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EFFECT OF AGENCY BANKING ADOPTION ON CUSTOMER RETENTION IN KCB BANK: A CASE STUDY OF KIAMBU COUNTY, KENYA

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ABSTRACT

The introduction of agency banking is intended to expand access to financial services, particularly in rural areas where it has been expensive for banks to sustain a presence, owing to the smaller volumes. The general objective of the study was to examine the factors affecting the adoption of agency banking by bank customers in KCB bank in Kiambu County. The specific objectives are; to look at how the cost of agency services, security of agency banking, customer awareness and availability of capital affect the adoption of agency banking by bank customers in KCB in Kiambu County. The dependent variables were the level of the client of awareness, increase uptake of agency banking indicated by the amount of cash deposit, the volume of withdrawal by customers, and overall commission earned by the agent and the total number of agents. The research embraced a descriptive study design. Stratified random sampling was used to select a random sample of 120 agents of KCB. The research used questionnaires to obtain data which was analyzed by use of inferential and descriptive statistics. The study found and concluded that Cost of Agency Services, Security of Agency Service, Customer Awareness and Capital Availability significantly influenced the Adoption of agency banking by bank customers at KCB in Kiambu County. The findings revealed that there was a negative and significant association between agency cost and agency banking adoption. The findings also revealed that there was a positive and significant association between agency security and agency banking adoption. The findings also revealed that there was a positive and significant association between customer awareness and agency banking adoption. Lastly, the findings revealed that there was a positive and significant association between capital availability and agency banking adoption.The study recommended that enough security measures should be put in place as a result of the rampant cyber crimes and studies to be done in other areas of Kenya to establish whether the findings can be generalized.

Key Words: *Cost of Agency Services, Security, Customer Awareness, Availability of Capital, Agency Banking*

INTRODUCTION

According to Mas and Siedek (2008), agency banking is a component of branchless banking that permits financial institutions to offer financial services outside the traditional brick and mortar bank premises. It allows customers to conduct a limited range of financial transactions at third party retail outlets including post offices, supermarkets, general and grocery stores, pharmacies, and gas stations, to mention but afew, located in remote areas. These retail agents are mandated to manage transactions (deposits, payments, and cash withdrawals) on behalf of the financial institution and are remunerated on a fee-for-service basis. They are connected to the organization's servers using a telephone line, cable or satellite link and use equipment such as Point of Sale (POS) device and barcode readers.

Agency banking is a new strategy commercial banks are employing to increase their market share and offer banking services to their clients in varied places. Implementation of such strategies results both from the need to reduce the cost of delivering service primarily through personnel and the corresponding need to meet the challenge posed by technologically innovative competitors (Byers and Lederer, 2011). Changes in the banking industry such as those resulting from deregulation, rapid global networking, and the rise in personal wealth have thus made the implementation of sophisticated delivery systems (e.g. online and telephone banking, remote site automated teller machines, etc.) a strategic necessity in many cases (Lewis et al., 1994).

Since agency Banking is a viable strategy for expanding formal financial services into the unbanked regions of the country such as urban, rural or the marginalized areas it has been adopted and implemented in most developing countries in Latin America and Asia. Brazil was a global pioneer as an early adopter of this model which over the years has matured with a network of agency banking covering more than 99% of the country. Other Latin American countries include Bolivia, Venezuela, Mexico, Colombia, and Argentina (Lee & Mexico, 2012).

Agency banking is gaining popularity in Africa owing to the success it has attained in parts of the world. Agency banking was implemented in South Africa in 2005 after the amendment of Bank Act giving banks the green light to contract nonbank third parties to collect deposits, money due to the bank or applications for loans or advances, or to make payments to such clients on banks' behalf (Bold, 2011). The adoption levels have been boosted by the South African regulatory framework which gives broad discretion to banks to use nonbank third parties to offer banking services beyond their traditional branch network, either as agents or through outsourcing arrangements (Kiura, 2014). In Ghana, agency banking was introduced in 2008 allowing for a bank-based model of branchless banking using nonbank retail agents (McKay, 2011). Though the potential for agency bankingwas recognized in 2008 in Ghana and guidelines set to support it, a complicated regulatory relationship between the telcos and banks has inhibited its adoption to full potential. With this in mind, the Bank of Ghana is in the process of updating the regulatory guidelines (McKay and Peter, 2014).

In Tanzania a licensed bank or financial institution must obtain the prior written permission of the Bank of Tanzania before it may conduct banking through an agent. The approval process requires the proposed agent to sign up to a standard agency agreement and for a detailed due diligence, risk assessment and feasibility study to be carried out of the proposed agent's suitability. In order to be eligible for appointment as an agent, the entity must have a trading track record of at least two years and, once appointed, the licensed bank or financial institution is required to conduct regular checks and audits to ensure that the agent is operating its business in a fully compliant manner in terms of not only the agent's terms of appointment and the regulatory requirements imposed upon the principal, but also in terms of the operation of the agent's own business. The appointment of agents may not be done on an exclusive basis, and nor is an agent permitted to only conduct agent banking (i.e. it must operate a business in its own right (

KCB in Kiambu County has been in existence for more than thirty years. It presence is linked to the Government of Kenya being a major shareholder ensured the entity was more accessible to Kenyan population. As such a majority of clients in Kiambu County have known the bank for many years and have developed confidence in it.

KCB in Kiambu County had to face stiff competition from other private and foreign banks including Barclay's Bank, Standard and Chartered Bank as well as Equity Bank a locally owned bank. There are KCB branches in some towns in Kiambu County including Thika, Ruiru, Kikuyu and Kiambu town to ensure that customers do not have to travel or walk long distances in search for KBC services. In order to enhance theaccessibility of KCB services, the bank introduced agent banking in the name of KCB Mtaani.

Statement of the problem

Customers are the most important factor to any organization. It is therefore important for organizations to ensure that their customers are satisfied with the organizations products and services. Statistics are bandied around that suggest that the cost of keeping a customer is only one tenth of winning a new one. Therefore, when they win a customer, they should hang on to them. Once an organization has set its goals to satisfy customers in all aspects it has to ensure that the customers' expectations and needs are met according to their specifications. Banks need to identify the various techniques and methods that can be used to satisfy customers and to understand how to apply them .For example, banks have adopted agent banking as a way to reduce congestion and to reach more customers in remote and unbanked areas.

The CBK continues to support innovations that will broaden the financial inclusion of the majority of the Kenyans. The financial access survey of 2009 shows that 32% of Kenya's bankable population remains entirely out of the orbit of financial services and much more being served by the informal financial system (CBK, 2009). The Central Bank took extensive reviews of the agent banking. A study by Bankable associate Frontier International Consultancy Firm was commissioned to review practices in Latin America, Asia and Africa on the agent. To get more insight, a team from Central Bank (CBK), Ministry of Finance and Kenya Bankers Association (KBA) undertook a study tour on agent banking in Brazil and Colombia (CBK website, 2010). After the ground work, Kenya Government through Central Bank of Kenya (CBK) unveiled the agent banking guidelines to ensure safe, efficient and inclusive financial system as envisaged by vision 2030. The study hinted that little had been done to determine how risks associated with agency banking, policies, procedures governing agency banking, technological, operations and awareness hinder adoption of agency banking by KCB in Kenya. This presents a research gap that ought to be addressed

KCB bank had aggressively been involved in establishment of banking agents and has the highest number of agents compared to other banks (CBK, 2016). There are 12,883 KCB Bank agents in Kenya. Though KCB banks have strategically rolled out agency banking outlets, customers still travel long distances to transact over-the-counter business (Kinyanjui, 2011). Even when customers have chosen to embrace the use of agency banking cases of selected use whereby they rely on the traditional banking services despite the fact that it could still be transacted through agency banking suggests apathy in the adoption of agency banking (Irura & Munjiru, 2013). According to Kenya Bankers Association (KBA) report in 2013, Kiambu County is the third in the uptake of banking services after Nairobi and Mombasa despite being very populous with residents who have higher per capita income. This study, therefore, sought to unearth the factors that affect the adoption of agency banking strategy by customers in Kiambu County.

Objectives of the study

The general purpose of thestudy was to examine the factors affecting the adoption of agency banking by customers: case of KCB banks in Kiambu County. The specific objectives were:-

- To investigate the influence of agency cost on the adoption of agency banking by KCB customers in Kiambu County
- To find out the influence of agency security on the adoption of agency banking KCB customers in Kiambu County
- To establish the effect of customer awareness on the adoption of agency banking by KCB customers in Kiambu County
- To assess the effect of float availability on the adoption of agency banking by KCB customers in Kiambu County

LITERATURE REVIEW

Theoretical Framework

Diffusion of Innovations Theory

Rogers (2003) formulated the diffusion of innovations theory to explain the adoption rates of various types of innovations. The theory views that there are four main elements in the diffusion process of new ideas are: an innovation that is communicated through certain channels over time among the members of a social system .Each time we have a new idea or innovation; there will be different adapter distributions tend to follow an S-shaped curve over time. Earlier adopters play a significant role as change agents to support the diffusion process through their successful adoption story.

Diffusion of innovations theory determines five innovation characteristics that affect the adoption of new ideas Rogers (2003) has a relative advantage, complexity, compatibility, trialability, and observability. Relative advantage is the degree to which an innovation is perceived as better than the idea it supersedes and has been measuredregarding their economic benefits, social prestige, status, convenience, and satisfaction. On the other hand, complexity relates to the degree to which an innovation is perceived as difficult to understand and use. Perceived complexity has a negative effect on the adoption.

Compatibility indicates the extent to which an innovationis seen as being consistent with the existing values, past experiences, and needs of potential adopters. An idea that is incompatible with the values and norms of a social system will not be adopted as rapidly as an innovation that is compatible. Trialability signifies the degree to which the innovation may be experimented with on a limited basis. A possibility to try an innovation before adoption will reduce the uncertainty and increase the likelihood of the adoption. Observability is the degree to which the results of innovation are visible and communicable to others. The easier it is for individuals to see and discuss the results of innovation, the more likely they are to adopt it (Omumi, 2010).

The relevance of this theory in this study is the fact that agency banking is clearly an innovation that requires time to reach critical mass. Concerning communication channels, banks have done well to popularize the model with service names that resonate well with the target population. Such names include, 'Co-op Kwa Jirani', 'KCB Mtaani', 'Family Pesa Pap', 'Chase Popote' 'Conso Maskani', Posta mashinani, DTB agent, and so on. Such names are intended to create a sense of ownership and create confidence among the bank's customers for a service that has been devolved to their neighborhood. The rate of diffusion of agency banking will depend on many factors some of which are subject to investigation in this study, but also not forgetting disruptive innovations like the mobile money transfers services. This theory addresses agency banking which was the dependent variable in this study.

Theory of Security

Kurtus developed this theory in the year 2002 but was later revised in the year 2012. Security is the protection of a person, property or organization from attack. The theory of security is to know the types of possible attacks, to be aware of the motivations for attacks and your relationship to those motives. The security or defense against such a threat is to make it difficult to attack, threaten counter-measures, or make a pre-emptive attack on a source of threat (Mas & Hannah, 2008).

People, property or organizations may be attacked by the criminally-minded. Security is necessary to protect from such attacks. Physical attacks are efforts to injury or even kill a person. Other types of personal attacks can also be attempts to injure or hurt someone emotionally or financially. Sometimes there is even an attack to destroy a person's reputation. Someone may try to damage or destroy property, such as a building (Mas & Hannah, 2008). Theft is also considered a property attack. Reasons for such an attack may be for revenge, financial gain, political or religious motives, for thrills, or to avoid getting caught. Criminals will attack other people, break into a building, or do other damage for the sake of financial gain. Cases of mugging and robbery for financial gain are prevalent in Kenya (Omumi, 2010). This theory is related to the study in that an agent can be compromised by fraudsters in abating frauds to customers account like card skimming which have been traced to agents. This study addresses the agency security which is one of the independent variables in this study.

Bank-led Theory

The theory was developed by Lyman, Ivatury, and Staschen in 2006. In the most basic version of the bank-led theory of branchless banking, a licensed financial institution (typically a bank) delivers financial services through a retail agent. That is, the bank develops financial products and services, but distributes them through retail agents who handle all or most customer interaction (Lyman et al., 2006). The bank is the ultimate provider of financial services and is the institution in which customers maintain accounts. Retail agents have face-to-face interaction with clients and perform cash in/cash out functions, much as a branch-based teller would take deposits and process withdrawals.

In some countries, retail agents also handle all account opening procedures and, in some cases, even identify and service loan customers. Virtually any outlet that handles cash and is located near customers could potentially serve as a retail agent. Whatever the establishment, each retail agent is outfitted to communicate electronically with the bank for which it is working. The equipment may be a mobile phone or an electronic point-of-sale (POS) terminal that reads cards. The bank-led model offers a distinct alternative to conventional branch-based banking in that customer conducts financial transactions at a whole range of retail agents instead of at bank branches or through bank employees Lyman et al. (2006). This model promises the potential to increase the financial services outreach substantially by using a different delivery channel (retailers/ mobile phones), a different trade partner (Chain Store) having experience and target market distinct from traditional banks, and may be significantly cheaper than the bank based alternatives. In this model, customer account relationship rests with the bank.

Agents Related Risks arise from substantial outsourcing of customer contact to retail agents. From a typical banking regulator’s perspective, entrusting retail customer contact to the types of retail agents used in both the bank-led and nonbank-led models would seem riskier than these same functions in the hands of bank tellers in a conventional bank branch. These retail agents may operate in hard-to-reach or dangerous areas, and they lack physical security systems and specially trained personnel. The lack of expert training may seem a particular problem if retail agents' functions range beyond the cash-in/cash-out transactions of typical bank tellers to include a role in credit decisions (State Bank of Pakistan, 2011). Banking regulation typically recognizes multiple categories of risk that bank regulators and supervisors seek to mitigate. Five of these risk categories credit risk, operational risk, legal risk, liquidity risk, and reputation risk-take on particular relevance when customers use retail agents rather than bank branches to access banking services. The use of retail agents also potentially raises unique concerns regarding consumer protection and compliance with rules for combating money laundering and financing of terrorism (Kumar et al. 2006). The bank led theory is related to the study as it focuses on how financial institutions such as banks deliver their financial services through a retail agent, where the bank develops financial products and services, but distributes them through retail agents who handle all or most customer interaction. For example; KCB distributes itscommercial product through KCB mtaani agent, where the agent has face-to-face interaction with their clients and performs cash-in/cash-out functions, much as a branch-based teller would take deposits and process withdrawals. The way agents deliver banks products to clients also affect customer service levels (Kumar et al., 2006). This theory addresses the customer awareness variable in this study.

Agency Theory

The agency theory which was developed by Michael Jensen and William Meckling in 1976, views the company as a link of contracts among self-interested individuals rather than a unified, profit-maximizing entity. Agents need constant supervision and management, which raises agency costs or coordination costs. Information technology, by reducing the costs of acquiring and analyzing information, permits organizations to reduce overall management costs and allows them to grow in revenues while shrinking the numbers of middle management and clerical workers (Laudon & Laundon, 1996). Although this definition of agency theory views their associated costs as costs the company incurs, the customer also incurs agency costs in dealing with a company. For example, the interaction with salespeople, dealing with employees in problem situations, or just looking for an employee to ask for assistance, involve agency costs for the customer. Agency costs do not necessarily have to constitute monetary costs, as the definition might assume. This theory addresses on of the independent variable which is agency cost.

Conceptual Framework

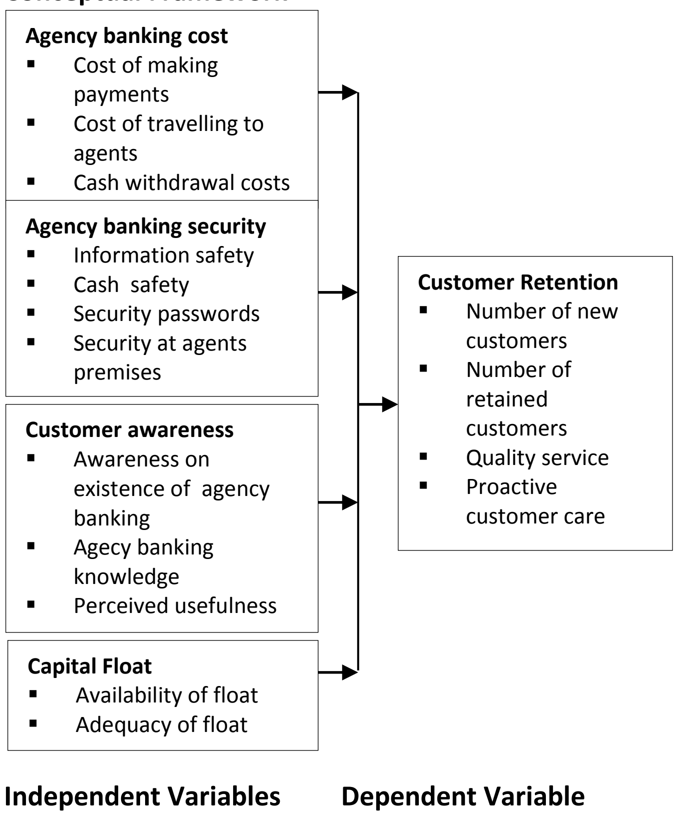

Figure 1: Conceptual Framework

Agency banking Cost

Cost is a determinant factor in the perceived usefulness in the agency banking. I he transaction costs of sending money through the mobile payment or other system technology are lower than those of banks and money transfer companies (Omwansa, 2009). The cost of a payment transaction has a direct effect on consumer adoption if the cost is passed on to customers (Mallat 2007). Transaction costs should be low to make the total cost of the transaction competitive. The cost of the mobile payments should be affordable to most of the micro business operators and far below what the banks normally charge for their bank transactions. There are many different mobile handsets which are easy to operate and have the functionalities required for the mobile payment technology.

Agency Banking Security

Agency Banking Security refers to how secure or safe a customer feels whenever he or she goes to either withdraw, deposit or transfer cash using agent banks (Adamson, 2015).

It is the status and measures (in terms of risks and fraud) for transactions within the banking agencies across all geographical boundaries (Kithuka, 2015). Physical security is an issue of concern with regard to security of cash and even people managing and working with agents. Some banks give incentives to their agents by subsidizing the cost of transferring cash to commercial banks. The security issue is a challenge mainly in Brazil. In Colombia, communities act as security for agents, as they are viewed to have brought development to the community. According to Aguirre and Alonso (2012), in Colombia, the police provide security services for free to some agents. Colombia also initially had challenges with illegal agents but this was quickly resolved. Njenga (2009) states that although the mobile phone balances may seem low, the fact that there are balances proves that there is storage which can be perceived as acceptance of deposits. This is a significant indication of the high value placed on the convenience associated with the use of the mobile payment services. Omwansa (2009) states that a lost or stolen mobile phone or ATM card does not mean catastrophe as no one can access an account without a correct personal identification number (PIN). He further explains that in a country where majority of people have no bank accounts, M-Pesa and other bank support services provides both convenience and safety. People walk around with their virtual money knowing they can withdraw cash any time at a minimal fee. In a mobile environment, it is necessary to have perceived security and trust in the vendors and the payment system. (Siau, et al. 2004; Mallat, 2007). Security and safety of mobile payment transactions is one of the primary concerns for users (Nam, 2005). They state that safety represents no delay, no transaction incompleteness and no private information disclosure during payment transactions. The use of the pin and secret code for the transactions enhances the security and privacy issues. Key requirements for any financial transaction in an electronic environment should include confidentiality, authentication, data integrity and non-repudiation. Other security factors important to the users are anonymity and privacy, which relate to use policies of customers' personal information (Mallat, 2007).

Customer Awareness

Customer awareness implies the ability of commercial banks management through their marketing team to undertake vigorous advertising to ensure that customers know of the existing agent banking services (Lawrence, 2007). In Kenya, banks carryout their awareness campaigns through; road shows, where convoy of marketers move round towns in convoys as they tell people about their services- KCB has done well with making the public aware about its “bankika” service; Electronic media has played a vital role in making consumers awareness; Print media has also been used; Banks websites has a lot of information about their services; Short text messages are also sent to mobile phone subscribers to inform them about services; And the use of social media have played a vital role in ensuring consumers are aware. But too the agents themselves have also taken a huge part in ensuring that consumers are able to get information about services by especially giving brochures and posters. This helps in ensuring the infiltration of the information. The technical assistance however, to various program entities can support the establishment and deployment of a mobile money public awareness campaign using a variety of media and outreach methods. The Market activation and product or service awareness will focus on the generic benefits and security of mobile money and explain the basic concepts and usage. The campaign would be part of broader financial literacy initiatives and incorporated into ongoing training and outreach initiatives (USAID, 2011).

Capital Availability

Capital refers to funds held in deposit accounts. One of the biggest challenges in rolling out banking agencies is the establishment and the effectiveness of the agent network. Agents are the touch-points where the subscribers of the service can get money into and out of the system. Agents are often also referred to as cash-in and cash-out points (Kumar &Mohanty, 2012).

Cutcher (2014) indicates that capital availability actually takes two forms: availability of electronic value in the mobile wallet and cash availability. Management of electronic value is the mobile money transactions between a retail agent and a customer requires that the retail agent has cash value in their mobile wallet. As the agent provides financial services throughout the day, the cash amount on their phone fluctuates up and down, depending on whether they are accepting funds or paying out. When the amount in the retail agent’s mobile wallet is used up, the agent cannot perform additional services and needs to refill their account. If the agent does not have a bank account linked to their mobile wallet, this means they need to make a trip to the bank to transfer cash into electronic value. It is becoming more common for electronic liquidity to be handled not only by the retail agents, but also by the master agents (Jayo, Martin, Eduardo and Felipe, 2012)

Empirical Review

Adoption of agency banking

Agency banking was introduced by KCB to reduce crowding in the banking hall. In 2011, KCB teller was expected to serve 300 customers per day and on average each branch has at least 10 tellers. Agency banking introduction was meant to ease this congestion and the business expected to retain 2 tellers per branch. The excess human capital was intended to be absorbed into other department such credit, customer care and personalized banking department (KCB website).

Agency Banking Cost

According to Suleiman (2007),agentbanking is a bank that has been authorized by an individual to act as his/her agent. An agent bank would typically provide services such as back-office operations, processing of credit applications, and verification services. Bank agents help financial institutions to divert existing customers from crowded branches offering a complementary, often more convenient channel. Other financial institutions, especially in developing markets, use agents to reach an additional client segment or geography. Reaching poor customers in rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost of a branch. In such environments banking agents that piggyback on existing retail infrastructure and lower set-up and running cost - can play a vital role in offering many low-income people their first-time access to a range of financial services. Also, low-income clients often feel more comfortable banking at their local store than walking into a marble branch.

Agency Banking Security

Bruce (2014) said that safety is an important aspect when dealing with agency banking. This comes in the wake of the fact that customers have for a long time been used to banks where they feel safe because of the security reinforcement associated with it. However, a client would feel insecure to undertake financial transaction primarily involving an enormous amount of money for the safetyreasons; Security is the degree of resistance to, or protection from, harm. It applies to any vulnerable and valuable assets, such as a person, dwelling, community, nation, or organization. Perception of security may be poorly mapped to measurablephysicalsecurity. For example, the fear of earthquakes has been reported to be more common than the fear of slipping on the bathroom floor although the latter kills much more people than the former. Similarly, the perceived effectiveness of security measures is sometimes different from the actual security provided by those measures. The presence of security protections may even be takenfor safety itself. For example, two computer security programs could be interfering with each other and even canceling each other's effect, while the owner believes s/he is getting double the protection.

Customer Awareness

According to Lawrence (2007), business knowledge covers a range of skills and competencies relating to business activities. It refers not only to commercial practices but also to the wider environment in which they take place, with which you will be familiar. It is common during interviews for one to be asked why he chose to work for the company and what makes the job attractive to him or what he would do in this current situation. They are all questions that can be answered by having a good business and customer awareness, and if you can answer them well at the interview stage, then it will massively boost your chances of landing a job.

Therefore companies including KCB banks need to ensure that they make their clients aware of the existing agent banking services so that they can make more inquiries and hence make informed choices on whether or not to use agentbanking. Majority of agent banking services is foundin the main towns and its environs leaving the bulk of the rural population with inadequate information regarding agent banking. In their study, Farris, Bendle, Pfeifer and Reibstein, (2010) depicted that the purchase decisions made by consumers on a cognitive level are influenced significantly by its awareness amongst the target market.

Capital Availability

According to Stanley (2012), academics, practitioners, and regulators all recognize and agree that capital is required for banks to operate efficiently because capital provides protection. The critical question is how much, and what type of, capital a bank needs to hold so that it has adequate protection. In the simplest form, capital represents the portion of the bank’s liabilities which does not have to be repaid and therefore is available as a buffer in case the value of the bank's assets decline. If banks always made profits, there would be no need for capital. Unfortunately, such an ideal world does not exist, so capital is necessary to act as a cushion when banks are impacted by significant losses. If the bank’s asset value is lower than its total liabilities, the bank becomes insolvent, and equity holders are likely to choose to default on the bank’s obligations. Naturally, regulators would hold the view that banks should hold more capital, so as to ensure that insolvency risk and the consequent system disruptions are minimized. On the other hand, banks would wish to maintain the minimum level of capital that supplies adequate protection, since capital is an expensive form of funding, and it also dilutes earnings.

METHODOLOGY

Research design is a plan that guides the research in the process of collecting, analyzing and interpreting observations; the researcher's blueprint for the methods and instruments used to gather information and to evaluate it, in order to respond to the research questions of the study (Mugenda, & Mugenda, 2009). The study used descriptive research design. The target population was 120 agents of the bank. The multiple linear regression models were used to measure the relationship between the independent variables and the dependent variable which are explained in the model.

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + +e$

Where:

Y = Non- financial performance

{ β_i; i=1,2,3,4,5,} = The coefficients for the various independent variables

X_i for;

X_1 = Agency Cost

X_2 = Agency Security

X_3 = Customer Awareness

X_4 = Float Availability

RESULTS

Cost of Agency Services and Adoption

The respondents were asked to indicate in their opinion whether the agent charges for transactions were fair. As per the findings, majority of the respondents who were 86.9% indicated that the agent charges for transactions were fair. Only 13.1 % indicated that the agent charges for transactions were not fair. These results agreed with that of Walubengo (2011) who found that banks face a challenge because the cost of undertaking a financial transaction by a customer is perceived to be high and this becomes an impediment to the adoption of agency banking.

Further the respondents were asked to indicate in their opinion whether the cost of agency services influenced adoption of agency banking by KCB customers in Kiambu County. As per the findings in, majority of the respondents who were 72.6% indicated that the cost of agency services influenced adoption of agency banking by KCB customers in Kiambu County; 23.8% of the respondents indicated that cost of agency services did not influence adoption of agency banking by KCB customers in Kiambu County. This result tally with that of Wairi (2011) who in her study on factors influencing adoption of agency banking innovation among commercial banks in Kenya, revealed that the main factors influencing the adoption of agency banking among commercial banks in Kenya were Cost reduction.

In addition the respondents were asked to indicate the extent to which they agreed with the statements on Agency banking. The responses were placed on a likert scale where 1= Strongly Disagree 2=Disagree 3= neutral 4= Agree 5=Strongly Agree Standard deviation was used to indicate the variation or "dispersion" from the "average" (mean). A low standard deviation indicates that the data points tend to be very close to the mean, whereas high standard deviation indicates that the data is spread out over a large range of values. The study findings were tabulated table 1 below.

Table 1: Agency Banking

Statement	Mean	Std. Dev
Agency banking is efficient	3.3955	.78538
Agency banking has helped ease congestion at KCB.	3.3556	1.07528
Agency banking has been adopted by all KCB in Kiambu County.	3.1333	.97583
KCB customers are confident have confidence with agency banking.	3.1133	.86214
Agency banking faces many challenges	3.0370	.73449

From the findings majority of the respondents moderately agreed that Agency banking was efficient (Mean=3.3955), Agency banking had helped ease congestion at KCB (Mean=3.3556), Agency banking had been adopted by all KCB in Kiambu County (Mean=3.1333), KCB customers had confidence with agency banking (Mean=3.1133) and that Agency banking faced many challenges (Mean=3.0370).

Security of Agency Services and Adoption

The respondents were asked to indicate in their opinion whether the agency services were secure. As per the findings, 96.4% of the respondents indicated that the agent banking was secure and only 3.6% indicated that the agent banking was insecure. This implied that that the respondents had much faith in the agency banking.

The respondents were further asked to indicate whether agent banking security influenced adoption of agency banking by KCB customers in Kiambu County. From the findings, majority of the respondents majority of the respondents who were 45.2% indicated (45.2%) of the respondents indicated that agent banking security influences adoption of agency banking by KCB customers; 33.3% indicated that they didn't know whether agent banking security influenced adoption of agency banking by KCB customers while only 21.5% of the respondents indicated that agent banking had no influence on adoption of agency banking by KCB customers. This result agreed with that of Alfonse (2005) who found that the more the customers feel safe, the higher the adoption of agent banking while the more they feel insecure, the lower the approval of agentbanking

The respondents were further asked to indicate the extent to which agency security affected customer adoption of agent banking. From the findings, majority (57.9%) of the respondents indicated that security affected customer adoption of agent banking to a great extent, 26.3% indicated moderately extent while 15.8% of the respondents indicated that security affected customer adoption of agent banking to a low extent. This result backs up that of Alfonse (2005) who found that the more the customers feel safe, the higher the adoption of agent banking while the more they feel insecure, the lower the approval of agentbanking.

Customer Awareness

The study sought to establish whether the respondents knew that KCB in Kiambu County had created customer awareness of the agent banking. According to the findings, 100% of the respondents indicated that they knew that KCB in Kiambu County had created customer awareness of the agent banking.

Further the respondents were requested to indicate whether customer awareness affected adoption of agent banking. The findings revealed that majority of the respondents who were 68.7% indicated that customer awareness affects adoption of agent banking while 31.3% indicated that customer awareness does not affect adoption of agent banking. The results tally with that of (Farris, Bendle, Pfeifer and Reibstein, 2010) who depicts that the purchase decisions made by consumers on a cognitive level are influenced significantly by its awareness amongst the target market.

Further the respondents were asked to indicate the extent to which customer awareness influenced customer adoption of agent banking. As per the findings, majority of the respondents who were 68.9% indicated that customer awareness influenced customer adoption of agent banking to a high extent; 22.4% indicated that customer awareness influenced adoption of agent banking by customers to a moderate extent while 8.7% of the respondents indicated that customer awareness influenced customer adoption of agent banking to a low extent. This result agreed with that of Abdinoor and Mbamba (2017) who found that mobile financial service adoption is positively related to individual awareness, perceived usefulness and perceived benefit

In addition the respondents were asked to indicate the extent to which they agreed with the statements on customer awareness. The responses were placed on a likertscale where 1= Strongly Disagree 2=Disagree 3= neutral 4= Agree 5=Strongly Agree Standard deviation was used to indicate the variation or "dispersion" from the "average" (mean). A low standard deviation indicates that the data points tend to be very close to the mean, whereas high standard deviation indicates that the data is spread out over a large range of values.

The study findings are tabulated table 2 below.

Table 2: Customer awareness

Customer awareness	Mean	Std. Dev
KCB advertise agent banking services	4.2370	.97937
Customer awareness is only undertaken in urban centers leaving out rural areas.	3.3407	.73060
Customer awareness of agent banking is low	3.0667	.49411
Only a few KCB banks in Kiambu County have introduced agent banking	3.0481	.73015
KCB lack strategy on how to create agent banking awareness.	2.3704	.01291

As per the findings, majority of the respondents agreed with the statement that KCB advertise agent banking services (Mean=4.2370). Further, the results showed that majority of the respondents were neutral on the statement that customer awareness was only undertaken in urban centers leaving out rural areas (Mean=3.3407). In addition, the results showed that majority of the respondents were neutral on the statement that customer awareness of agent banking is low (Mean=3.0667). The results also showed that majority of the respondents were neutral on the statement that only a few KCB banks in Kiambu County have introduced agent banking (Mean=3.0481). The results further revealed that majority of the respondents disagreed with the statement that KCB lack strategy on how to create agent banking awareness (Mean=2.3704).

Float Availability

The respondents were further asked to indicate whether they had adequate capital. As per the findings, majority of the respondents who were 47.6% indicated that they had adequate capital; 39.3% indicated that they did not have adequate capital while 13.1% indicated that they didn’t know whether they had adequate capital or not. Further the study sought to investigate whether the availability of float affected adoption of agent banking by KCB customers. From the findings, majority of the respondents who were 75% indicated that availability of float influenced adoption of agent banking by customers, 19% indicated that availability of Float does not affect the adoption of agent banking by customers where 6% of the respondents indicated that they didn’t know whether float availability influences the adoption of agent banking by customers.

The respondents were also asked to indicate how important availability of float is on the adoption of agent banking by customers. From the findings, majority of the respondents who were 58.3% indicated that availability of float is crucial on the adoption of agent banking by customers; 34.5% indicated that availability of float is important on the adoption of agent banking by customers while 7.2% indicated that availability of float is not important on the adoption of agent banking by customers. These findings concur with Kumar and Mohanty (2012) that in instances where a subscriber arrives at an agent with the need to withdraw a large amount it does happen that the agent do not have enough cash to satisfy the cash-out request.

Adoption Of Agent Banking

The study sought to establish the respondents’ general experience with agent banking. From the findings, majority (64.3%) of the respondents indicated that the general experience with agent banking was good, 21.4% indicated as Average, 10.7% indicated as Very good while 3.6% of the respondents indicated that their general experience with agent banking was bad.

CONCLUSIONS

The study concluded that Cost of Agency Services, Security of Agency Service, Customer Awareness and float availability significantly influence the Adoption of agency banking by bank customers at KCB in Kiambu County. The study also concluded that efficient agency banking helps in easing congestion in the banking halls.

Further the study concluded that the safety of agent banking influences its adoption to a great extent. In addition, the study concluded that banks activities in advertising agency banking services influences its adoption by customers. It also concluded that the low costs of agency banking transactions plays a big role in attracting customers towards its adoption.

RECOMMENDATIONS

Agency banking has enabled cost saving and accessibility of financial services by banks and customers as well. Banks have made huge savings on operational costs and infrastructure costs by using banking agents. Customers are able to access the basic banking services as opposed to the traditional banking. However, despite these achievements, cash availability and security are most critical factors in agency banking and they influence the performance of banks. Its therefore recommended that banks should adopt a risk – based approach to the supervision and regulation of agency banking. Enough security measures should be put in place as a result of the rampant cyber crimes.

Agency banking as a branchless banking model has enabled banks to reach the unbanked population, its therefore critical that banks should allow agents to be more financially inclusive than just offering the cash transfer services, agents should be able to convert cheques into cash, deal with foreign currency exchange among other services. The selection criteria of agents should be restructured so as to favour heavy cash operations in order to meet the demand of cash availability as well as handling large cash transactions.

Suggestions for Future Study

The study looked at the adoption of agency banking by KCB customers in Kiambu County, Kenya. The study recommended studies to be done in other areas of Kenya to establish whether the findings can be generalized. The also study recommended that a study be done on the role of employees at KCB bank on the competitive advantage. This would help in determining the extent of influence of the employees on the competitive advantage in KCB bank.

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