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Dimbia, A. A., & Wanjohi, F. M.

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[1] **Dimbia, A. A., &** [2] **Wanjohi, F. M.**

[1] MBA Candidate, School of Business, Kenyatta University, Kenya
[2] Lecturer, Department of Accounting and finance, School of Business, Economic and Tourism, Kenyatta University, Kenya

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ABSTRACT

The purpose of this study was to establish the role of agency banking in promoting financial inclusion in Siaya County, focusing on all the banks currently employing agency banking in the county i.e. KCB, Equity and Cooperative Bank. For the attainment of this goal, the study was guided by these specific objectives: to ascertain the role of agency banking model's cost-effectiveness in promoting financial inclusion in Kenya commercial banks in Siaya County; to analyze the extent to which agency banking saves time for customers and agents and improves financial inclusion for Kenya commercial banks' customers in Siaya County; to determine how agency banking changes serving hours and promotes financial inclusion for Kenya commercial banks' customers in Siaya County; to establish agency banking's role in promoting financial inclusion through increasing convenience levels of obtaining agency banking products in Kenya commercial banks in Siaya County. Descriptive research design was applied to address the research problem. Besides, the paper's target population encompassed a sample of the regulated Kenya commercial banks' agents in Siaya County. For the selection of respondents from this target population, the study used the sampling method. To collect data, the paper predominantly relied on questionnaires, comprised of closed-ended questions, in the data-gathering exercise. For the data analysis process, the study utilized multiple regression analysis, and the central tendency measures, including standard deviation, mean, and frequencies. Finally, tables were utilized in the findings' presentation. The study realized a posive relationship between agent banking and financial inclusion. The time saved, serving hours and convenience had a positive and significant influence on financial inclusion in commercial banks in Siaya County. The transaction cost had a negative and significant effect on financial inclusion in commercial banks in Siaya County. This study recommended that the banks should raise awareness of these services and offer them at a cheaper price to encourage their use in order to ensure the adoption and usage of agency banking services. The bank management must regularly review their agency policy in order to expand the number of agents and so enhance financial inclusion. The study also recommended that the agency operators should utilize the maximum serving hours possible which would increase financial inclusion as the operators will serve many customers and increase their income as well.

Key Words: *Agency Banking, Financial Inclusion, Banks*

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INTRODUCTION

Access to services of financial nature differs significantly across the globe. Particularly, for the developing countries, the outreach of the financial systems or access to financial services remains a fundamental concern for most policymakers. Beck and la Torre (2016) assert that while financial services usage, measured as the possession of deposit accounts with financial institutions, has reached approximately 90 percent in most high-income nations, in a great number of middle- and low-income nations formal financial services' usage is still restricted to a few households and corporations. Besides, even in some developed economies, Demirguc and Klapper (2013) posit that almost one in five adults still lack bank accounts. In a majority of the developing and emerging economies, however, the proportion of unbanked adults can be as high as 90 percent, thus raising the question of why such a great number of persons in developing nations do not utilize financial services.

In the Kenyan context, for a long time, accessing a bank was not a simple endeavor for the common Kenyan man, including the residents of Siaya County, which is somewhat a remote area (Dupas et al., 2012). Banks in Kenya were targeting the working class and the middle class as they were deemed to have more disposable income (Dupas et al., 2014). In the recent past, there has been substantial banking sector improvement with the establishment of agency banking (Gitonga, Kiraka & McMillan, 2019). From this perspective, this study aimed to establish the connection between agency banking and increased accessibility to banking services in Siaya County.

Kerich (2015) describes it as third-party agency's delivery of banking services to customers for a licensed, providently regulated financial institution. In the context of a banking institution, it entails the contracting of retail outlets by financial institutions for client transactions' processing. The retail outlets' services include handling stop-payment requests, bill payments, balance inquiries, account transfers, conducting stock market, and bank transactions (Wanyoike, 2014). For the provision of these services, the banking agents get equipped with a mixture of Personal Identification Number (PIN) pads, barcode scanners for scanning bills for bill payment transactions, mobile phone, point of sale (POS) card reader, and at times Personal Computers (PCs) that utilize personal dial-up or other data connection devices for connecting with the bank's server (Abdirisack, 2015).

The operationalization of the agency banking model is reliant on several factors. Firstly, the availability of existing infrastructure, such as petrol stations, hotels, credit unions, and supermarkets, is vital to the functioning of the agency banking model (Mwangi, 2011). Besides, the agents can exist in multiple forms, including individuals, partnerships, trusts, parastatals, cooperative societies, or limited liability companies. On the other hand, the selection of these agents is based on their envisaged financial strategy and projections for the agency business, anti-money laundering procedure, services to be provided, and networks.

It is the capacity of a group, household, or an individual to use a variety of relatively convenient, price friendly, and responsibly delivered services (Ndegwa, 2017). The concept entails the removal of impediments in the form of non-price and price limitations from financial services as well as the enhanced ease in affordability, availability, and accessibility (Fungacova & Weill, 2015). There are several indicators to consider when measuring financial inclusion. The first indicator is access: are the banking services available? What is the cost of the service? Do the intended customers have the information? The second indicator is usage, this measure how clients use financial services over time example savings, number of transactions and numerous digital transactions. The last indicator is the quality of the product: Does the product or service match customer needs? What options are available to customers? Do the clients have an understanding and awareness of the financial products? (World Bank, 2015).

Financial inclusion is perceived as a primary economic growth enabler, and as a result, has turned out to be the main agenda and a policy priority in most developing countries (Gupta, Venkataramani & Gupta, 2012). In the Kenyan financial services market, financial inclusion has grown substantially and at a fast pace. As a result, the number of Kenyans excluded from having access to any kind of financial service has decreased from about 40 percent in 2006 to 17 percent in 2016 (FSD, 2017). According to an FSD report, as of 2019, financial exclusion had dropped to only eight percent (FSD, 2019). Moreover, the report signified that the number of Kenyans with formal bank accounts has risen to approximately 83 percent, with banks tripling their customer base to 41 percent of the population. Consequently, formal inclusion has enhanced Kenyans' portfolio richness, with about 50 percent of the users employing a mixture of both informal and formal solutions (FSD, 2019).

The rise in financial inclusion in the Kenyan landscape is linked to the enhanced growth of mobile money services, as evidenced by the fact that more than 79 percent of the adult population has access to these services (FSD, 2019). The prevalence of agency banking services, as well as mobile banking services such as KCB M-Pesa, Equitel, and M-Shwari, have also contributed to the increase of financial inclusion within the country. For the youths aged 18 to 25, mobile banking services have turned out to be the most common banking solution, hence increasing its popularity and usage. On the other hand, concerning agency banking, there has been an increased availability and distribution of agents across nearly all Kenyan shopping centers and towns, which has boosted financial inclusion in the country.

Statement of the Problem

For generations, we have had to move from rural areas to urban areas to seek banking services. Customers would spend a lot of time and money commuting to towns and then spend even more time waiting in long queues to be served. In Siaya county the banks are in the town centers being Siaya town, Bondo Town and Ugunja town. This is a hindrance to access to financial services. Agency banking model has been embraced by many banks in Kenya in a bid to cut these hindrances. This study has been propelled by the need to empirically verify the role of agency banking on financial inclusion in Siaya county. This is not clear for this county as there is very scanty documentation available. For instance, Ojwang and Atinga (2019) studied the effect of financial inclusion on the Equity agency banking business financial performance in Siaya town. Kipngetich (2013) focused on agency banking and financial inclusion in Kisumu County. His study planned to establish the impact of agent banking services in financial inclusion enhancement, risk mitigation, and transactional costs reduction.

On the other hand, regarding the role of agency banking in financial inclusion, mixed results have been obtained in the determination of the significance and relationship between the two variables. For instance, Afande and Mbugua (2015) discovered a direct correlation between the adoption of agency banking and a rise in financial inclusivity. On the other hand, Munoru (2013) found an insignificant relationship between agency banking and financial inclusion. This study, therefore, sought to bridge research gaps in existing studies by investigating agency banking's contribution to financial inclusion in the context of Siaya County. The study aimed to bridge this gap by examining how agency banking in commercial banks in Siaya County has helped in promoting financial inclusion through the model's cost-effectiveness, ability to change serving hours and save the agent's and customers' time, and offer convenient banking products to the customers.

Objectives of the Study

The study's general objective was to establish the role of agency banking in promoting financial inclusion in Kenya Commercial Banks in Siaya County. The study was guided by the following specific objectives;

- To determine the role of agency banking model's cost-effectiveness in promoting financial inclusion in Kenya commercial banks in Siaya County.
- To analyze the extent to which agency banking saves time for customers and agents and improves financial inclusion for Kenya commercial banks' customers in Siaya County
- To determine how agency banking changes serving hours and promotes financial inclusion for Kenya commercial banks' customers in Siaya County.
- To establish agency banking's role in promoting financial inclusion through increasing convenience levels of obtaining agency banking products in Kenya commercial banks in Siaya County.

LITERATURE REVIEW

Theoretical Review

Bank-Led Theory

Lyman, Ivatury, and Stachen (2006) universalized this theory by stressing the significance and role of an agent who functions as a link between the customers and the banks. In this context, the retail agents undertake the role expected of the bank and have direct contact with the bank's customers (Jenevieve & Anyanwaokoro, 2017). Besides, the bank remains the ultimate financial services provider, the institution that stores and maintains the customers' accounts as well as responsible for the development of financial services and products and distributing them to the retail agents, who are in charge of offering the various services and products to the customers.

This theory offers a definite substitute to the regular branch-based banking because clients carry out financial transactions at diverse retail agent settings as opposed to bank employees or bank branches. As such, this model results in the substantial increment of financial services outreach by the employment of various trade partners and delivery channels, such as online and mobile phone banking, which might be considerably cheaper than the bank-based channels (Gichuki & Jagongo, 2017). Moreover, these retail agents are obligated to offer cash-in/cash-out transactions, account opening processes, and in some instances, service and identify loan customers. As such, this theory supports the objective, 'to establish the convenience levels of obtaining agency banking products in Siaya County' for it presents agency banking as a better, cheaper, and a more accessible than branch-based banking, hence making the former option more convenient, especially for people residing in rural areas.

The Agency Theory

This theory is predominantly employed in the description of the interactions or the association between principals and agents. Specifically, the theory is founded on the concept of principal-agent relationship, where the comprehension that the agent will represent and act in place of the principal, whereas a principal, in succession, reposes confidence and trust in the agent (Afande & Mbugua, 2015). The initial proposition of the agency concept is traced back to the 1960s and 1970s, where the concept was employed in broadening the issues relating to the resolution or explanation of the agency problem as well as risk-sharing (Jensen & Meckling, 1976). Since its adoption, however, this theory has been subjected to numerous critiques, particularly due to its assumption of simplistic contractual agreements of agent and principal, when in actuality, the agency relationship is formed by complex issues (Armstrong, 1991). Nonetheless, the theory's generality is perceived as unquestionable, an aspect that has resulted in its extensive adoption.

The agency theory is particularly applicable in understanding the relationship between banks (principal) and agent bankers (agent). In recent years, commercial banks have understood that financial services provision to remote areas and the rural population is somewhat impossible through the use of typical branch networks. As such, they have involved third parties, including retail outlets, to act in their place and expedite the facilitation of

basic banking services like cash withdrawals, deposits, account opening, among other services. This involvement of various agents and the adoption of this banking model results in the development of principal-agent relationship. As a result, the commercial banks compensate the agents satisfactorily through the transactional commissions, thus encouraging more entities to gain the willingness to become agents for the specific bank. Consequently, the increase of agents within a particular area enables the residents to have improved access to banking services, for most of the outlets involved in agency banking remain open past the bank working hours, as well as the avoidance of queuing in banks. Therefore, the agency theory backs up the objectives 'to analyze the extent to which agency banking saves time for customers and agents and improves financial inclusion for Kenya commercial banks' customers in Siaya County' and 'to determine how agency banking changes serving hours and promotes financial inclusion for Kenya commercial banks' customers in Siaya County.'

Financial Intermediation Theory

The procedure which creates a connection between borrowers, those with a deficit and in need of financing, and the lenders, the entities, and individuals with excess funds and in need of investing (Marius & Cuza, 2010). Firstly, due to high transactional costs and information asymmetry, the direct meeting of borrowers and lenders is considered somewhat impossible, which forms the primary assumption for the financial intermediation theory. Regarding information asymmetries, several studies have established that these asymmetries can be of an ex-post nature, leading to costly state enforcement and verification or auditing, they can be interim, creating a moral hazard, or be of an ex-ante nature, producing adverse selection (Mitchell, 2005). Furthermore, the theory suggests that these informational asymmetries fabricate market imperfections that are nonconformities to the neoclassical framework, which further results in the development of particular categories of transaction costs (Marius & Cuza, 2010). However, these informational asymmetries can be minimized or eradicated using intermediaries. Similarly, to some extent, financial intermediaries tend to overcome these costs, however partially.

In any economy, the banking sector serves as an intermediary that offers households with insurance against idiosyncratic shocks that negatively impact on their liquidity position. Besides, as intermediaries, banks contribute to the advancement of growth and development through their pursuits of capital mobilization for the exploitation of economies of scale, the management of liquidity risk and cross-sectional inter-temporal risk, hence enhancing economic growth and efficiency, and information acquisition regarding managers and organizations, thus improving corporate governance and capital allocation.

Moreover, Ongore and Kusa (2013) assert that the banks carry out the intermediation function by ensuring efficient allocation of a country's resources through the transference of funds from those with no constructive use of it to those with prolific undertakings. This role has especially been fostered by the employment of agency banking, which eases the transferal process where those with excess money deposit them with agent bankers and those with productive endeavors but lack the capital access the deposited cash through the agents. In this context, agent bankers' function as financial intermediaries, hence affording both those in need of financing and those requiring the deposition of extra funds, the convenience of accessing these services in areas where typically banks would not access. As such, the financial intermediation theory supports this paper's objectives, including 'to determine the role of agency banking model's cost-effectiveness in promoting financial inclusion in Kenya commercial banks in Siaya County.'

Empirical Review

Cost-Effectiveness of the model and Financial Inclusion

The agency banking model has been identified as a cost-effective agency banking network, for it permits customers to access banking services in shops and retail outlets, especially in remote, formerly unbanked territories. Besides, agency banking provides customers with normal; banking services such as the issuance of mini bank statements, funds transfer, pension payouts, salary payments, loan repayment, and disbursement, as well as cash withdrawals and deposits all through shared infrastructures (Nyota & Muturi, 2019). In addition to having the capacity to offer this diverse range of services, Kanyugi et al. (2019) asserts that running agent banking systems is three times cheaper than bank branches' operation, hence resulting in cost savings.

The cost-saving attribute of agent banking systems stems from the fact that the use of this model in serving customers eradicates the need for investing in new infrastructure. The employment of agency banking also decreases the costs of operation by lowering the acquisition costs, especially for mobile wallets and mobile-enabled agents. Furthermore, Odhiambo and Ngaba (2019) argued that the agency banking model results in a minimization in the cost-to-serve by utilizing low-pay specialists to serve customers within their neighborhoods.

Mwende, Bichanga, and Mosoti (2015) stress that the agency banking model has radically decreased the financial services delivery costs to the unreached communities. In this context, agency banking addresses the two primary issues of access to finance, including the cost of dealing with the low-value transactions and the cost of physical presence or roll-out. The banking networks address these problems by leveraging existing third-party agencies' networks for account opening and cash transactions and through carrying out all financial transactions online. Besides, this significant cost minimization generates the chance to substantially multiply the fragment of the populace with formal finance access, with a specific focus on the individuals residing in rural areas. Similarly to Olwande (2018), Mwende, Bichanga, and Mosoti (2015) establish that agency banking is connected to a reduction in operating costs because it does not require the erection of new physical banking infrastructure for serving customers and due to its capacity to minimize the heavy costs associated with serving low-value accounts.

The study by Rahman (2017) complements the findings of Mwende, Bichanga, and Mosoti (2015) by providing a deeper analysis of the costs incurred in conventional banks in comparison to the expenses incurred with this model. First,it verifies that the model is three times cheaper to operate and establish compared to conventional banks. These decreased costs are attributed to the fact that using agents takes advantage of facilities already in place, hence reducing costs for financial service providers for they use existing retail outlets as well as the available workers. Nonetheless, the study also establishes that despite that the agency banking model is associated with low fixed costs, the setting incurs high variable costs from commissions to communications and agents as well as substantially higher fixed financial costs per transaction. Specifically, the study discovered that the establishment of an agency banking model costs 2 to 4 percent of a bank branch cashier operation expenditure.

On the other hand, Anyumba and Makori (2018) assert that the proximity of agent bankers to the customers enables this model to benefit from extra transactional revenue sources. Particularly, the study argues that by bringing the agency banking systems within the customers' neighborhoods enables the agents to profit from extra revenue linked to the agent-customer interactions. The study further states that although the same services can be obtained in banks, customers from informal settlements and rural regions have a higher probability of visiting an agent banker instead of a bank in search of help with financial transactions and other banking services.

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According to Watiri (2013), the decreased costs of operations linked to agency banking are generated by the fact that the only cost that the bank incurs in setting up an agency banking system is that of branding the outlets. In this context, the banks save money that would otherwise be spent on hiring sales personnel and advertisement. These responsibilities are left to the agent who receives payments based on the number of accounts opened and transactions, thus forcing them to focus on increasing traffic into their outlets. Therefore, in addition to enhancing banking networks' reach, the agency banking model has also decreased the cost of banking to customers as well as rationalized the banks' operating expenditure.

Dzombo, Kilika, and Maingi (2017) term the agency banking model a low-cost alternative to conventional banking services. This study attributes the agency banking model's low operating costs to the actuality that banks do not incur the fixed operating costs from equipment and facility maintenance. Consequently, this establishment decreases the operating costs from client management for the involved bank alongside minimizing the portfolio risk. The study further asserts that within the bank context, the fixed employee salaries substantially raise a bank's operating expenditure, while contrarily, in the agency context, the agent receives variable commissions based on revenue streams, which significantly decreases the economic risk for the bank.

Besides the setup and operating costs, Mas (2018) indicates that this system results in reduction in investment and administrative costs. The study argues that contrary to the opening of a bank branch, the implementation of an agency banking model does not mandate formal approval. In the context of a bank branch, the study states that is not only formal approval required but also physical inspection from a central bank representative is required, which may not only result in opening delays, especially in rural regions but also increase the administrative costs.in addition to the costs incurred due to administrative processes, the regulations imposed on the banking industry impacts on the efficient branch set up, and hence may significantly affect the branch's profitability and investment costs. Specifically, the facilities and construction of bank branches are subjected to regulated security requirements that tend to be attained at particularly high costs, thus causing considerable investment costs. These requirements comprise of the building's minimum size, its physical layouts, and building characteristics, which not only result in inefficiencies that translate to extra costs for the bank but also limit innovation (Mas, 2018). Oppositely, when operating through agents, the banks utilize existing infrastructure, thus eliminating the need for investing in new facilities.

Time Saving in Agency Banking and Financial Inclusion

Mwende, Bichanga, and Mosoti (2015) assert that before the adoption of the agency banking model, business owners and other individuals used to waste a significant amount of time in search of a bank. This problem was predominantly experienced by individuals living in remote areas, especially with small businesses, where they were forced to move from their areas of operation to towns in search of banking services. The study incorporates the stories of small enterprise owners, such as salon owners, living in an informal settlement, and the losses incurred due to the exhaustion of work hours in transit from their workplaces to the banks, and vice versa. For these individuals, Mwende, Bichanga, and Mosoti (2015) postulate that the availability of agency banking has worked in their favor, for the time they used in transit is now being used in serving customers.

Agency banking has also boosted customers access to banking services within their environs, thus eliminating the need for wasting time queuing in the banking halls. Before the adoption of the agency banking model Kitali, Chepkulei and Shibairo (2015) state that customers spend a substantial amount of time in queues waiting to pay school, pay their utility bills, or to undertake other financial

transactions. In contrast, the utilization of agency banking helps customers in time-saving for there are small to no queues and because banking agents are equipped with a mixture of Personal Identification Number (PIN) pads, barcode scanners for scanning bills for bill payment transactions, mobile phones, point of sale (POS) card reader, and at times Personal Computers (PCs) that link with the bank's server by use of personal dial-up as well as other data connection, thus speeding up the transaction process and the customers' access to their bank accounts.

The Change in Serving Hours due to Agency Banking and its Role in Financial Inclusion

Ndengu and Njeru (2014) assert that the competition for customers within the Kenyan banking industry has driven a significant number of banks to broaden their serving hours to late evening. Similarly, a number of lenders have been currently serving their clients over public holidays and the weekends. As of 2014, some banks such as the ABSA Plc formerly Barclays Bank of Kenya, the NIC, Diamond Trust, ABC, and the Standard Chartered had extended their working hours from the conventional banking hours of between 9 a.m. and 3 p.m. to between 7 a.m. and 8 p.m. as of the time of the study's publication; the DTB had also announced the opening of a new branch within Nairobi to serve customers at longer hours than the other branches. The study further attributed the extension of banking operating hours as a manner of accommodating the customers' busy schedules and targeting late-night shoppers, particularly in high-income areas.

In addition to the extension of banking hours, the Kenyan banks are also taking advantage of the agency banking model for increasing their serving hours. Specifically, most banks have been involved in operating agency banking models within outlets, such as supermarkets, that open up to late at night or operate for 24 hours. Besides, in a study on Kalinda, Rukangu, and Rintaungu (2016) discovered a positive connection between the agency banking adoption and flexibility of operating hours for the banks. The study established that the agency banking model provided flexibility in numbers of operating hours for contrary to formal banking systems, the agent bankers work past the standard business hours, work during weekends and holidays, thus boosting service delivery, which enhances the convenience levels attributed to agency banking.

Convenience in Agency Banking and Financial Inclusion

Nyambura, Ambrose, and Ndede (2018) posit that agency banking offers high degrees of convenience to customers in forms of bringing the banking services nearer to the consumers and extending the hours of banking. Regarding proximity to customers, Kithuka (2010) undertook a study aiming at determining whether the distance, cost of transport, and time that customers spend in their search for accessing bank services affect their decision on whether to visit the specific agent or bank. The study's findings ascertained that distance plays no critical role in the rates of customer transactions. Nonetheless, these findings do not essentially mean that proximity has zero impact on agency adoption. On the other hand, Karimi (2018) found that proximity to an agent banker shapes the customers' perceptions of a bank's degree of convenience. In this context, agency banking affords convenience to customers by enabling them to gain access to the standard banking services such as checking of balance, cash withdrawal, and cash deposit fittingly and within the comfort of their environs.

In addition to proximity, Muasya, and Kerongo (2015) claim that agency banking systems offer convenience to customers by providing them with diverse alternatives for carrying out financial transactions and other banking services. Particularly, the agency banking system has numerous delivery channels, with the inclusion of a bank-provided account connected to a mobile wallet, mobile wallet, mobile phone-enabled agents, and POS-enabled bank agent alternatives. The mobile wallet concept consists of an agent

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being managed by a telecommunication business, where mobile phones are employed in customer identification and in the provision of mobile wallets, which are store-of-value accounts supported by bank deposits. Besides, these mobile wallets are significant in the storage of electronic monetary value as well as in the receipt and sending of electronic money. Concerning the mobile-phone agency, this method comprises an agent managed by a given bank

Kalinda, Rukangu, and Rintaugu (2017) asserts that the convenience of access provided to customers by the agency banking model represents one of the most attractive features to the customer. This statement is especially true for the persons residing in rural areas for the concept of agency banking alleviates their struggles to access banking services due to the high costs, long distances, and the poor infrastructures found within these areas. Regarding the convenience of agency banking, Wakaba and Wepukhulu (2019) ascertain that the model is convenient for people living in rural regions, for they perceive the premises as less intimidating compared to formal banking settings. Within the agency banking settings, the study states that the customers feel less apprehensive about withdrawing small amounts of money and inquiring about their bank balances, especially if considerably low. According to Afande and Mbugua (2015), the primary impediments for individuals from the low social classes in accessing financial services include product design factors, such as minimum account balances, regulatory factors such as the need for identity documentation, as well as socio-economic factors like geography, irregular income, and education. Of these factors, low income and education are identified as the main barriers to these people's formal banking services' access. In the agency banking model, however, the rural-based customers tend to obtain the financial services from familiar and experienced agents, thus elevating these customers' likelihood to visit these outlets for their financial services. As a result, the development of premises where these individuals' low education levels and income does not affect their capacity to obtain access to financial services, significantly improves the perceived degree of customer convenience.

In the financial institutions' context, the adoption of the agency banking model affords these businesses convenience in different manners. Firstly, the agency banking model is perceived as a more convenient channel in comparison to other banking alternatives, for it assists in the diversion of the existing customers from the frequently crowded branches. Dzombo, Kilika, and Maingi (2017) state that agency banking systems offer more convenient and complementary services to financial institutions, hence enabling banks to divert existing customers from the congested branches. Contrarily, Lyman, Pickens, and Porteous (2018) state that despite the establishment of numerous agency banking establishments, banking halls have remained congested, and long waiting lines are still common in most banking premises. Similarly, Mas (2018) claims that although agency banking models are associated with high convenience levels, finding queues of individuals waiting to be served by an agent is a rare occurrence, whereas long waiting lines within the banking halls remain a common occurrence. As such, Mas (2018) suggests that little has changed because of agency banking systems introduction for the long lines within Kenyan banks have persisted. Musau (2013) attributes these long lines within banking premises to the location of agencies in remote and high-risk areas and the imposition of high charges on customers, thus making them avoid these settings and prefer visiting banks.

Secondly, this model is considered a convenient approach of serving customers within the rural regions for reaching these clients by use of conventional banking branches is substantially expensive given that transaction volumes and numbers do not cover a branch's cost (Jaldesa, Muturi & Sumba, 2015). Finally, Ogutu and Fatoki (2019) argue that the use of agency banking models provides financial institutions with the opportunity

to expand and reach a broader market, thus offering the convenience of increasing a bank's customer base at an economical manner.

On the contrarly, Kanyugi et al. (2019) state that agency banking provides a high level of reliability to customers, which enhances the perceived convenience levels. Specifically, the agency banking model customers are considered to be driven by its reliability and convenience for these systems are widespread throughout the country in such a manner that people can gain financial services in the most remote and smallest market centers. Particularly, a 2009 survey by FSD-K uncovered that, on average, the closest agent to customers in different regions was reachable at transport costs of about 15 shillings and in less than 12 minutes (FSD-K Annual Report, 2010). On the contrary, a survey by Fin Access discovered the nearest bank branch for 60 percent of the Kenyan population was more than 30 minutes away from the customers and cost them at least 50 shillings to reach (Fin Access, 2013).

Conceptual Framework

A graphic depiction of the linkage of the dependent and independent variables. In this study, transaction costs, amount of time saved, banking hours, and convenience level form the independent variables and financial inclusion, as measured by the number of agents in rural areas and the number of adults with bank accounts in Siaya, is the former.

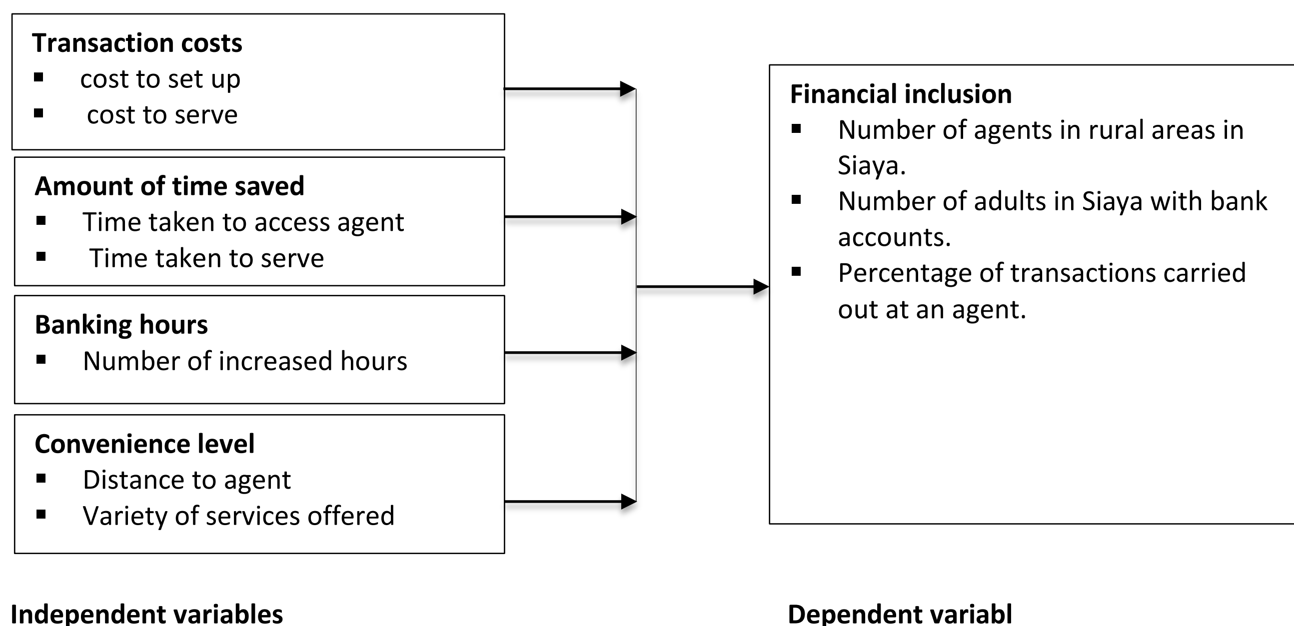

Figure 1: Conceptual Framework
Source: Researcher (2020)

METHODOLOGY

A descriptive research design was utilized in the identification of the variables linked to agency banking and determination of how the various variables impact on financial inclusion in Kenya commercial banks in Siaya County. The target population encompassed 370 registered bank agents in Siaya County as of December 2019. Siaya County had 370 agents comprising of 150 from KCB, 100 Co-operative Bank agents and 120 Equity Bank agents. This study adopted proportionate random sampling at 0.2 sampling ratio.

This paper predominantly made use of primary data for not only is it less likely to be mis-presented in comparison to secondary data. This study employed the use of questionnaire for data collection. The questionnaire consisted of closed ended questions accompanied by a Likert scale.

Data analysis was done through a process that started with data cleaning followed by ratification. The data was then manipulated through sorting and filtering processes to compute standard deviation and mean. This was followed by tabulation and summarization of the data. For descriptive and quantitative analysis, the study utilized central tendency measures that is standard deviation, percentages and mean.

Finally, the regression analysis was employed in the determination of the relationship between financial inclusion, the dependent variable, and the independent variables that consisted of costs of the transaction, time saved, serving hours, and convenience level.

Regression model

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Y= Financial inclusion

X_1= Costs of transaction

X_2= Time saved

X_3= Serving hours

X_4= Convenience level

β_0=Constant

$\beta_1, \beta_2, \beta_3,$ and β_4= Regression Coefficients, Ɛ is error term

FINDINGS

Descriptive Analysis

Role of Agency Banking Cost-Effectiveness on Financial Inclusion

To establish the role of the agency banking model's cost-effectiveness in promoting financial inclusion the respondents were requested to outline the costs that agency banking has been able to save as a result of cost sharing. The findings are displayed in table 1.

Table 1: Role of Agency Banking Model's Cost-Effectiveness

	Yes		No	
	Frequency	Percentage	Frequency	Percentage
Rent	56	96.6	2	3.4
Security	41	70.7	17	29.3
Salaries	52	89.7	6	10.3

The findings as displayed in Table 1 showed that this model of banking has led the respondents to realise savings as a result of cost-sharing where 96.6% were able to save on rent, 70.7% were able to save on security costs and 89.7% were able to save on salaries. Similarly, Mwende, Bichanga, and Mosoti (2015) posit that agency banking is linked to a decrease in operating costs as there is no need for a banking hall or structure.

The paper further sought the respondents' level of agreement with the following statements on costs. Table 2 displayed the findings.

Table 2: Statements on Costs

	SD	D	N	A	SA	Mean	Std. Deviation
The amount of money spent on my business before adopting agency banking would have limited my growth	2	3	3	42	8	3.88	0.84
The model also led to reduced operating costs because of cost sharing.	0	0	3	44	11	4.14	0.48
The reduced expenses due to shared costs has inturn led to higher margins interms of profit.	0	0	4	39	15	4.19	0.54

From the study, the respondents agreed that the reduced costs attributed to shared business running costa has in turn increased on their profits as shown by a mean of 4.19 and that agency banking has led to a decrease in expenses as illustrated by an average of 4.14. The respondents further concurred that the amount of money spent on their business before adopting this model would have stunted their business's growth as depicted by a mean of 3.88. The results are consistent with those established by Kanyugi et al. (2019) who indicated that operating agent banking systems is three times cheaper than a bank branch, hence resulting in reduced costs.

The respondents were further asked whether agency banking has reduced their cost to serve. The findings were as presented in Table 3.

Table 3: Agency Banking on the Cost to Serve

	Frequency	Percent
Yes	58	100
Total	**58**	**100**

As shown in Table 3 all the respondents indicated that agency banking has reduced their cost to serve. The results mean that agency banking has reduced their cost to serve.

The study sought the approximate percentage (%) reduction in expenses because of adoption of agency banking alongside the primary business.

Table 4: Percentage (%) Decrease in Costs

	Frequency	Percent
0-10%	18	31.0
11-20%	23	39.7
21-30%	12	20.7
Above 30%	5	8.6
Total	**58**	**100.0**

Table 4 indicates most businesses having a 39.7% decrease in costs realized because of incorporating agency banking alongside the primary business, 31% ad 0-10%, 20.7% had 21-30% while only 8.6% had over 30% decrease. Similarly, Odhiambo and Ngaba (2019) state that the agency banking model leads to reduction in the cost-to-serve.

Extent Which Agency Banking Saves Time for Customers

Table 5: Extent Which Agency Banking Saves Time for Customers

	Frequency	Percent
Large Extent	36	62.1
Medium extent	19	32.8
Small extent	3	5.2
Total	**58**	**100.0**

Most of the participants(62.1%) confrimed that reduction in time used influences the adoption of agency banking instead of walking into the banking halls to a large extent, 32.8% medium extent and 5.2% small extent. The findings demonstrate that reduction in time influences the adoption of agency banking compared to walking into the banking halls to a large extent. The findings concur with Kitali, Chepkulei and Shibairo (2015).

The study sought the average time it takes to serve a customer using agency banking model.

Table 6: Average Time Taken to Serve an Agency Banking Customer

	Frequency	Percent
0-5 minutes	53	91.4
6-10 minutes	5	8.6
Total	58	100.0

The findings show that over three-quarters of the respondents (91.4%) indicated that the average time taken to serve an agency banking customer is 0-5 minutes while 8.6% indicated it is 6-10minutes. The findings infer that the average time taken to serve an agency banking customer is 0-5 minutes.

The respondents further indicated the average amount of time to reach to the bank displayed in Table 7.

Table 7: Time It WouldIt Take To Reach The Banks

	Frequency	Percent
11-30 minutes	3	5.2
30-60 minutes	19	32.8
Over 60 minutes	36	62.1
Total	**58**	**100.0**

62.1% of the subjects said that it would take over 60 minutes to reach the bank, 32.8% would take 30-60 minutes while only 5.2% would take11-30 minutes to reach the bank on average. The findings illustrated that majority of the residents in the area would take over an hour to reach the bank in Siaya County.

How Agency Banking Changes Serving Hours

The research required the subjetcs to pick the normal working hours. Responses tabled below.

Table 8: Normal Working Hours

	Frequency	Percent
Less than 6 hours	3	5.2
8-10 hours	20	34.5
Above 10 hours	35	60.3
Total	**58**	**100.0**

On the assessment of the normal working hours, 60.3% indicated above 10hours, 34.3% indicated 8-10 hours and 5.2% indicated less than 6 hours. The findings show that the majority of the agency banking work operators work for over 10hours.

Table 9: Extent to Which Long Banking Hours Influence the Use of Agent Banking

	Frequency	Percent
Large Extent	31	53.4
Medium Extent	22	37.9
Small Extent	5	8.6
Total	**58**	**100.0**

The findings on the extent to which long many hours spent in the banking hall influence the use of agent banking as compared to visiting the banks depict that over half of the respondents indicated large extent, 37.9% indicated medium extent, and 8.6% indicated small extent. The findings

demonstrated that many hours spent in the banking halls led to the adoption of agent banking to a large extent.

Role of Agency Banking's Role in Increasing Convenience Levels

To determine the model's role in fostering financial inclusion by raising convenience levels of obtaining agency banking products in Kenya commercial banks in Siaya County, the subjetcs were required to show their source of motivation to be a bank agent. The responses are shown in Table 10.

Table 10: Convenience Level

	SD	D	U	A	SA	Mean	Std. Deviation
Transaction Fee income	0	0	2	39	17	4.26	0.52
Brings more people into my store	0	0		25	33	4.57	0.50
My customers asked me for it	9	9	12	34	3	3.53	0.82
I want to be linked to a big brand	3	4	28	23	0	3.22	0.80

The majority of the respondents (33) strongly agreed that their motivation to be a bank agent was that it brings more people into their store (mean= 4.57). The respondents were also motivated by transaction fee income as demonstrated by a mean of 4.26. The findings also show that their customers requested them for it as demonstrated by a mean of 3.53. The respondents were uncertain about the need to be linked with a big brand as a source of motivation for being bank agents as shown by a mean of 3.22.

The study further sought the average transactions in a day.

Table 11: Average Transactions in A Day

	Frequency	Percent
1-50	56	96.6
50-200	2	3.4
Total	**58**	**100.0**

The findings infers that almost all the respondents (96.6%) indicated that they make 1-50 transactions in a day while 3.4% made 50-200 transactions in a day. The findings demonstrated that on average bank agents in Siaya County make 1-50 transactions in a day.

The research further sought to establish how distance influences the use of agent banking as opposed to visiting the banks. Responses tabled in Table 12.

Table 12: Extent to which distance influence the use of agent banking

	Frequency	Percent
Large Extent	31	53.4
Medium Extent	21	36.2
Small Extent	6	10.3
Total	**58**	**100.0**

From the study findings, slightly over half of the respondents indicated that distance leads to the adoption of agent banking instead of visiting the banks to a large extent, 36.2% indicated to a medium extent and only 10.3% indicated to a small extent. The research, therefore, demonstrates that distance leads to the adoption of agent banking model instead of walking into the banks. Similarly,

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Karimi (2018) established that closeness to an agent banker brings convenience to customers by enabling them access standard banking services.

The research assessed the number of transactions per day in the services provided by agent banking. The responses are provided in Table 13.

Table 13: Number of transactions per day in the services

Type of Txn	No. of Txns per day	Frequency	Percentage
Withdrawals	0-10	7	12.1
	11-20	36	62.1
	21-30	11	19.0
	Over 30	4	6.9
	Total	58	100
Deposits	0-10	14	24.1
	11-20	35	60.3
	21-30	6	10.3
	Over 30	3	5.2
	Total	58	100
Balance inquiry	0-10	43	74.1
	11-20	12	20.7
	21-30	3	5.2
	Over 30	0	0.0
	Total	58	100
Utility payment	0-10	18	31.0
	11-20	33	56.9
	21-30	5	8.6
	Over 30	2	3.4
	Total	58	100

From the findings, the majority of the respondents (62.1%, 60.3%, 74.1% and 56.9%) indicated that they made 11-20 withdraws, 11-20 deposits, 0-20 balance inquiries, and 11-20 utility payments respectively. Similarly, Karimi (2018) found that agencies provide access to standard banking services such as checking balance, cash withdrawal, and cash deposit.

Regression Analysis

To find out the existing relationship between agency banking and financial inclusion among commercial banks in Siaya county, the study made use of a number of linear regression models the SPSS version 25 to compute the data and the findings were populated as shown below.

Table 14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.722[a]	.521	.485	.57100

a. Predictors: (Constant), cost of the transaction, time saved, serving hours, convenience level

The outcome of the research indicated in Table 14 show the coefficient of determinant R being .722 indicating a strong relationship that is positive between agency banking and financial inclusion in banks in Siaya County. R^2 was explained to be .521 equivalent to 52.1% variance in the dependent variable which in this case was financial inclusion. Agency banking explains 52.1% of the change in financial inclusion in Siaya County.

The study made use of ANOVA to test for the best fit of the data. The results were as depicted below.

Table 15: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.806	4	4.702	14.420	.000[b]
	Residual	17.280	53	.326		
	Total	36.086	57			

a. Dependent Variable: financial inclusion

b. Predictors: (Constant), cost of transaction, time saved, serving hours, convenience level

From the data in table 15, the F value was found to be 14.42 with a significant level of p=.000 which means regression model was significant in foretelling the existing link between agency banking and financial inclusion.

Table 16: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	4.08	1.216		3.356	.001
Cost of transaction	-0.339	0.109	-0.472	3.111	.000
Time saved	0.458	0.131	0.343	3.505	.001
Serving hours	0.415	0.121	0.371	3.43	.001
convenience	0.531	0.125	0.453	4.248	.000

a. Dependent Variable: financial inclusion

The results in Table 16 gave a beta value of -0.339 on the cost of transaction implying that an increase in cost of the transaction will negatively change the variable by 33.9%, time saved had a beta value of 0.458, serving hours had a beta value of 0.415 thus a unit rise in serving hours would positively change financial inclusion by 41.5%. Consistent with the study findings, Kalinda, Rukangu, and Rintaungu (2016) found that a positive correlation between agency banking adoption and flexibility of operating hours for the banks where the agency banking model provided more operating hours contrary to formal banking systems. Convenience had a beta value of 0.531 thus a unit rise in convenience would positively change financial inclusion by 53.1%. The findings correspond to findings by Nyambura, Ambrose, and Ndede (2018) that agency banking offers a high level of convenience to customers in the forms of bringing the banking services close to the consumers and increasing the hours of banking.

CONCLUSION AND RECOMMENDATION

The research concluded that this model of banking had a positive impact on financial inclusion. The time saved, serving hours and convenience had a positive and significant influence on financial inclusion in Siaya County. Transaction cost had a negative and significant effect on financial inclusion in banks in Siaya County.

The research further established that this model of banking has caused the bank agents to realise savings due to cost-sharing, saving on rent, security, and salaries. The reduction in costs as a result of shared business running costa has in turn increased the profits. The cost odf running primary business before adoption of this model of banking would limit growth.

The study concludes that reduced timing influences the adoption of agency compared to walking into banking halls. The mean time it takes to serve an agency banking customer is 0-5 minutes and the majority of the residents in the area would take over an hour to reach the bank in Siaya County.

The study findings determined that majority of the agency banking work operators work for over 10hours and the increased operating hours influence the choice of agent banking over banking

halls. The study established that bank agents bring more people into the store provides transaction fee income and some customers asked the operators for it. The average bank agents in Siaya County make 1-50 transactions in a day. Furthermore, the distance influences the use of agent banking as compared to visiting the banks.

Future researchers will benefit from this study by using it as reference for future studies. It will also serve as a basis to suggest future research activities that can be explored in regard to the variables of the study. The paper has eliminated existing conceptual and contextual gaps and has given recommendations touching on the specific findings.

The outcome of this research will be beneficial to financial institutions in enhancing their financial inclusion and in specific commercial banks through increasing the number of agents banks in various regions across the country. The management of the banks will thus be able to come up with relevant technologies and innovations that suits the agents banks as they enable banks save on costs, saves time for customers and offer a form of convenience to the customers.

This study has implications with regards to policy which the government and policy makers like Kenya Bankers Association (KBA) and Central Bank of Kenya (CBK) can build on to create an enabling environment for innovation of banks operating in Kenya. This will enable them provide advise to the banks on mehods of enhancing financial inclusion in the ever changing competitive environment.

The study concluded that the cost of the transaction was negatively linked to financial inclusion. As such the transaction costs discourage customers. This study recommends that banks increase awareness of these services and offer them at a lower price to encourage use in order to ensure the acceptance and usage of agency banking services.

The development of agency banking benefited financial inclusion. In order to expand the number of agents and hence enhance financial inclusion, bank management must regularly assess its agency rules.

The study also recommends that the agency operators should utilize the maximum serving hours possible which will increase financial inclusion as the operators will serve many customers and increase their income as well.

This bankin model promotes financial inclusion through increasing convenience levels of obtaining agency banking products therefore the banks should employ means to increase outreach to the areas not generally accessible via agency banking outlets.

Suggestions for Further Research

Results of Agency banking study explained 52.1% of the change in financial inclusion in banks in Siaya County and thus more studies can be conducted to reveal other factors explaining 47.9% of the financial inclusion. The study was limited to Kenya commercial banks' agents in Siaya County. Therefore further studies can focus on other counties for comparison of the findings. In a bid to further enhance financial inclusion, further studies should focus on the challenges experienced by both the operators and the customers to provide amicable solutions to the challenges.

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