposit mobilization for the banks under the study and to establish the effect of the number of agents on deposit mobilization for the Commercial Banks. They were analysed and presented as follows.

4.4.1 Agent Deposit Transactions and Deposit Mobilization

The first objective of the study was to determine the effect of agent deposit transactions on deposit mobilization for the Commercial Banks. The study used descriptive statistics to analyse the results and the findings were presented as follows.

Table 4.5: Average Monthly Number of Deposit Transactions

Monthly Number of Deposit Transactions	Frequency	Percentage
Less than 1000	10	19
1000-5000	42	76
5000-10000	4	5
Total	56	100

The study findings revealed that most of the agent banking (76.0%) performed between 1000-5000 transactions per month, 19.0% performed less than 1000 transactions per month and that only 5% managed between 5000-10000 transactions per month.

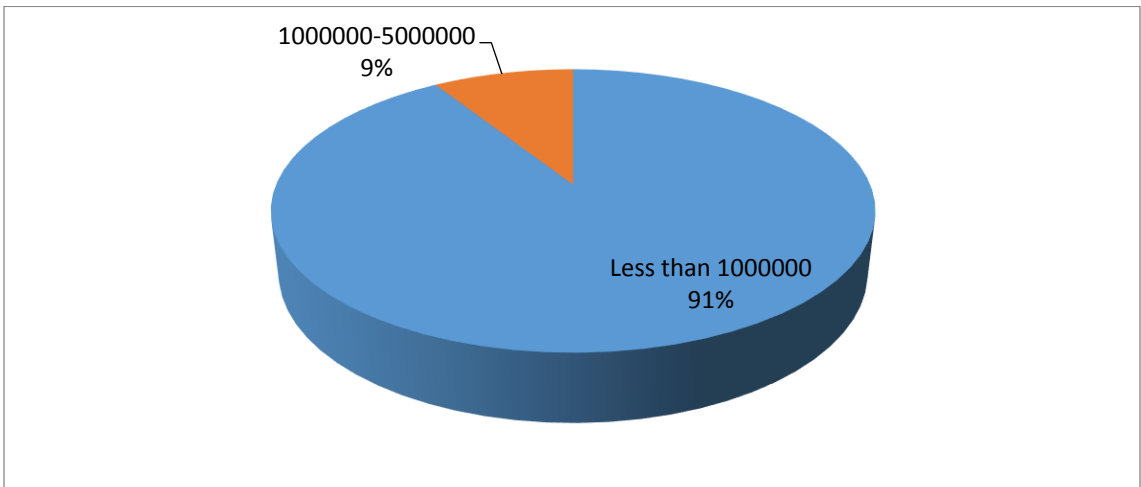


Figure 4.3: Average Monthly Throughput Deposits

The study findings revealed that most of the agent banking services (91.0%) managed an average monthly throughput of less than 1,000,000 as compared to only 9.0% who managed between 1,000,000 – 5,000,000 average monthly throughputs of deposits.

Table 4.6: Maximum Amount of Deposit Per Agent Transaction

Maximum Amount of Deposit	Frequency	Percentage
Less than 20,000	7	12
20,000-100,000	39	71
100,000-500,000	10	17
Total	56	100

The study results showed that majority of the agents accepted a maximum deposit of between 20,000 -100,000 per transaction; 12.0% of the agents accepted a maximum deposit of less than 20,000 whereas 17.0% of the agents accepted a maximum deposit of between 100,000 and 500,000.

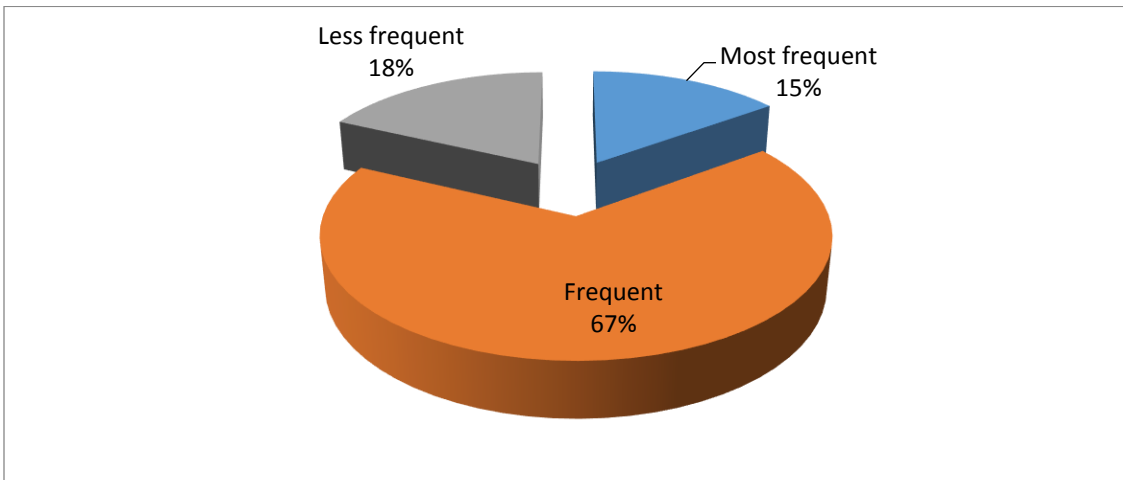


Figure 4.4 Frequency of Deposits

The study findings revealed that 67.0% of the agents observed that customers made deposits frequently, 18.0% of the agents observed that customers made deposits less frequently and 15.0% of the agents observed that customers made deposits more frequently.

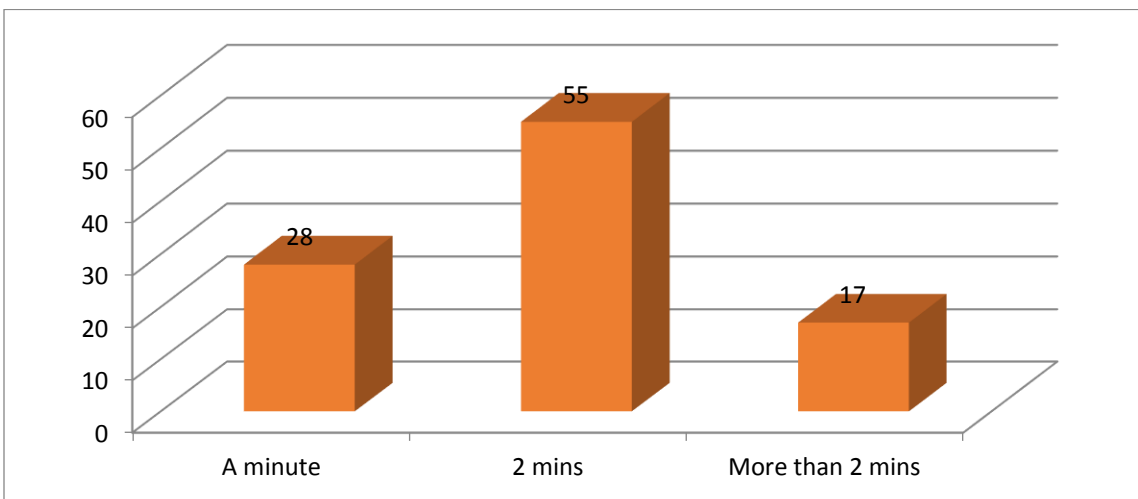


Figure 4.5 Duration of Deposit Transaction

The study results revealed that 56.0% of the agents noted that a deposit transaction took 2 minutes, 28.0% noted that a deposit transaction took a minute while 17.0% said that a deposit transaction took more than 2 minutes.

The study results on whether agent deposit transactions has an effect on deposit mobilization revealed that majority of the agents (96.0%) agreed that agent deposit transactions has an effect on deposit mobilization as compared to only 4.0% who disagreed that agent deposit transactions has an effect on deposit mobilization.

These findings were supported by Ndambuki (2016) who found that the number of agents has a minor significance in the positive direction in relation to deposit mobilization and the volume of deposits related significantly negative with deposit mobilization of commercial banking institutions in Kenya. The volume of withdrawals and volume of bill of payments had an insignificant negative relationship with the deposit mobilization in the studied institutions. An increase in the number of agents increases the deposit mobilization and a decrease in volume of deposits, withdrawal and bills payments negatively affects the deposit mobilization of commercial banking institutions. Pesa and Muturi (2015) observed that agent transaction influences deposit mobilization by bank agents in Kenya to a great extent, requirements for cash deposits are made in Co-operative Bank of Kenya branch thus influencing deposit mobilization by bank agents in Kenya negatively.

The above findings are similar to those of various scholars. For instance, Ndungu and Wako (2015) support that agency banking creates an additional market segment to the banking institutions, which significantly increased the deposit mobilization as a result of the increase in deposits and also other transactions through the deepened financial inclusion. Veniard (2010) also support that agency banking brings the services more closer to the target customer, and that agency banking may further gain from further revenue that is generated from transactions that are acquired by the agent, for example the person-to person and payment of bills. Mimano (2014) concluded that agency

banking had resulted in greater uptake of financial services, which has resulted in more revenues for the banks.

4.4.2 Agent Account Opening and Deposit Mobilization

The second objective of the study was to determine the effect of agent account opening on deposit mobilization for the Commercial Banks. The study results on this objective were as presented as follows.

Table 4.7: Type of Accounts Opened by Agents

Type of accounts opened	Frequency	Percent
Ordinary Account	32	58
Current Account	17	30
Jijenge Account	3	3
School fees account	4	7
Savings account	1	2
Total	56	100

The study results revealed that majority of the agents (88.0%) opened ordinary and current account as opposed to opening other accounts.

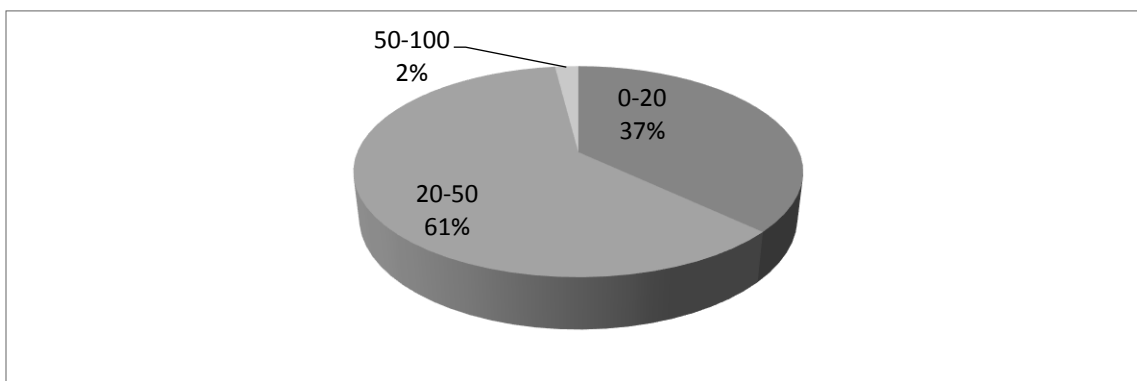


Figure 4.6: Number of Accounts Opened per Month

The study findings revealed that 61.0% of the agents opened between 20 and 50 accounts per month; 37.0% opened less than 20 accounts and only 2.0% opened between 50-100 accounts per month.

The study results found that for one to open an account with the agents, they were required to have one of the following documents; national identity card, passport photo, KRA pin, or police abstract depending on the agent/bank one wanted to have an account with. On the minimum amount required to open an account, all the agents cited less than 500 shillings.

The study results on whether agent account opening affected deposit mobilization for the Commercial Banks, revealed that most of the respondents (53.0%) agreed that agent account opening had an effect on deposit mobilization for the Commercial Banks as compared to 47.0% who disagreed that agent account opening had an effect on deposit mobilization for the Commercial Banks as depicted in figure 4.7.

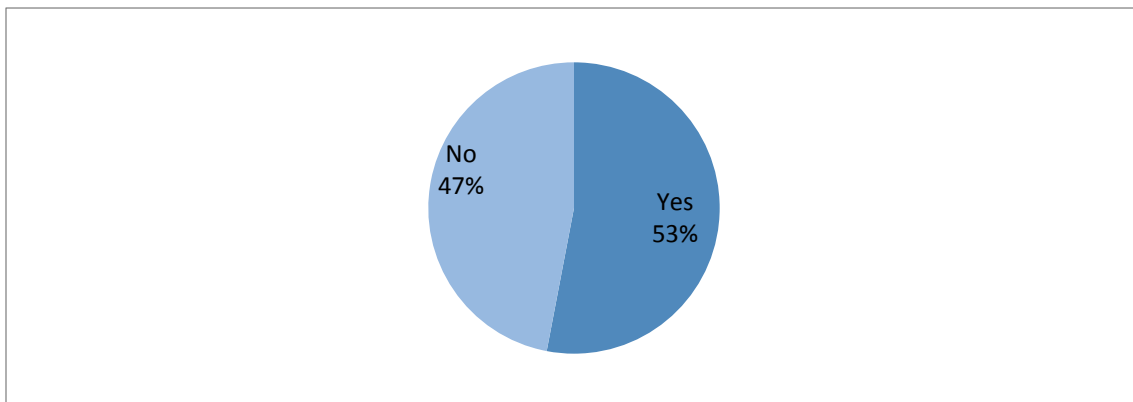


Figure 4.7 Agent Account Opening and Deposit Mobilization

On the extent to which the agents agreed that agent account opening had an effect on deposit mobilization for the Commercial Banks revealed that 42.0% agreed, 18.0% were neutral; 30.0% disagreed and that 10.0% strongly disagreed.

4.4.3 Agent Institution payments/Bill or Utility Payments and Deposit Mobilization

The third objective of the study was to establish the effect of agent institution payments and bill/utility payments on deposit mobilization for the banks under the study. The study results on this objective were as follows.

The study findings on whether the agents make payments for bills and utilities revealed that all the agents agreed that they make payments for bills and utilities. On how frequently do they make bill and utility payments, the study results revealed that 40.0% made bill/utilities payments more frequently, 45.0% made bills/utilities payments frequently and 15.0% made bills/utilities payments less frequently as presented in figure 4.8

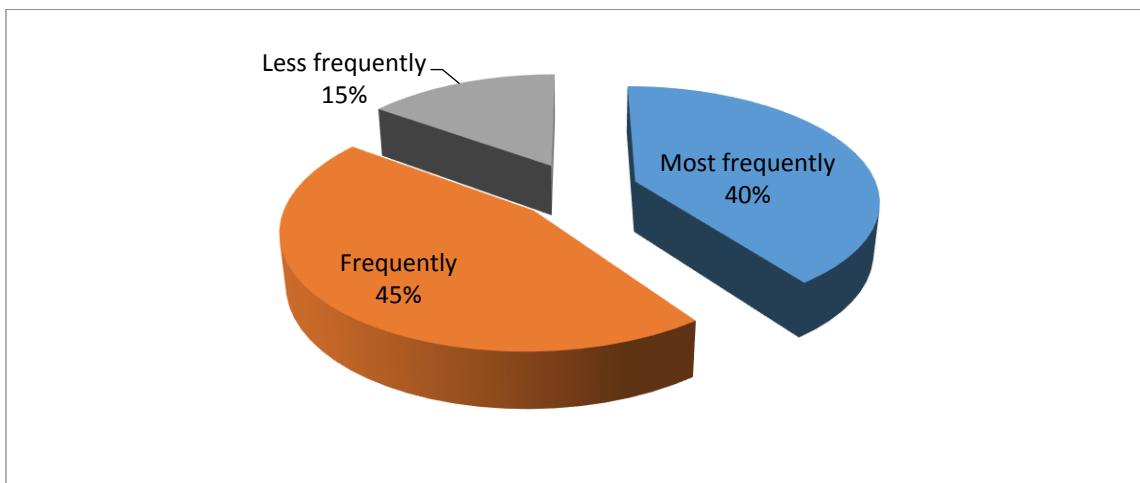


Figure 4.8 Frequency of Bills/Utility Payments

Table 4.8: Amount of a Typical Bill/Utility Payment

Amount of a Typical Bill/Utility Payment	Frequency	Percent
Less than 1000	3	6
1000-5000	48	87
Above 5000	5	7
Total	56	100

The study results revealed that most agents (94.0%) made bill/utility payments of over 1000 shillings as compared to only 6.0% who made bill/utility payments of less than 1000 shillings.

The study results on the percentage of bill/utility payment transactions from the agent debit transactions revealed that 47% of the agents said that bill/utility payment

transactions made 21-30%; 23.0% said that bill/utility payment transactions made 11-20%; 16.0% said that bill/utility payment transactions made 31-40%; 6.0% said that bill/utility payment transactions made over 40% while only 4.0% said that bill/utility payment transactions made less than 10% from the agent debit transactions.

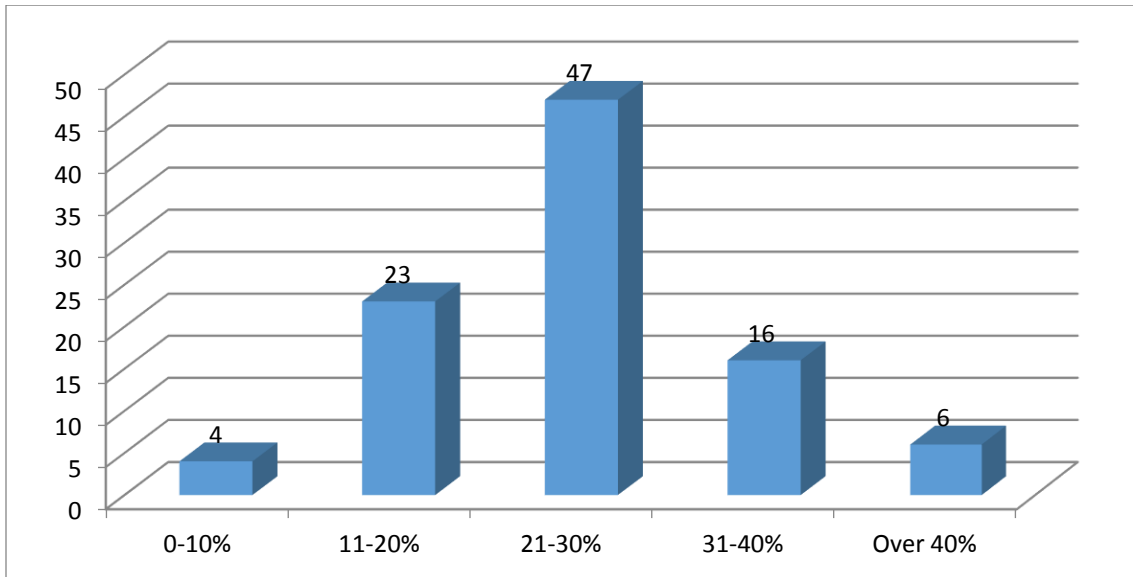


Figure 4.9 Percentages of Bill/Utility Payment Transactions

The study findings on whether agent bill/utility payment affects the bank's deposit mobilization showed that majority of the agents (88.0%) agreed that agent bill/utility payment affected the bank's deposit mobilization positively as compared to 12.0% who disagreed that agent bill/utility payment affects the bank's deposit mobilization.

4.4.4 Number of Agents and Deposit Mobilization

The fourth and the last objective of the study was to establish the effect of the number of agents on deposit mobilization for the banks under study. The study results were analysed and presented as follows.

Table 4.9 Duration to Recruit, Train and Install an Agent

Duration	Frequency	Percent
A week	3	6
2 weeks	48	87
1 month	4	7
Total	56	100

The study results revealed majority of the Banks (87.0%) said that it takes 2 weeks to recruit, train and install an agent; the study results on how frequent they recruited agents revealed that 87.0% reported that they recruited their agents on quarterly basis as depicted in figure 4.10

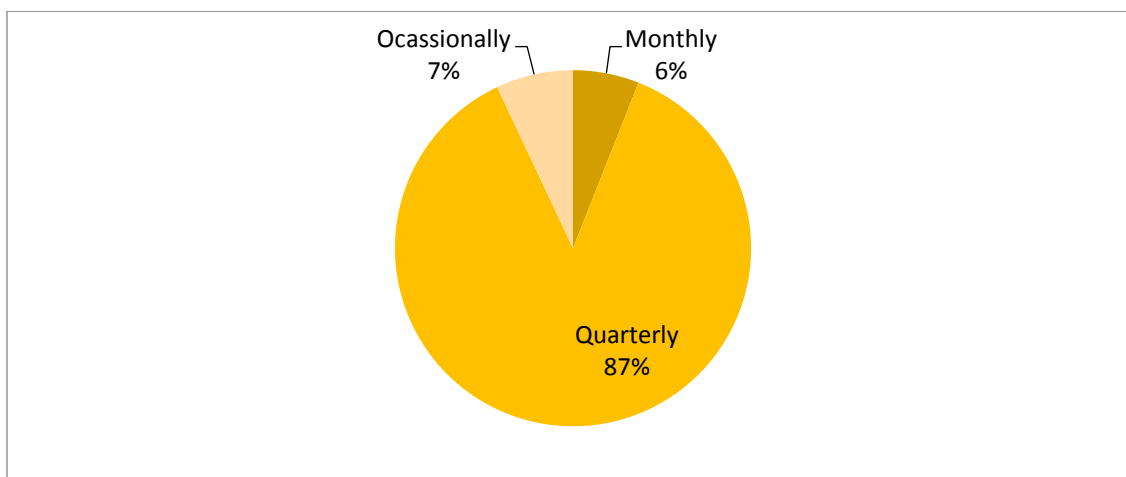


Figure 4.10 Frequency of Recruiting Agents

The study findings on the number of agents recruited per quarter revealed that majority (90.0%) recruited less than 50 agents per quarter.

Table 4.10 Considerations on Recruiting Agents

Considerations	Frequency	Percent
Branding	32	58
Strategic location	17	30
Business potential	3	3
Float	4	7
Distance from the branch	1	2
Total	56	100

The study results revealed that 58.0% considered branding, 30.0% considered strategic location; 3.0% considered business location, 7.0% considered float while 2.0% considered distance from the branch.

The study results on whether the number of agents has direct effect on the bank's deposit mobilization revealed that most of the respondents (91.0%) agreed that number of agents has a positive direct effect on the bank's deposit mobilization as compared to 9.0% who disagreed that number of agents has direct effect on the bank's deposit mobilization. These findings were supported by Kambua (2015) who explained that bank performance is directly related to the number of agents which determines the asset size and hence the bank's financial performance. Ndambuki (2016) found out that the number of bank agents has less significance in relation to deposit mobilization of commercial banks.

4.5 Correlation Analysis

The study sought to establish the relationship between the study variables. The study results on the relationship between agent banking and deposit mobilization were as presented in table 4.11.

Table 4.11: Relationship between study variables

		Correlations				
		Agent deposit transactions	Agent account opening	Bill/utility payments	Number of agents	Deposit mobilization
Agent deposit transactions	Pearson Correlation	1				
	Sig. (2-tailed)					
Agent account opening	Pearson Correlation	.580**	1			
	Sig. (2-tailed)	0.000				
Bill/utility payments	Pearson Correlation	0.407	0.104	1		
	Sig. (2-tailed)	0.642	0.306			
Number of agents	Pearson Correlation	.697	.853	.533	1	
	Sig. (2-tailed)	0.200	0.190	0.302		
Deposit mobilization	Pearson Correlation	.679**	.618**	.413**	.579**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	56	56	56	56	56

****.** Correlation is significant at the 0.01 level (2-tailed).

The study results indicated that there was a significant relationship between agent deposit transactions and agent account opening ($r=0.580$, $p=0.000$). Pearson correlation coefficient of 0.580 showed a moderate positive correlation between agent deposit transactions and agent account opening. There was a significant relationship between agent deposit transactions and deposit mobilization ($r=0.679$, $p=0.000$). Pearson correlation coefficient of 0.679 showed a strong positive correlation between agent deposit transactions and deposit mobilization.

There was a significant relationship between agent account opening and deposit mobilization ($r=0.618$, $p=0.000$). Pearson correlation coefficient of 0.618 showed a strong positive correlation between agent account opening and deposit mobilization. There was a significant relationship between bill/utility payments and deposit mobilization ($r=0.413$, $p=0.000$). Pearson correlation coefficient of 0.413 showed a weak positive correlation between bill/utility payments and deposit mobilization and that there

was a significant relationship between number of agents and deposit mobilization ($r=0.579$, $p=0.000$). Pearson correlation coefficient of 0.618 showed a strong positive correlation between number of agents and deposit mobilization.

4.6 Inferential Statistics

The study performed multiple regression model analysis to estimate the relationships between the study variables. The study results were as tabulated in table 4.12 and table 4.13.

Table 4.12: Model Summary

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	.936 ^a	0.877	0.868	0.0868	99.676	0.000 ^b

The ANOVA model indicated the simple correlation was 0.936 which indicates a degree of correlation. The total variation in deposit mobilization was 87.7% explained by agent banking (R Square=0.877).

The study results further revealed that the regression model predicted deposit mobilization significantly well ($p=0.000^b$). This indicated the statistical significance of the regression model that was run and that overall the regression model statistically significantly predicted the deposit mobilization (i.e., it was a good fit for the data).

Table 4.13: Relationship between Agent banking and Deposit mobilization

Model	Coefficients ^a		Standardized Coefficients Beta	t	Sig.
	Unstandardized Coefficients B	Std. Error			
(Constant)	0.369	0.224		1.648	0.105
Agent deposit transactions	0.263	0.024	0.534	10.744	0.000
Agent account opening	0.17	0.026	0.319	6.604	0.000
Bill/utility payments	0.231	0.024	0.476	9.876	0.000
Number of agents	0.248	0.026	0.485	9.737	0.000

a. Dependent Variable: Deposit mobilization

The regression equation generated for the study was as follows.

$$Y \text{ (Deposit mobilization)} = 0.369 \text{ (Constant)} + 0.263 \text{ (Agent deposit transactions)} + 0.026 \text{ (Agent account opening)} + 0.024 \text{ (institution payments \& Bill/utility payments)} + 0.026 \text{ (Number of agents)} + 0.224 \text{ (Std Error)}.$$

The deposit transactions coefficient parameter is 0.263 meaning that for every adjustment in one unit of deposit transactions, it would result in a 0.263 change in the deposit mobilization of commercial banks while all other variables are kept constant. The coefficient parameter of accounts opening is 0.026 meaning that for every change in one unit of accounts opening, it would result in a 0.026 change in the deposit mobilization of commercial banks while all other variables kept constant. The bill/utility payments coefficient parameter is 0.026 meaning that for every change in one unit of bill/utility payments, a 0.026 change in the deposit mobilization of commercial banks will be predicted all other variables kept constant. The number of agents' coefficient parameter is 0.224 meaning that for every change in one unit of number of agents, a 0.224 change in the deposit mobilization of commercial banks will be predicted all other variables kept constant. The standard errors of the independent variables that are deposit transactions =

0.026, accounts opening = 0.024, bill/utility payments = 0.026 and number of agents = 0.024 are the standard errors associated with the coefficients. The standard error was used for testing whether the parameter was significantly different from 0 by dividing the parameter estimate by standard the error to obtain a t-value. The study results revealed that internal auditing techniques practice plays a major role in the deposit mobilization of commercial banks.

The regression model analysis further revealed that there was a significant relationship between agent deposit transactions and deposit mobilization ($p=0.000$). This finding was in agreement with findings by Muturi (2015) who observed that agent transaction influences deposit mobilization by bank agents in Kenya to a great extent.

The study further revealed that there was a significant relationship between agent account opening and deposit mobilization ($p=0.000$). This finding was supported by finding by Tuyishime *et al.*, (2015) who indicated that bank's marketing strategy leads to the increase customer base, and hence increases in deposits. The study also showed that there was a significant relationship between bill/utility payments and deposit mobilization ($p=0.000$). This finding is in consonance with findings by Ndungu and Wako (2015) who supported that agency banking creates an additional market segment to the banking institutions, which significantly increased the deposit mobilization as a result of the increase in deposits and also other transactions through the deepened financial inclusion.

Lastly, the study found that there was a significant relationship between number of agents and deposit mobilization ($p=0.000$). This finding was agreement with finding by Sunguti (2013) who found out that number of customers, number of agent transactions, value of transactions and agents' commission resulted to growth of agency banking in Kenya.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to analyse the effect of agency banking on deposit Mobilization in the Commercial Banks in Nairobi Area, Kenya. This chapter presents the summary of findings, conclusions and recommendations.

5.2 Summary of Findings

5.2.1 Agent deposit transactions and deposit mobilization

The study findings revealed that 67.0% of the agents observed that customers made deposits frequently, 18.0% of the agents observed that customers made deposits less frequently and 15.0% of the agents observed that customers made deposits more frequently. The study results on whether agent deposit transactions has an effect on deposit mobilization revealed that majority of the agents (96.0%) agreed that agent deposit transactions have an effect on deposit mobilization as compared to only 4.0% who disagreed that agent deposit transactions has an effect on deposit mobilization. The study findings revealed that 61.0% of the agents opened between 20 and 50 accounts per month; 37.0% opened less than 20 accounts and only 2.0% opened between 50-100 accounts per month.

5.2.2 Agent account opening and deposit mobilization

The study results found that for one to open an account with the agents, they were required to have one of the following documents; national identity card, passport photo, KRA pin, or police abstract depending on the agent/bank one wanted to have an account with. On the minimum amount required to open an account, all the agents cited less than 500 shillings. The study results on whether agent account opening affected deposit mobilization for the Commercial Banks revealed that most of the respondents (53.0%)

agreed that agent account opening had an effect on deposit mobilization for the Commercial Banks as compared to 47.0% who disagreed that agent account opening had an effect on deposit mobilization for the Commercial Banks.

5.2.3 Agent institution payments and deposit mobilization

The study findings on whether the agents make payments for bills and utilities revealed that all the agents agreed that they make payments for bills and utilities. On how frequently do they make bill and utility payments, the study results revealed that 40.0% made bill/utilities payments more frequently, 45.0% made bills/utilities payments frequently and 15.0% made bills/utilities payments less frequently.

The study results on the percentage of bill/utility payment transactions from the agent debit transactions revealed that 47% of the agents said that bill/utility payment transactions made 21-30%; 23.0% said that bill/utility payment transactions made 11-20%; 16.0% said that bill/utility payment transactions made 31-40%; 6.0% said that bill/utility payment transactions made over 40% while only 4.0% said that bill/utility payment transactions made less than 10% from the agent debit transactions.

The study findings on whether agent bill/utility payment affects the bank's deposit mobilization showed that majority of the agents (88.0%) agreed that agent bill/utility payment affected the bank's deposit mobilization positively as compared to 12.0% who disagreed that agent bill/utility payment affects the bank's deposit mobilization. The study results on whether the number of agents has direct effect on the bank's deposit mobilization revealed that most of the respondents (91.0%) agreed that number of agents has a positive direct effect on the bank's deposit mobilization as compared to 9.0% who disagreed that number of agents has direct effect on the bank's deposit mobilization.

5.2.4 Number of agents and deposit mobilization

The study inquired the number of agents in operation among the Commercial Banks and revealed that 45.0% had 201-250 agents, 29% had between 151 and 200 agents and 13% had 251-300 agents operating while the rest contributed to 13% of the number of agents operating among the Commercial Banks. The study sought to establish the kind of services offered at the agency banking. The study findings established the agent banking services offered the following services; account opening, bill and utility payment, deposit transactions, mobile banking services as well as card withdrawal transactions. The study findings revealed that most of the agent banking (76.0%) performed between 1000-5000 transactions per month, 19.0% performed less than 1000 transactions per month and that only 5% managed between 5000-10000 transactions per month

The study findings revealed that most agent banking services (91.0%) managed an average monthly throughput of less than 1,000,000 as compared to only 9.0% who managed between 1,000,000 – 5,000,000 average monthly throughputs of deposits. The study results showed that majority of the agents accepted a maximum deposit of between 20,000 -100,000 per transaction; 12.0% of the agents accepted a maximum deposit of less than 0,000 whereas 17.0% of the agents accepted a maximum deposit of between 100,000 and 500,000.

5.3 Conclusions

The study concluded that there is a statistically significant relationship between agent deposit transactions and deposit mobilization. The volume of deposits negatively and significantly influences deposit mobilization of commercial banks. A decrease in volume of deposits negatively affects the deposit mobilization of commercial banks since deposits provides banks with adequate funds to lend and to earn interest income.

The study concluded that there is a statistically significant relationship between agent account opening and deposit mobilization. When customers open accounts with the agents, they will deposit funds in their respective accounts and hence expands the level of deposits held by respective banks.

The study concluded that there is a statistically relationship between bill/utility payments and deposit mobilization. When customers make bills or utility payments through the agents, the amount of funds held by the respective banks will increase hence increase in the level of deposits mobilized.

The study concluded that there is a statistically relationship between number of agents and deposit mobilization ($p=0.000$). The number of agents positively influences deposit mobilization of commercial banks in Kenya. An increase in the number of agents increases the deposit mobilization of commercial banks since a large number of agents ensure that commercial banks reach all customers in all areas conveniently.

5.4 Recommendations

Deposit mobilization by bank agents in Kenya need to be looked into more so as to mobilize more transactions made on agent banking thus Agency banking should be used as a tool by commercial banks to mobilize deposits in places where customers are far away from the bank. The agents should offer good customer service to enable customers deposit their money at bank agents.

Banks should give more attention to security and find better ways of vetting their agents to ensure that large cash transactions are handled effectively. The study also recommends

that agents should be more financially included to handle many transactions, like converting cheques into cash, deal with foreign currency exchange among others.

The study concluded that an increase in the number of agents increases the deposit mobilization of commercial banks in Kenya. The study therefore recommends that commercial banks in Kenya should invest more resources towards increasing their number of agents to increase their deposit mobilization.

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APPENDICES

Appendix I: Questionnaire

I am a Masters student at Kenyatta University in the School of Business, Department of Accounting and Finance carrying out a study on the effect of Agency Banking on deposit Mobilization in Equity Bank, Nairobi area Branches.

Instructions

- You are not required to fill your name.
- All the information you provide was treated with utmost confidentiality.
- This is a free interview and you can freely withdraw at any point.
- Kindly tick against your choice and provide a brief explanation where necessary.
- Kindly answer all questions and be honest as much as you can with your responses or choices.

PART A: Demographics

Role

1. What is your gender? Male Female
2. Number of years in Equity Bank? 5 years and below 5- 10 years
10 years and above
3. How long has your branch been offering agent-banking services?
0-3 years 4-6 years 7-10 years
4. How many agents does your branch have?
0-50 51-100 101-150
151-200 201-250 251-300 Above 300
5. What time does your bank agents operate in a day? 8hrs 10hrs
12 hrs Above 12hrs

6. What days of the week does your agents operate? Only Mondays
 Mon-Thurs. Mon-Fri Mon-Sat All
 days of the week
7. Which of the following services do your agents offer?
- a. Account opening
 - b. Bill & utility payment
 - c. Deposit transaction
 - d. Marketing
 - e. Card issuance & replacement
 - f. Mobile banking services
 - g. Card withdrawal transaction

PART B: Deposit Transactions

8. What is the average monthly number of deposit transactions your branch agents do? Less than 1,000 2,000-5,000 5,000-10,000
 Above 10,000
9. What is the average monthly throughput deposits (Ksh) your branch agents do? Less than 1,000,000 1,000,000-5,000,000 5
 Mil.-20 Mil Above 20 Mil
10. What is the maximum amount of deposit an agent can do per transaction? Less than 20,000 20,000-100,000 100,000-500,000
 Above 500,000
11. How frequent does agents do deposit transaction? (a). Most frequent (b). Frequent (c). Less frequent (d). Not at all
12. How long does it take to do a deposit transaction through an agent? Less than a minute A minute 2 Mins More than 2 mins

13. In your own opinion, do you think agent deposit transactions has an effect on deposit mobilization? Yes No

14. If yes, positively Negatively Neutral ?

PART C: Account Opening

15. What type of accounts do your agents open?

- a. Ordinary Account
- b. Current account
- c. Diaspora Personal account
- d. Jijenge account
- e. Junior member account
- f. Teens account
- g. Achievers student account
- h. School fees account
- i. Social institution accounts
- j. Current and fixed deposit accounts
- k. Savings account
- l. Dollar account

16. How many accounts does an agent open per month? 0-20 21-50
 50-100 Above 100

17. What requirements do one need to open an account from the agent?

Police abstract , National ID/Pass Passport photo ,
KRA PIN , Waiting Card , Voting Card , and Certificate
of Good conduct Driving License

18. What is the minimum amount required to open an account? Less than
500sh 500 sh 1000 sh Above 1,000 sh

19. What time are the accounts funded? Less than a day One day
 Two days More than two days
20. In your own opinion, does agent account opening has effect on the bank's deposit mobilization? Yes No
21. If yes, how do you agree with the statement? Strongly agree Agree
 Neutral Disagree Strongly Disagree

PART D: Bill and Utility Payments:

22. Does your agents make payments for bills and utilities? Yes No
23. How frequently do they make bill and utility payments? Most frequently
 Frequently Neutral Less frequently Not at all
24. How high can a typical bill/utility payment be? Less than 1,000 Ksh
1,000-5,000 Ksh Above 5,000 Ksh
25. What percentage is bill/utility payment transactions from the agent debit transactions? 0-10% 11-20% 21-30% 31-40%
Over 40%
26. In your own opinion, do you think agent bill/utility payment affect the bank's deposit mobilization? Yes No
27. If Yes, Positively , Negatively ?

PART E: Agents

28. How long does it take to recruit, train and install an agent? A week
2 weeks A month More than a month
29. How often do you recruit your agents? Daily Weekly
Monthly Quarterly Occasionally

30. How many agents do you recruit per quarter? 0-50 51-100
101-150 Above 150
31. What else do you consider when recruiting an agent other than the requirements spelt out by the CBK prudential guidelines? Branding ,
Strategic Location , Business potential in the area Float
 Prospect's education level Distance from the Branch
 Other agents operated by the applicant Age of the applicant
32. In your own opinion, do you consider the number of agents to have direct effect on the bank's deposit mobilization? Yes No
33. If Yes, Positively Negatively ?

Appendix II: Sampling Frame

No	Equity Bank	KCB	Co-op Bank	Family Bank
1.	Kayole	Biashara street	Karen	Kilimani
2.	Donholm	Buruburu	Lavington Mall	Donholm
3.	Githurai	Capital hill	TRM	Kayole
4.	Kariobangi	Eastleigh	Co-Op House	Kangemi
5.	Eastleigh	Ufundi Co-op house	Two Rivers Mall	Family Bank Towers
6.	Buruburu	Gateway mall, Mombasa rd	Green House Mall	Laptrust
7.	Kenpipe Branch	Gikomba	Ridgeways Mall	Industrial area
8.	Enterprise rd	Haile Selassie	Gigiri Mall	Kahawa west
9.	Harambee House	Hurlingham	Parliament Road	Githurai
10.	Moi avenue	Industrial area	Moneygram Centre	Kariobangi
11.	KNUT House	Jogoo rd	Stima Plaza	Utawala
12.	OTC Branch	Karen	Kariobangi	Gateway mall
13.	Gikomba	Kariobangi	Donholm	Gikomba
14.	Ngara Branch	Kasarani	Tom Mboya	River rd
15.	Westlands	Kiambu	Enterprise Rd	Garden city
16.	Kimathi Branch	Kibera	Eastleigh	Moi avenue
17.	Kawangware	KICC	Zimmerman	Kenyatta ave.
18.	Kasarani	Kimathi street	River Road	Tom Mboya
19.	Garden City	Kipande house	Aga-Khan Walk	JKIA
20.	Tea Room	Milimani	Dandora	Cargen
21.	Kahawa House	Moi avenue	Nacico Plaza	City hall
22.	Four Ways	Nairobi High Court	Buru Buru	Kasarani
23.	Tom Mboya	Ngara	Githurai Kimbo	Gikomba 42
24.	Mama Ngina	Prestige plaza	Kayole	Westlands
25.	JKIA	River rd	Industrial Area	Ngara
26.		Mama ngina st	Wakulima	
27.		Sarit centre	Gikomba	
28.		TRM	Gikomba 42	
29.		Tom mboya	Githurai Agency	
30.		Gigiri square	Moi Avenue	
31.		University way	Umoja	
32.		Village market	Kimathi Street	
33.		Westgate	Embakasi	
34.		Garden city	Kibera	
35.		Lavington	University Way	
36.		KCB UN, Gigiri	Westlands	

37		Kawangware	Kangemi	
38		Kayole	Kawangware 46	
39		JKIA	Kawangware	
40			Embakasi Junction	
41			Limuru	
42			Utawala	
43			Ukulima	
44			Nairobi Business Centre	
45			Dagoretti Corner	
46			Kilimani	
47			Mombasa Road	
48			City Hall	
49			T-Mall	
50			Upper Hill	
51			JKIA	

List of Commercial Banks' branches in Nairobi 2018

Source: Matara (2018)