

SAINT MARY'S UNIVERSITY

School of Graduate Studies



**ASSESMENT OF AGENT BANKING SERVICE:
CASE STUDY ON LION INTERNATIONAL
BANK AGENTS**

BY:

MERON DERESE

ID No. SGS/0051/2008A

July, 2017

Addis Ababa, Ethiopia

**ASSESSMENT OF AGENT BANKING SERVICE:
CASE STUDY ON LION INTERNATIONAL
BANK AGENTS**

BY:

**MERON DERESE
ID No. SGS/0051/2008A**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENT OF MASTERS OF BUSINESS ADMINISTRATION**

**July, 2017
Addis Ababa, Ethiopia**

ST. MARY’S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS

**“ASSESSMENT OF AGENT BANKING SERVICE: CASE
STUDY ON LION INTERNATIONAL BANK AGENTS.”**

By: MERON DERESE

APPROVED BY BOARD OF EXAMINERS

_____	_____
Dean, Graduate studies	Signature
<u>ASMAMAW GETIE (Asis.prof)</u>	_____
Advisor	Signature
_____	_____
External Examiner	Signature
_____	_____
Internal Examiner	Signature

Declaration

I, the undersigned, declare that this thesis entitled “Assessment of agent banking service: A case study on lion international bank Agents.” Submitted by me to undertake a research in partial fulfillment of the requirements for the award of the Degree of Master of Business Administration (MBA) to the School of Graduate Studies, St. Marry University, is my original work, has not been presented for degree in any other university and that all sources of materials used for the thesis have been duly acknowledged.

Declared by:

Name: Meron Derese

Signature_____

Date_____

Confirmed by Advisor:

Name: ASMAMAW GETIE(Asis.prof)

Signature _____

Date _____

Place and date of submission: St. Marry University, July, 2017

Endorsement

This is to certify that Meron Derese Tsegaye her carried out her research work on the topic entitled “Assessment of agent banking service: A case study on lion international bank Agents. The work is original in nature and is suitable for the submission for the award of Masters of Business Administration.

Advisor: ASMAMAW GETIE(Asis.prof) **Signature:** _____

St. Mary's university

Date _____

ACKNOWLEDGMENTS

First and foremost, I would like to thank the **Almighty God** who gave me the courage through his endless love and blessings that helped me in finalizing the study.

It gives me a great pleasure to extend my sincere gratitude for the help I received to complete this paper. First, I would like to express my deepest thanks to Asmamaw Getie (Assistant Professor) for his unreserved and precious advice on each step of the research paper. Special thanks go to the agents of the banks who provided their time for the successful completion of the research. I would like also to express my sincere gratitude to my families and friends, for their unlimited moral and advisory support starting from the beginning up to the end.

Finally, I would like to thank all people involved directly or indirectly for the accomplishment of this paper.

Abstract

This thesis aims to assess agent banking service in the lion international bank with respect to the barriers which can influence firms from taking advantage of agent banking system. The study was conducted based on the data gathered from the bank agents in Addis Ababa region. A quantitative research approach was used to answer the research questions that emerge through the review of existing literature. The study statistically analyses data obtained from the survey questionnaire. The research work was delimited to relevant agents having direct role to the subject matter. Additionally, the researcher tried to review various empirical and theoretical literatures in light of having an in-depth understanding on the subject matter to supplement the research construct. A research framework developed based on Technology acceptance model to guide the study. The result of the study indicated that, the major barriers agent banking industry faces in the provision of the service are, lack of awareness , be deficient in trust, lack of supportive training , Lack of ICT infrastructure as well as be deficient in competitiveness' with other banks. The study also identified perceived ease of use and perceived usefulness as a driver for the frequent use of agent banking system. The study suggests a series of measures which could be taken by the bank to address various challenges identified in the thesis. These measures include: Establishing a frequent training to minimize knowledge gap between agents also work on creating awareness to the society, supporting agent banking by working with ethio tel come to work on ICT infrastructure and network problem, banks needs to be focused on technological innovation competition rather than traditional bases of retail bank competition so the bank have to be work on providing other channels.

Key words: Agent, Agent banking service

Table of Contents

Contents	Pages
Acknowledgments.....	i
Abstract.....	ii
List of Contents.....	iii
Table of Table.....	vi
Table of Figure.....	vii
List of Acronyms.....	viii
CHAPTER ONE: Introduction	1
1.1 Background of the study	1
1.2 Statement of the problem	3
1.3 Research Questions	4
1.4 Objectives of the Study	5
1.4.1. General objectives	5
1.4.2. Specific objectives	5
1.5 Scope of the Study	5
1.6 Limitation of the study	5
1.7 Significance of the Study.....	6
1.8 Organization of the Study	6
CHAPTER TWO: Literature Review.....	7
2.1 Introduction	7
2.2 Definition of terms and concepts.....	7
2.3 Agent banking.....	7
2.4 Innovation theory.....	8
2.5 Agency Theory.....	9
2.6 Theoretical review.....	11
2.6.1 Bank-Focused Theory.....	11
2.6.2 Bank-Led Theory.....	11

2.6.3 Nonbank-Led Theory.....	11
2.7 Effect of Agency banking on banking.....	11
2.8 Agent characteristics and use.....	12
2.9 Benefits of Agent banking.....	13
2.10 Challenges of Agency Banking for Banks.....	14
2.11 Information and Communication Technology and Agency Banking service	15
2.12 Enhance Accessibility to banking service	15
2.12.1 Wider Market Coverage and Customer Loyalty.....	16
2.12.2 Agency banking and customer satisfaction.....	16
2.13 Agent Banking in Different Countries.....	17
2.13.1 Agent Banking Success Factors	18
2.14 Agent Banking in Ethiopia.....	19
2.15 Company profile.....	21
2.16 Empirical Literature Review.....	23
2.17 Conceptual framework	26
2.17.1 Technology Acceptance Model (TAM).....	27
2.17.2 Conceptual framework for the study.....	28
CHAPTER THREE: Research Methodology.....	30
3.1 Research approach and design	30
3.2 Data sources	30
3.3 target population.....	31
3.4 Sampling Technique.....	31
3.5 Data Collection.....	32
3.6 Data analysis method.....	32
3.7 Validity and Reliability Testing.....	33
3.8 Ethical Considerations	33
CHAPTER FOUR: Data analysis and Interpretation.....	34
4.1. Introduction	34
4.2. Demographic information of the respondents.....	34
4.3. Barriers on the service of Agent-banking system in LIB.....	36
CHAPTER FIVE: Summary of Findings, Conclusion and Recommendation.....	50
5.1. Summary of Findings.....	50

5.2. Conclusion	52
5.3. Recommendations.....	53
5.3. Further Research Area.....	54
References.....	ix
Appendix	xvi

List of Tables

Table 2.1 Hello cash customer's transaction charge.....	22
Table 2.2 Agent commission.....	22
Table 2.3 agent distribution of Hello cash.....	23
Table 3.1 Total number of agents in Addis Ababa region and sample taken.....	32
Table 3.2 reliability statistics.....	33
Table 4.1 Frequency distribution of demographic factors.....	35
Table 4.2 environmental factors that affect agent banking service	37
Table 4.3 Evaluating service package that facilitated the rapid adoption and Frequent use of hello cash	41
Table 4.4 identifying customers' attitude base on agent view	44
Table 4.5 Examine in what extent agent awareness lay.....	47
Table 4.6 Agent attribution to the service of agent banking	49

List of Figure

Figure 2.1: Technology Acceptance Model.....	27
Figure 2.2 Conceptual frameworks for the study	29

ACRONYMS

ATM	Automated teller machine
CBK	Central Bank of Kenya
DOI	Diffusion of Innovation
E-banking	Electronic banking
ICT	Information communication technology
IVR	Interactive voice response
LIB	lion international bank
MFI	micro finance institutions
MMS	mobile money solution
MNO	mobile network operators
NBE	national bank of Ethiopia
POS	point of sale
RBI	Reserve Bank of India
TAM	Technology Acceptance Model
USSD	Unstructured Supplementary Services Data

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In the last decade, there has been an explosion of different forms of remote access of financial services, i.e. beyond branches. These have been provided through a variety of different channels, including mobile phones, automatic teller machines (ATMs), and Point-of-Sale (POS) devices and banking correspondents. In many countries, these branchless channels have made an important contribution to enhancing financial inclusion by reaching people that traditional branch-based structures would have been unable to reach (Afewerk, 2015).

Agent-banking is an arrangement by which licensed institutions engage third parties to offer certain banking services on their behalf. Agency banking is branchless banking based on ICT that allows financial institutions to offer financial service outside the traditional bank premises (Mas and Siedek, 2008). It allows customers to conduct a limited type of financial transactions at third party outlets that include post offices, supermarkets, general and grocery stores, pharmacies, and gas stations etc located in remote areas (Warii, 2011). Agency banking has helped to bring some banking services to rural and suburban areas. The prohibitive costs of setting up branches and ATMs vis-à-vis the expected returns have been a disincentive for banks to roll out their services in these areas, but agency banking has provided an avenue to these markets at limited cost. Although some rural customers still have to travel some distance to branches for services that agents can't deliver, basic transactions are far more readily available. By its nature, the model was intended to take (Admassu and Asayehg , 2014).

Agent banking represents a significant opportunity to reduce transaction costs such as travel for clients by bringing financial services hard-to-reach and geographically dispersed areas. This is especially true in Africa where some areas are sparsely populated leaving long distances between the customer and the bank. Moreover, in these areas overall literacy levels are fairly low. Also, banks and other financial institutions often do not have sufficient incentive or capacity to establish formal branches in these areas. Obviously, the set-up of agent banking is less costly and more flexible than for

traditional bank branches since it reduces the need to invest in staff and physical infrastructure (Barasa and Mwirigi ,2013).

The National Bank of Ethiopia (NBE) issued a Regulation of Mobile and Agent Banking Services Directives No. FIS /01/2012 Directives for Mobile & Agent Banking allowing financial institutions to reinforce the coverage of financial services in the country by using existing merchants as an agent network, Telecom infrastructure and Mobile phone technology. Banking through retail agents appeals to policy makers and regulators because it has the potential to extend financial services to unbanked and marginalized communities. But it also challenges them to ask: what are the risks of these new approaches, and are they different from those of conventional branch – based banking? How should we respond to these risks, so as to permit branchless banking with retail agents to operate safely and expand access to finance income and rural areas that they could not profitably serve with conventional branch based banking (Nefa , 2013).

One of the pioneers introducing the agent bank technology in Ethiopia is Lion bank S.C & Somalia Microfinance have partners with Bel cash technology solution plc. To launches the official pilot of the Hello cash mobile money solution (MMS) in the year February 2015. Hello cash mobile money would make financial service available to Ethiopia especially at the grassroots in order to derive financial inclusion in the country. Ethiopia has a very low rural banking sub-Saharan Africa with only 14% of adults having access to credit and only 1% of rural population owning bank accounts (All African.net 2016).

In different parts of the world various research studies have been conducted on agency banking services. Like nadom 2011, Harun 2012, Mostil and Mwaura in 2014 and in Ethiopia is Afewerk, Anuware and also Elfaged there more focuses area is on its overall adoption However, none of these studies focuses on agent banking service in Ethiopian banking context. Agent banking as part of the technological products that have its own challenges beyond the untapped market opportunities that stakeholder might envisage. Therefore, Agent Banking in Ethiopia is inevitably operate in an environment for its Challenges toward bringing financial inclusion With the underlying theme of witnessing the Agent Banking service as a successful propagator for financial inclusion in Ethiopia, this research work under the title “Assessment of agent banking service in LIB agents”,

therefore, the researcher tried to make an in depth study on the provision of Agent Banking service in LIB agents.

1.2 Statement of the problem

Agent banking, which leverages heavily on ICT, is a component of branchless banking that allows financial institutions to offer financial services outside the traditional brick and mortar bank premises (Mas and Siedek, 2008). Agency banking system has two focal goals which are deposit mobilization in countryside area that are not easy to reach and creating non cash society in built-up area. mainly uses modern technology and it allow customers to access banking services electronically through mobile devices and Bank agents to deposit and withdraw cash, transfer fund, make bill payments, obtain content trading. One of the major significance of agent banking product and services is improved efficiency and effectiveness of the operations so that, transactions can be processed faster and most conveniently (Barasa & Mwirigi , 2013).

Based on reviewing other countries success viewed from three angles. First, by examine the environmental factors that set the scene for a successful mobile money development. Then, by examine the service design features that facilitated the rapid adoption and frequent use of the service. And, finally, examine the elements in execution strategy that helped rapidly reach a critical mass of customers (Ignacio, Dan and Bill, 2010).

According to national bank of Ethiopia the total population of subscribed agent banking customer is 658,000 from all agent banking service provider and from total population of banking society is 21 percent (annual report of national bank of Ethiopia 2015/2016). Based on Ethio-Telecom 5 year business plan the total population of cell phone subscribers expected to be 48 million (Ethio-Telecom 5 year business plan, 2014/15-2018/19). There is steal a lot of population that banks have to address and agent banking is one of the resources to reach this population but based on the data it is not quite done.

Generally hello cash work with three financial institute which is cooperate bank of Oromia , Lion international bank and Somalia microfinance. The overall agents are around 4560 from that LIB takes 1345 agents. And also from 4560 agents 1019 exists in Addis Ababa region moreover 645 agents is LIB and have over 73,600 subscribed customers (hello cash.com, January 2017). Since LIB bank is one of pioneers in

introducing agent banking its customer base is not quite enormous which from the above information LIB take only 9% of existing customers

There are few published works that tried to investigate the adoption of agent banking in Ethiopia their finding was for financial inclusion being prioritized based on the degree of influence in the Context of Ethiopian business environment and indentified challenges to agent banking and e-banking adoption under TOE framework (Elfagid,2015); (Anuwar,2015). According to (Afewerk, 2015) The study findings revealed that the banking sector in Ethiopia is eager to adopt the agency banking system as an alternative service delivery channel by identifying its main barriers and drivers on the innovation of agent banking. All of the above researchers focuses their assessment on the management level of service provider and recommend it will increase the value if other studies include agents and customers moreover based on review of previous researches there is no other research on agents and LIB. More should be studied to have broad understanding in Ethiopia context and agent perspective. In addition even if the bank is the provider of the service. Agents are actual facilitator which is they have relation with the bank and also customers'. For that reason focus on agent assist the researcher to get both side problems.

Therefore the main focus of this study is to Asses Agent banking service in LIB from agent's perspective. Factors that create this vast gap from match up to subscribed agent banking customers and mobile phone users or from the total population size and determine does success factor of other countries also affect the service of agent banking in Ethiopia in case of hello cash.

1.3. Research Questions

This study provides an answer to the following specific research questions in connection with Assessment of Agent Banking services to be addressed within the domain of the study are:

- What are the environmental factors that affect the service of agent banking?
- Does service package that facilitated the rapid adoption and frequent use of hello cash?
- What is the Customer attitudes based on agent observation?
- How is agent awareness about the service?

1.4 Objectives of the Study

1.4.1 General objective

The purpose of the study is to assess' agent banking services in lion international bank hello cash agents.

1.4.2 Specific objectives

- To identify environmental factors that affects the service of agent banking.
- To assess the service package facilitate the rapid adoption and frequent use of the service
- To investigate the Customer attitude based on agent observation
- To assess agents awareness about the service

1.5 Scope of the study

This research delimited in the following manner:

Conceptually; this study did focuses on agent banking and the overall its theory.

Geographically; this study delimit to lion international bank which have experiencing on the implementation of agent banking and the main focuses is on selected agent in Addis Ababa. The reasons for this are: Ethiopia is too large for the researcher to travel all over the country and Addis Ababa is one of the largest commercial cities in Ethiopia and has a heterogeneous population which ensures a wide spread of potential respondents to the study.

Methodologically; this study use quantitative research approach and descriptive research design data collected by using purposive sampling method which used to select the representative samples from the population and primary data collect though questionnaire from the selected agents

1.6 Limitation of the study

The study relied much on the responses of the questionnaire that has been filled out by the existing clerical agent's of Lion international bank in Addis Ababa region which the result may not represent the whole population. it is very difficult to get relevant secondary data and literatures with regard to the agent banking service on agents. Furthermore, the time and financial constraints are also critical limitation to this study.

1.7 Significance of the study

This study finding will add significant contribution for the existing literatures and build on the existing theory, knowledge and update this theory on the changes that agent banking is going through as it develops by the day. So this will help the bank to understand the existing problem agent's face and come up with the solution that can improve this problem. Besides, it will help the company management to direct their attention to this highly essential function of business and it will enable the bank sector to give more attention on service quality to maximize the expectations of the customer. The study provide information to the public and all players; the agent, customers and banks.

1.8 Organization of the paper

The research paper has organized into five chapters. The first chapter deals with introductory part consisting of background of the study, statement of the problem, basic research questions, objective of the study, significance of the study, scope and limitation of the study and organization of the paper. The second chapter deals with review of the literatures related to the study, various theoretical concepts that are related with Agent Banking or Branchless Banking.

Under third chapter deals about research methodology regarding research design, research approach, sampling techniques and Sample size, the subjects/participant of the study; sources of the data, data collection tools/instruments employed; the procedures of data collection; and the methods of data analysis used discuss. The fourth chapter presents the discussion part, data analyzed; the findings has summarized and interpreted. And finally, the fifth chapter presents summaries of major findings, the conclusions and the possible recommendations.

CHAPTER TWO

Literature review

2.1 Introduction

There are a lot of theories and research studies that explain Agent Banking. Although the literature covers a wide variety of such theories and studies, this review focus on the basic theoretical reviews behind Agent Banking as well as its service accordingly the review provides in depth theoretical insight including but not limited to the following definitions on Agents and Agent Banking, its Models, Challenges of Agent Banking, Technology solutions in Agent Banking and finally worldwide success stories of Agent Banking. The review tries to encompass the various theories embedded in the subject matter to ensure that basic theories associated with the subject matter are well exhausted in respect of addressing the core essence of the subject matter.

2.2 Definition of terms and concepts

Agent banking is retail or postal outlet contracted by a financial institution or a mobile network operator to process client's transactions. Rather than a branch teller, it is the owner or an employee of the retail outlet who conducts the transaction and lets clients deposit, withdrawal, and transfer funds, pay bills, inquire about an account balance, or receive government benefits or a direct deposit from their employer. Baking agents can be pharmacies, supermarket, convenience stores, lottery outlets, post office and offices and many more (Kumar et al, 2006); (Tarazi, 2010).

Agent as per the national bank of Ethiopia directive (FIS-01-2012) issued to regulate the mobile and agent banking service it means a person engaged in a commercial or business activity and has been contracted by a financial instruction to provide the services of the financial institution on its behalf in a manner specified in these directives.

2.3 Agent banking

Agent banking services are provided by authorized banking agents. These agent points are much smaller than bank branches and are equipped with point of sales (POS) devices,

mobile phones, barcode scanners, computers, and biometric devices. By reducing the overhead required to set up a bank branch and through its use of technology, agent banking allows financial institutions to reach underserved segments of the population, particularly in rural and remote areas, in a more cost effective way. The agent banking model also heavily stresses rural access, and banks are required to have two agent points in rural communities for every one agent point they have in an urban area (Afsana & Josh , 2016).

Branchless banking, the use of alternative delivery channels such as mobile banking and agent banking, is becoming increasingly popular among commercial banks in many developing countries. Branchless banking is believed to increase the use of financial services among financially excluded adults and is therefore becoming an increasingly popular phenomenon in many developing countries. Several countries adopted the concept of agent banking and getting huge success in the area of financial inclusion (Rezwan & Sandip ,2015).

2.4 Innovation theory

Diffusion of Innovation (DOI) Theory, developed by E.M. Rogers in 1962, is one of the oldest social science theories. It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system. This study was also based on the innovation theory of a trade cycle proposed by J.A. Schumpeter. He regards innovations as the originating cause of trade cycles. The five innovation characteristics that affect adoption of new ideas include; complexity, relative advantage, treatability, compatibility, and observable. When promoting a particular innovation, different strategies can be used to appeal to different adopters to create a relative advantage. Notably, relative advantage can be measured from the resultant convenience, satisfaction, economic benefits, status, and social prestige.

The inability level to easily use and understand an invention is known as complexity. The more an innovation becomes complex, the negative the adopters perceives it to be. Compatibility refers to the knowledge individuals have on innovation consistency with the past values, existing values, as well as needs of

adopters. When an idea is not compatible with norms and values in a given social system, then such an idea may not be easily adopted. Trainability is the level that a given innovation is experimented before use. Apparently, trying an innovation before adopting it can reduce unfounded uncertainties and increase the possibility of adopting it. Finally, Observability refers to how innovation findings can be seen or communicated to others. Therefore, the likelihood adoption of an invention could be steered by seeing of its outcome by individuals (Otieno & Raphael, 2016). When promoting an innovation to a target population, it is important to understand the characteristics of the target population that will help or hinder adoption of the innovation (Charles & Agnes, 2014).

2.5 Agency Theory

According to Rose;1992 the agency theory 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. The theory, thus, focuses on how the problems existing in agency relationships can be resolved. Specifically, the agency theory addresses the problems that occur when there are conflicts goals set by agent and the principal (Mwangi-Mendez & Willey, 1995). The conflict worsens when the principal cannot confirm what the agent is doing. Also, the theory examines the problems that occur when the agent and principal perceive risks differently. Agency theory states self interest is the motivating factor for the principal and the bank agent. This theory analyses the relationships between a business firm's owners and its managers who, under law are agents for the owners. The key issues in agency theory Centre upon whether adequate market mechanism exist that compel managers

to act in ways that maximize the utility of a firm's owners where ownership and control are separated (Lomosi Winnie, 2015).

The assumption of self-interest dooms agency theory to inherent conflicts. Agents tend to follow self-interested objectives where self interest is the driving force, leading to deviation and confliction of the goals of the principal (Mwangi -Mendez & Willey, 1995). Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals and agents of the principals. The two problems that agency theory addresses are:

(1) The problems that arise when the desires or goals of the principal and agent are in conflict, and the principal is unable to verify what the agent is actually doing; and

(2) The problems that arise when the principal and agent have different attitudes towards risk. Because of different risk tolerances, the principal and agent may each be inclined to take different actions (Mwangi -Mendez & Willey, 1995).

The first scholars to propose, explicitly, that a theory of agency be created, and to actually begin its creation, were Stephen Ross and Barry Mitnick in the early, 1970s. Research on agency theory has had several findings. Most notably, an agent is more likely to adopt the goals of the principal, and therefore behave in the interest of the principal, when the contract is outcome-based. Also, when the agent is aware of a mechanism in place that allows the principal to verify the behavior of the agent, he is more likely to comply with the goals of the principal (Charles & Dr. Agnes, 2014). Their main purpose though is to work towards achieving the object of the principal. The agency theory highlights the bond existing amidst the agent and principal (Mwangi -Mendez & Willey, 1995).

Agency banking is an innovation that requires time to reach the intended target population; therefore, it becomes easier to relate it to diffusion theory. Communication channels can be used to popularize agency products and create confidence among bank customers. The rate of diffusion of agency banking will be based on various factors to be examined in the dissertation. Agency theory describes how important the relationship between the banks and the bank agents can be. Notably, banks take responsibility for the actions of their agents. Supervisory and monitoring strategies can be used to prevent loss-making or loss of reputation resulting from the activities of its agents. Some dishonest

agents engage in activities that violate banking procedures for their own self-interest. There has also been the concern of agents being conned by fraudsters or agents colluding with fraudsters to promote card skimming. Banks have had to increase surveillance and supervision resulting in increased agent costs. However, such unscrupulous practices can be minimized through proper screening of agents at the time of recruitment to ensure that values and cultures of the banks are not compromised. Among the strategies that can be used to ensure agent compliance with the practices of the commercial banks include; recognition, giving awards, or instituting stiffer disciplinary actions on agents who fail to comply (Otieno & Raphael, 2016).

Although this definition of agency theory views their associated costs as costs the company incurs, I believe the customer also incurs agency costs in dealing with a company. Agency costs do not necessarily have to constitute monetary costs, as the definition might assume (Saropa, 2013). The agency theory considers a company as a link of contracts initiated by self-interest individuals instead of a unified or profit maximizing entity (Rose, 1992).

2.6 Theoretical review

The service of Agency banking was justified by a number of theories

2.6.1 Bank-Focused Theory

The bank-focused theory emerges when a traditional bank uses non-traditional low cost delivery channels to provide banking services to its existing customers. Examples range from use of automatic teller machines (ATMs) to internet banking or mobile phone banking/ agent banking to provide certain limited banking services to banks customer. This model is additive in nature and may be seen as a modest extension of conventional branch-based banking (Lyman, 2006).

2.6.2 Bank-Led Theory

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, 2006).

2.6.3 Nonbank-Led Theory

In this theory customers do not deal with a bank, nor do they maintain a bank account. Instead, customers deal with a Non-Bank firm-either a mobile network operator or prepaid card issuer and retail agents serve as the point of customer contact (Agnes, 2013). The non-bank-led model is where a bank does not come into the picture (except possibly as a safe-keeper of surplus funds) and the non-bank (e.g. telco) performs all the functions.

2.7 Effect of Agency banking on banking

The secret of gaining competitive advantage among the banking services providers is by building themselves as brands and target to retain brand loyal customers. Branding helps banks distinguish and differentiate themselves from competitors. A brand can only be strong if it has loyal customers (Miller, 2003). Besides signing a contract with the financial institution it is working for, the banking agent also has to open a bank account at the same. In addition, the store has to deposit a certain amount of cash into that account which will serve as the banking agent's working capital. In many cases, rather than asking the agent to come up with the cash deposit, (Pandrey , 2004) the financial institution will extend the store a credit line. The size of the credit line is normally not standardized, but adapted individually to each agent depending on its size, the expected volume of transactions and how long the agent has already been working with the bank.

2.8 Agent characteristics and use

A study done by Njeru (2014) established that agent characteristics can be assessed using four parameters namely amount of float, agent character, working experience of an agent in agency business and the core business of the agent. The amount of float is the cash at hand and bank balances set aside by the agent for agent banking for withdrawals and deposits. According to CGAP (2011), the top concerns among agents are low remuneration, liquidity management and network availability. The operation of the agency is such that a customer deposit at the agent means customer giving cash to the agent and is accounted by the bank by debiting the agent account at bank and crediting the customer's account at the bank (Ombutora, 2013).

A study reveal by Ombutora (2013) established that it is not possible for an agent to receive a deposit unless the agent has sufficient credit in the bank. A customer withdrawal at the agent means the agent gives cash to the customer and the bank accounts by debiting the customers bank account and crediting the agents account at the bank. An agent then can only pay out a withdrawal if they have cash in their till at the shop. This means the agent has to have both cash in the bank and cash in till.

Alfansi, (2000) established that personal characteristics of the agents are crucial when it comes to operating the bank agency. when customer are satisfied with services they gain confidence in the agent and because of customer retention and growth the agent is expected to grow the number of customers who are attached to the agent and thus an increase in transaction numbers which will then translate to commissions earned (Bindra,2007).

The way agents handle customers complaints can also determine whether they will come back for services or not (Ombutora, 2013). Agents have to contend with customers complaints in cases such as, customer being debited with cash he did not receive because of incomplete withdrawal transactions, an urgent deposit hanging somewhere else other than the beneficiary account due to system failure, where the agent has erroneously entered the wrong account number or bill account. This could mean a stranded commuter, a son or daughter somewhere being sent home for non-remitted school fees, a punitive disconnection of utility supply (Bindra, 2007). How such complaints or errors are handled could mean retention or loss of the customer for good.

Bindra (2007), states that a satisfied customer will tell one other customer about the experience but a dis-satisfied customer will tell a crowd. Location: will assess whether the distance covered to access bank services and the associated time and cost of transport are real incentives to alter the customer decision whether to visit the bank or the agent (Lomosi, 2015).

2.9 Benefits of Agent banking

In many developing countries, banks have expanded their network through trusted local “agents” or “correspondents” to offer their services. For instance, whereas previously many banks focused on traditional banking, agents in a number of countries are now

authorized to offer a many of the traditional products offered by banks. Banks have, therefore, moved up the ladder of product range to offer more sophisticated banking products such as bank supported insurance and asset financing products. Bank wallets may also benefit from lower-cost Know Your Customer requirements, such as the elimination of requirements to provide photographs and photocopies of documents In some countries, banks have successfully expanded their outreach by engaging local agents or correspondents to offer their services. These local agents or correspondents may be known and trusted retail outlets such as shops or post offices. Agents help reach more people in areas where bank branches do not exist or by easing traffic at existing branches. While initially focused on traditional payments products such as the payment of bills or taxes, agents in a number of countries are now authorized to offer a broader range of financial services, such as withdrawals, deposits, pre-approved credit lines, simplified current accounts, and international remittances(Kitaka, 2001)

Agent banking represents a significant opportunity to reduce transaction costs such as travel for clients by bringing financial services to hard-to-reach and geographically dispersed areas. Banks and other financial institutions often do not have sufficient incentive or capacity to establish formal branches in these areas. The set-up of agent banks is less costly and more flexible than for traditional bank branches: it reduces the need to invest in staff and physical infrastructure. In countries where models have been successfully implemented, regulators and supervisors have addressed the potential risks of using a large number of agents to deliver financial services by adopting a risk-based approach to supervision where agents are supervised indirectly and banks must assume full responsibility for their agents (Kasekende, 2008) Regulation enabling agent banking allows for sufficient business incentives for both agents and financial institutions to increase outreach by delivering financial services through a network of agents.

To achieve loyalty, a product or service must be beyond achieving visibility and differentiation. It should instead develop deep relationships with the entrepreneurs to a point where the brand becomes a meaningful part of the customer's life and or self concept and when this occurs the customer was highly loyal (Atman, 1993). Thus, brand loyalty is at the core of relationship banking, which goes beyond traditional banking and focuses more on creating a pool of committed, profitable entrepreneurs. A successful brand aims to develop high quality relationship in which entrepreneurs feel a sense of commitment and belonging. Relationship banking aims at developing long-term entrepreneurs (Kitaka, 2001).

2.10 Challenges of Agency Banking for Banks

There are of course challenges that the banks need to address to avoid losing customers and maintaining the Banker- Customer relationship. The customer is still the responsibility of the Banks and the same has not been delegated to the Agency. Some of the challenges that need to be addressed are:

Confidentiality; Every year Banks ensure that their staff members sign secrecy forms and maintain confidentiality for all customer information. This should be looked at as these agency employees are not bank employees.

Security; Most of these agencies are in areas that are what would be considered 'high Risk'. The Bank needs to audit the security measures being taken by the agencies to ensure the customer can transact confidently without having to look behind their backs.

Customer service to the bank customer; Service is a huge challenge for the banks as they need to train and retrain the Agents so as to maintain high levels of customer service.

Issues of Fraud; The agency staff will be a target by fraudsters as they are aware that they will not be able to easily identify fraudulent transactions for example identification of documents for originality is a challenge(Ombutora, 2013).

2.11 Information and Communication Technology and Agent banking service

Information communication technology has enabled banks to serve their clients faster even as they do much with less input. The service of technology has brought a big transformation in the banking sector from paper to paperless banking services. According to Joseph (2005), profound transformations and acceleration have been witnessed in the world today as a result of the tremendous development of information technology which has brought up new activities in various fields as well as transactions that were not there before. Merton (1990) gives three motivations for producing innovations namely the creation of new financial structures that allow risk sharing, risk pooling and hedging as well as new financial structures for transferring resources, the

improvement of economic efficiency and liquidity and reduction of agency costs According to Beaver (2002), competition in the banking sector is brought about by the innovativeness as far as information technology is concerned and that the banks that are creative enough are able to make more profits and expansions out of it.

According to Mwangi and Willy, (2014) it has become necessary for banks to change the past concepts of banking service to those that are current because of the rapid growth that has been witnessed in this sector. In the U.S, it was found out in a study by William Edmond (2002) that information technology has enabled the banking sector to have a direct link with their agents using a platform that link up the agent to the bank on the internet. The agents have an inbuilt platform that coordinates the bank account information between the agent and the bank. This has raised trust on the agents by the general public who are sure of the safety of their cash and has allowed for easy access of their bank accounts.

2.12 Enhance Accessibility to banking service

According to Berger & Humprey (1998) agent banks offer similar services as a real bank. This ranges from cash deposits and withdrawals, disbursement and repayment of loans, payment of salaries, pension, transfer of funds, and issuance of mini-bank statements, among others. Berger further argues that, the agent also eliminating the need for the commercial bank to have branches all over. This is being replicated across the country, especially in rural areas.

2.12.1 Wider Market Coverage and Customer Loyalty

According to Christopher (2002) the process of loyalty building can be seen in the form of a ladder in which the customer has to be converted into a client then into a supporter, an advocate and ultimately to a partner. Finding loyal entrepreneurs requires targeting those segments to which the bank can deliver superior value. The economic benefits of customer loyalty often explain why one bank is more profitable than its competitors. Therefore, building a highly loyal customer base cannot be done as an add-on; it must be integral to a bank's basic business strategy.

According to Cohen (2002) the ongoing global expansion of a high-tech telecommunications infrastructure, coupled with the increased availability of advanced information technology services, is having an impact on almost every emerging industry. Emerging industries are newly formed or reformed industries that have been created by technological innovations, shifts in relative cost relationships, emergence of new consumer needs or other economic and sociological changes that evaluate a new product or service to the level of a potentially viable business opportunity. The agency banking model is expected to continue playing a catalytic role in expanding the reach of banks within a rapidly changing technological environment (Kitaka , 2001).

2.12.2 Agency banking and customer satisfaction

In some countries, banks have successfully expanded their outreach by engaging local agents or correspondents to offer their services. These local agents or correspondents may be known and trusted retail outlets such as shops or post offices. Agents help reach more people in areas where bank branches do not exist or by easing traffic at existing branches. While initially focused on traditional payments products such as the payment of bills or taxes, agents in a number of countries are now authorized to offer a broader range of financial services, such as withdrawals, deposits, pre-approved credit lines, simplified current accounts, and international remittances(Kitaka, 2001)

Agent banking represents a significant opportunity to reduce transaction costs such as travel for clients by bringing financial services to hard-to-reach and geographically dispersed areas. Banks and other financial institutions often do not have sufficient incentive or capacity to establish formal branches in these areas. Based to Kasekende, (2008) To achieve loyalty, a product or service must be beyond achieving visibility and differentiation. It should instead develop deep relationships with the entrepreneurs to a point where the brand becomes a meaningful part of the customer s life and or self concept and when this occurs the customer was highly loyal (Atman, E. 1993). Thus, brand loyalty is at the core of relationship banking, which goes beyond traditional banking and focuses more on creating a pool of committed, profitable entrepreneurs. A successful brand aims to develop high quality relationship in which entrepreneurs feel a sense of commitment and belonging. Relationship banking aims at developing long-term entrepreneurs (Kitaka, 2001).

2.13 Agent Banking in Different Countries

Many countries i.e. Colombia, Brazil, Peru, Kenya, India have already adopted agent banking as a way of financial inclusion. Brazil has the largest agent network in the world with more than 140,000 agents, of which 47,000 are authorized to handle deposits and open accounts (CGAP, Feb. 2010). Most agents include post offices, grocery stores and other retail outlets. Brazil follows bank-based agent banking model but recently nonbank-based agent banking has just started to emerge (EFInA, 2011). Brazilian agents handle 2.4 billion transactions per year. Rural agents transact more deposits and withdrawals as a percentage of total transactions (38%) than their urban counterparts (8%) (CGAP & FGV, 2010). Although permitted to offer several types of services, less than 30% of agents actually handle bank accounts. Most specialize in receiving bill payments, which account for approximately 75% of all agent transactions (47% of which are utility bill payments). Withdrawals and deposits account for 12.6% and are nearly equally divided into savings and current accounts (including simplified accounts). Only 0.16% of transactions are account opening and 7.3% are government transfers (CGAP, Jan. 2010).

Colombia follows only bank-based agent banking and nonbank-based agents are not allowed under the current regulations (EFInA, 2011). According to the Financial Inclusion Report 2013 by Banca de las Oportunidades, 62% of total population had access to formal financial services in Colombia as at August 2011. Around 78 million transactions were made through agents from June 2007 to July 2011 which total values 89 were approximately 15 billion pesos. Total number of agents in Colombia increased more than twice in 2011 and it became 13,296 in the end of July whereas the number was 6,104 in January. Among them 78% agents were operating in urban areas and rest 22% in rural areas. In Colombia,

Peru follows bank-based agent banking model. As on December 2010, the total numbers of agents were 9,204 of which mainly are grocery stores, pharmacies, retail outlets etc. In Peru, agents carry out approximately 45 million transactions per year. In 2010, less than 50% of the total financial system transactions were conducted through traditional bank branches and ATMs; and POS terminals accounted for 36% of total transactions (SBS & CGAP, 2010).

Kenya follows mainly the nonbank-based agent banking model which are specially lunched by Mobile Network Operators (MNO). M-PESA was the first such model which also famous worldwide. There are also bank-based agents operate in Kenya i.e. grocery stores, hotels, supermarkets, pharmacies and telecommunications companies. In 2010, total numbers of bank based agents were around 6,000 (CBK, 2011).

India follows both bank-based and nonbank-based agent banking model. Despite several attempts by the Reserve Bank of India to amend the regulations to try to encourage greater commitment by banks, agent banking has had limited impact to date on financial inclusion in India. In March 2011, there were 58,351 agents in India of which 94% were in rural areas. An average of 8.4 deposits and 3.1 withdrawals were carried out by individual FINO (a technology firm and one of the first pioneers of agent banking in India)

2.13.1 Agent Banking Success Factors

A variety of factors have facilitated the development of agent banking in different countries. In Brazil, the Central Bank has introduced and refined regulations regularly over last decade which have been supportive of agent banking. Secondly, agents used as Conditional Cash Transfers (CCT) payment channel; so volume of transactions were high and eventually made acting as an agent more profitable and therefore more appealing. A combination of factors has contributed to the success of the agent banking model in Colombia. The dedication of a specific public institution, the Banca de las Oportunidades, which lobbies the Financial Superintendence of Colombia for regulatory changes and subsidizes the creation of agents in unbanked areas, has had a dramatic impact on financial inclusion. Secondly, agents have now acquired experience in agent banking and this has led to increased confidence in agents and use of their services.

Finally, Colombia has flexible agent banking regulations which

- (i) Allow any type of legal entity to act as an agent and deliver financial services on its own premises; and
- (ii) Allow agents to deliver a wide variety of financial services, including account opening (EFinA, 2011).

In Peru, agents are the cheapest means of accessing financial services. Banks neither charge customers to use agents nor allow agents to charge customers, thus positioning agent banking as the lowest cost channel. Kenya's regulators at the Central Bank of Kenya (CBK) have been much praised for their open and flexible approach to regulating agent banking specially for nonbank-based agents. The role of the donors and the World Bank in facilitating the development of agent banking in Kenya should not be underestimated. Alliance for Financial Inclusion also supported the CBK through its Knowledge Transfer Program (EFInA, 2011).

There are several key drivers supporting the development of agent banking in India. First, the government appears to be committed to increasing access to finance and the Reserve Bank of India (RBI) recognizes the potential and risks posed by branchless banking models. The RBI has regularly tried to encourage the growth of the agent banking model by relaxing its regulations and in 2005, it substantially relaxed its requirements for banks specifically the identification and proof-of-residence requirements for small-value accounts which created a favorable situation for branchless banking. Second, there is a winning combination of a large, 90 sophisticated banking sectors; a dynamic and competitive mobile phone industry; and plenty of cutting-edge technology providers (Rezwan & Sandip, 2015).

2.14 Agent Banking in Ethiopia

One of the pioneers introducing the agent bank technology in Ethiopia is Lion bank S.C & Somalia Microfinance have partners with Belcash technology solution plc to launches the official pilot of the Hello cash mobile money solution (MMS) in the year February 2015 (Nardos,2016).

Hello cash mobile money would make financial service available to Ethiopia especially at the grassroots in order to derive financial inclusion in the country. Ethiopia has a very low rural banking sub-Saharan Africa with only 14% of adults having access to credit and only 1% of rural population owning bank accounts. The systems design for multi banks and micro finance institution MFIS to be interconnected and offer the mobile money service to their respective customers and partnership with financial institution is there for expected to extend financial service throughout the east Africa country. Partnering financial institutions are thus able to share each other's agent and branch

network to serve each other customers. This allows them to optimize their investment as well as national wide service coverage (Nardos, 2016).

The other entity introducing agent bank in the financial industry is M-Birr. Its service will be accessible through the five main micro-finance institutions in Ethiopia, these are debit, credit and saving institutions in Tigray, Amhara, Oromia, Addis and omo micro finance institutions in southern nations, nationalities and peoples region. M-birr has signed an exclusive commercial agreement with the five MFIs to provide them with the system. These five MFIs account for 95% of the microfinance business in Ethiopia. With the M-Birr system. They will be able to further expand their client base in rural areas without opening costly new branches. The focal area spreading service of the M-birr is mainly focusing on the rural area. The main reason of this target area is, less bank accessibility & financial sector and high cash crop production area. And choose the agent based on willingness and able to provide a service either individual or as entities (m.birr.com). The other entities introducing the agent banking technology with a new product besides ordinary banking service in the financial industry is Hiber Agent Banking. During FY 2014/15 United succeeded to usher in a new service - Hibir Agent Banking - to its existing service line, following an official approval from the National Bank of Ethiopia to render the service, subsequent to a successful piloting phase (Nardos,2016).

Following the permission of mobile and agent banking, United established a team responsible for the implementation of the service in line with the Bank's strategic focus on technology led banking which synchronize with its new motto "Beyond Core Banking to Technology Led Excellence". The service enables the Bank to use Banking agents that double as a kind of branch to process basic banking services including opening M-wallet account, making deposits and withdrawals, transferring funds as well as sending and receiving money. United bank received the approval to go on delivering the service on March 31, 2015 (Nardos,2016).

Abay bank also launched a mobile money solution in the brand name Abaybedje. Awash bank and Dashen bank with the name of Awash mobile and ende bank respectively. Awash bank are the most recent service provider who join the market but Dashen is not yet operational in the market (Nardos,2016).

2.15 Company profile

Hello Cash is a mobile and agent banking service provided by Lion International Bank S.C. Mobile and agent banking is a form of branchless banking which allows people to access bank accounts and retail outlets of merchants, by using a mobile phone device. Using Hello Cash Customers are able to, by using their mobile phones, pay bills, make and receive money transfers. Local merchants are used as mini branches for the financial institutions, with the role of facilitating the registration of new customers and serving as Cash Deposit and Withdrawal access points (LIB,2017).

Hello Cash users can access their accounts using a mobile phone through various mobile phone channels such as IVR, USSD, SMS and online web portal as a complementary channel (LIB,2017).

IVR-Interactive voice response is a technology that allows a computer to interact with customers through the use of voice and DTMF tones input via keypad. Our IVR systems have the advantage of making callers and customers feel like they're being attended to. And it is available 24 hours a day for this type of service from Hello Cash call “Short Code No.”

USSD-Unstructured Supplementary Services Data, which is used as a two channel to send instruction for mobile account services such as Balance inquiry, transfer and others. Dial “USSD No.” to access the Hello Cash Menu.

- “Short Code No” = Lion International Bank **8803**
- “USSD No” = Lion International Bank ***803#**
- **SMS** channel is used for the confirmation purposes only.

Charges: Hello cash charges a certain amount for the rendering the service the following table shows the list of customer charges based on their transaction range.

According to Administrative charge like Registration, Deposit, Change phone no, Block and Unblock account, Change service language and Closing account are free.

Table 2.1 Hello cash customer’s transaction charge

Transfer charges in birr

From	To	Charge
25.00	500.00	6.50
501.00	2,000.00	10.00
2,001.00	6,000.00	15.00

Withdraw charges in birr

From	To	Charge
25.00	500.00	7.00
501.00	2,000.00	8.50
2,001.00	4,000.00	12.00
4,001.00	6,000.00	15.00

Table 2.2 Agent commission

Transaction range in birr	Deposit service in birr	Withdrawal service in birr
50 – 1000	2	3
1001 – 2000	3	4
2001 – 3000	4	6
3001 – 4000	5.50	7
4001 – 5000	6.50	9
5001 – 6000	7.50	11
6001 – 25000	0.10 %	N/A

Source Official website of Hello cash

NB registration of new customers- 10 birr

Hello cash target population is in universities students. Though the hello cash marketing Strategy highly niched in students it also serves mostly in urban areas in small business sectors. Agent locations of Hello cash are disbursed in the whole regions and city administrations. But they concentrated on some cities and regional administrations. The detail agent locations are depicted as in the following table.

Table 2.3 agent distribution of Hello cash

Regions and city Administration	Lion International Bank
Addis Ababa	645
Afar	60
Amhara	110
BenishangulGumuz	19
Dire Dawa	78
Gambela	32
Harari	61
Oromia	108
SNNP	73
Somalia	38
Tigray	121
Total	1345

Source: - official website of hello cash

As shown in the above table the hello cash agents are dispersed in different regions and city administrations. The service concentrated in the capital city Addis Ababa about 48% also in some regions like Tigray , Amhara and Oromia regions take 25% coverage.

2.16 Empirical Literature Review

Related studies were conducted by different researchers in different parts of the world but there is a limited study the researcher could conducted on Agency Banking in Ethiopia. Agnes (20013) studies a survey of adoption of agency banking by commercial banks in nakuru. In the study descriptive survey design was adopted. the researcher targeted on banking agencies of commercial banks the study used questionnaires as the main source of data collection. The research study has shown that independent variables that are agent banking services, agent banking efficiency and clientele's perception play a very

important role in enhancing bank performance. Each independent variable not only influences dependent variable but complement each other as well. The researcher concluded that the roles that Agent banking plays include offering bank products and services, decongesting branches, being conceived as branch substitutes especially where transaction numbers and volume might be too low to support a full-fledged branch thus expanding the geographical coverage of a branch, agent banking helps to increase client convenience and reduce transaction costs.

Ndome (2011) did a study of agent banking and its adoption in Nairobi -adoption of its services among the residents of Kawangware area in Nairobi Kenya. His study focused on a low end residential area within the city of Nairobi and it was evident that the services were very welcome by the residents with lots of transactions being done at the agent points. His focus was on adoption of the services and not financial inclusion but the high utilization of agent services was an indicator of some level of exclusion was existent and no one had paid attention to it.

The other descriptive case study analysis conducted by Harun M(2012) on the effect of agent banking and financial inclusion in Kenya , aimed to identify the main potential factors or impediments that are currently inhibiting the agent banking in Kenya with emphasis on the factors contributing to financial exclusion, both natural barriers and man-made barriers . The target population of the study was all the agents carrying on agency banking in Kenya. Data, used in their study were collected using cross-sectional study. And Secondary data was used for this study since it is easily accessible, cheaper and for this case very accurate. The results of their study provide agent banking has the effect of increasing the level of financial inclusion in the country. The study therefore recommends that agency banking as a means of enhancing financial inclusion be highly supported and encouraged by all players- the banks, government, and licensing bodies especially local authorities; so as to reduce the high compliance costs in bureaucracy in registration. The study further recommends adoption of agency banking by all banks operating in the retail market.

Saropa (2013)”adoption of agency banking by equity bank kenyya limited in its international business operations” the researcher employed a case study research design.data was collected using an interview guide. The findings of the study revealed that the main factors influencing the adoption of agent banking among commercial banks

in Kenya are, (i) Cost reduction (ii) Enhancement of customer service (iii) Expanded presence by banks particularly in remote areas. It is 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.

Mosoti and Mwaura. (2014)“An Investigation on Slow Adoption of Agent Banking Services in Kenya as Strategic Response by Commercial Banks” The objective of the study was to investigate on the factors influencing slow adoption of agent banking services by customers as a financial inclusion tool by commercial banks in Kenya. The study has found that costs charged due to use of Agent Banking services were high this is because they were much higher compared to normal bank charges such as ATM charges. Transport is also an issue for those areas where there is no wide network coverage, trustworthiness, security of transacting, infrastructure challenges such as system and power failure and liquidity concern were some of the challenges that contributed to the slow adoption of Agent Banking. The study also found out that other competing services offered by banks which are far much convenient, reliable, guarantees confidentiality and which operate for 24 hours such as ATMs, Internet Banking and Mobile Banking creates slow adoption of the Agent banking business.

Elfagid (2015) the challenges and prospects of mobile and agent banking in Ethiopia. It is a descriptive study. The author used a mixed research approach which is questioner and interview employees of the institution. The finding of the study revealed that major challenges facing up the successful implementation of Mobile and Agent banking in Ethiopia were the infrastructural problem associated with ICT and road network, lack of appropriate agent banking channels and low level of financial literacy in the Country. The research found out that Mobile and Agent banking serves as a successful propagator of financial inclusion entailing an immense opportunities towards enhancing accessibility to financial services to the unbanked/under banked of the society and serving as an additional revenue generating mechanism, cost reduction and increasing customer base for financial institutions. The researcher was recommended that the Mixed Model serves as a way out for Ethiopia mainly attributed to its fundamental role to alleviate the major challenges.

Anuwar(2015) This is a descriptive study aimed at assessing the factors affecting adoption of agent banking and electronic banking in Ethiopian banking industry. A

survey design was employed by use of questionnaires sent out to the respondents. The study population comprised the selected ten banks. The data collected was analyzed using descriptive statistics. A research framework developed based on technology-organization-environment framework. The findings of the study revealed that the main challenges face the banking industry in adoption of agent banking and e-banking are lack of adequate national ICT infrastructure, Lack of skilled IT personnel's, Lack of government support, Security risk, Lack of legal and regulatory frameworks and lack of competition between local and foreign banks. This study found that the introduction of third party retail agents presents several risk factors with regard to effective regulation and supervision of banks. The study also identified perceived ease of use and perceived usefulness as prospects of adopting agent banking and e-banking system.

On the other hand the descriptive study conducted by Afewerk.G (2015) also studied on "assessment of agency banking innovation in Ethiopia: barriers and drivers". The author used a quantitative research approach sent out to respondents which is from the selected four banks. The finding of the study revealed that the main factors influencing the adoption of agent banking in Ethiopia are the prospects of cost reduction, availing services beyond restriction of space and time through established third party with the application of technology. The benefits were also classified as Perceived Ease of Use and Perceived Usefulness. In the conclusion The study recommended banks to consider technology based competition focusing on customer base expansion, cost reduction, awareness creation, credibility, security, ease of use, and availability to exploit the benefit of agency banking while the government should support banking sector by facilitating sufficient ICT infrastructure development and issue workable legal frameworks to ease the adoption of agency banking system.

2.17 Conceptual framework

Sathye (1999) defines adoption as the acceptance and continued use of a product, service or idea. Mols (1999) study reveals that the diffusion of electronic banking is more determined by customer's acceptance than by the seller offerings. New technology adoption by the majority of the customers depends mainly on awareness, ease of use, safety and security; cost of agent banking; reluctance and lack of computer or Internet access are focused. Davis (1993) explains that Technology Acceptance Model (TAM) is

theory that used in the literature to test how technology is being accepted by consumers over the years.

2.17.1 Technology Acceptance Model (TAM)

There are several models existing that have been used to investigate adoption of technology. Several studies focusing on adoption of mobile services have their roots in Technology Acceptance Model (TAM) originally proposed by Davis in 1986. The model is originally designed to predict user's acceptance of Information Technology and usage in an organizational context. TAM focuses on the attitude explanations of intention to use a specific technology or service; it has become a widely applied model for user acceptance and usage. There are a number of meta-analyses on the TAM that have demonstrated that it is a valid, robust and powerful model for predicting user acceptance (Bertrand and Bouchard, 2008). TAM, shown in figure 1 was also the first model that established external variables (shown as X1, X2 and X3 in figure 1) as key factors in studying technology adoption.

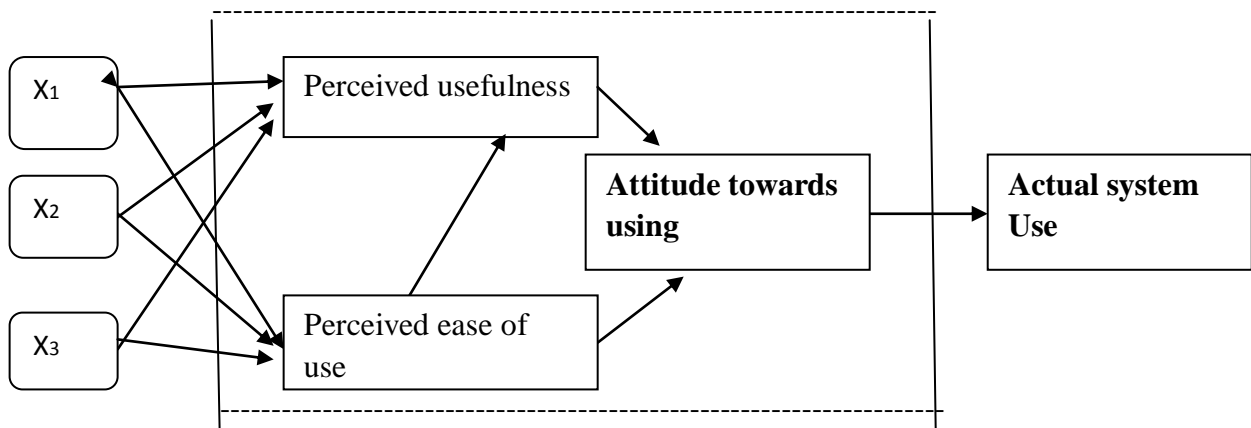


Figure 2.1: Technology Acceptance Model

Source: (Davis, 1989)

Perceived ease of use: Several researchers including Pikkarainen et al., (2004) concur on the definition of perceived ease of use as the extent to which a person accepts that using a certain method would be free of effort and at no cost to him or her Bhatti (2007) affirmed it as a term that represents the degree to which an innovation is perceived as easy to understand, learn or operate. Lu et al, (2003) noted that the drivers of growth in electronic banking are determined by the perceived ease of use, thereby making perceived ease of use a major factor affecting the acceptance of any information system

(Venkatesh and Morris 2003). Buttressed this point when they revealed that ease of use and usefulness are believed to be essential in determining the acceptance and the use of a number of corporate information technology.

Perceived usefulness: In a study conducted in Singapore, Liao and Cheung (2002) sought to measure consumer attitudes towards the usefulness of and willingness to use agent banking and found that expectations of accuracy, security, network speed, user involvement, and convenience and user friendliness were the major quality attributes underlying perceived usefulness. Similarly, using the TAM model, Al-Somali et al., (2004) also found that security, quality of Internet connection and awareness about agent banking and its benefits have significant effects on the perceived usefulness and perceived ease of use in agent banking acceptance.

Attitude towards adoption: Customers' attitude can be defined as an evaluative statement of an individual's feeling and thought which could be favorable or unfavorable towards certain events in his environment (Robbins, 2012). The concept of attitude is psychological in nature due to the fact that it can only be generated from the mind of an individual (Pickens, 2005). However, the predisposition of customers' attitude towards behavior or use of electronic related systems such as agent banking services can be defined as positive or negative feeling that an individual has towards certain action (Wu, et al, 2008; Labianca, 2014). Attitude towards behavior can be summarized into two concepts; positive and negative. Therefore, the idea of developing positive or negative attitude towards behavior depends largely on the banking sector ability to improve customers' trust towards the use of its products and services (Bagram & Werner, 2007).

2.17.2 Conceptual framework for the study

Previous research has suggested that trust-related constructs and resource related constructs should be the critical antecedents of the behavioral intention to use information systems. Based on the information systems acceptance literature, especially the extended TAM by Luarn & Lin, (2004), this research adopts the research model indicated in Figure 1. As noted by Davis (1989), future research of Information System and Information Technology usage has to address the other variables which affect usefulness, ease of use and user acceptance. This study sought to find technology service difficulty and agency banking factors causing this difficulty; technology related factors, factors associated with training, skills, knowledge and experience, attitudinal and

environmental factors. Based on the above arguments, this research integrates TAM with additional variables.

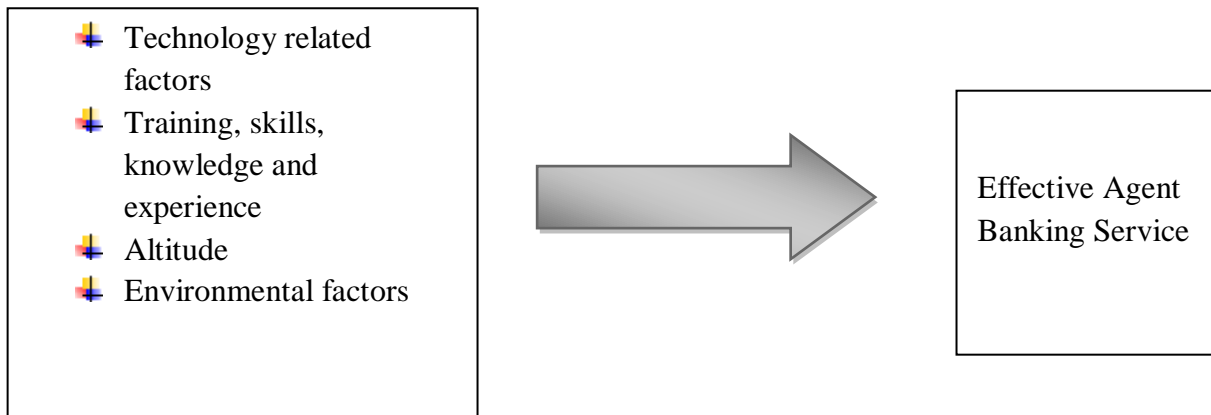


Figure 2.2 Conceptual frameworks for this study

CHAPTER THREE

Research Methodology

Research methodology is the specific science of research that followed to accomplish predetermined research. Hence, all specific method that was applied in the course of accomplishing this study it includes research design, method of data collection and analysis.

3.1 Research approach and design

As per Creswell (2003) there are three approaches that are used in conducting a given research. These are quantitative, qualitative and mixed research approach. Quantitative research approach focuses primarily on the construction of quantitative data, and quantitative data is a systematic record that consists of numbers constructed by researcher utilizing the process of measurement and imposing structure (Kent, 2007). The quantitative research approach employs measurement that can be quantifiable (Bryman & Bell, 2007).

A research design is the logic that links the data to be collected (and conclusions to be drawn) to the initial questions of a study (or a strategy or plan of action that links methods to outcomes) Creswell, (2003). This study was use descriptive research design in order to gather quantitative data. According to Sekaran (2003), a descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest in a situation.

3.2 Data sources

The study used both primary and secondary data. Primary sources of data include questionnaire, For that purposive sampling method has been used to select the representative samples from the population and The questionnaires were structured mainly in close-ended questions by which the respondents were asked to indicate their level of agreement using a five Likert rating scale of 1 to 5 where; strongly Disagree (SD) = 1, Disagree (D) = 2, Neutral (N) = 3, Agree (A) = 4 and Strongly Agree (SA) = 5. The use of Linker scale is to make easier for respondents to answer question in a simple way from the selected LIB (HELLO CASH) agents. Moreover, the central issue to argue

that likert scales is that it produce ordinal data. Johns (2010) noted that in statistical terms the level of measurement of the likert response scale is ordinal rather than interval. Whereas secondary sources of data are generated through a review of published documents and web pages.

3.3 Target population

The sampling population defined as agents in LIB. Currently there are over 1314 agents in LIB which deliver hello cash service to customer over all Ethiopia and in Addis Ababa the total number of agents is over 645 (www.hellocash.com, Jan 2017).

3.4 Sampling Technique

The total population for the study is the agent in Addis Ababa region. This study has use purposive sampling method to draw the sample from the population. By using statistical sample size determination formula of Tayo yemane(1967). Because of time and budget constraint, the samples restricted purposely to select agents which resident in Addis Ababa region.

$$n = \frac{N}{1 + N(e)^2}$$

Where, n = is the sample size

N = is the population size,

E = is the level of precision or sampling error = (0.05)

$$\begin{aligned} n &= \frac{645}{1 + 645 (0.05)^2} \\ &= 645 / 2.6125 \\ &= 246.8899 \end{aligned}$$

Thus, sample size of 247 agents is selected from the population of 645.

Table 3.1 Total number of agents in Addis Ababa region and sample taken from each district

Districts	Total No of agents	Sample taken from each districts	Sample proportion from each district
North	146	56	22.67%
South	178	68	27.53%
East	206	79	31.99%
West	115	44	17.81%
Total	645	247	100%

Source: Lion international bank 2015/2016

3.5 Data Collection

A total of 247 questionnaires were distributed to potential respondents. So from this population the sample has selected purposively which is agent that has high number of customer base, transaction and have more than 6 month experience the reason for selecting this agents is that the researcher believe that if they have more than 6 month experience they are aware about the service and having high number of customer and transaction help the researcher get more reliable data. In view of the fact that data on the agents and their performance is readily available from the LIB, then the researcher did not need to get and work with a sample. This help to get well organized data and information about their relation with customer and to identify the existing problem on their day to day operation.

3.6 Data analysis method

The data collected using the questionnaires were edited, coded and tabulated for completeness and accuracy. First raw data gathered was analyzed using Statistical Package for Social Scientist (SPSS) program version 20. Descriptive statistics such as tables were used in the presentation of the data and the quantitative data collected required a descriptive analysis on various variables on the service of Agent banking in case of LIB agents.

3.7 Validity and Reliability Testing

The level of reliability of the instrument is measured by the consistency of the variables and it was checked with the Cronbach's alpha statistics. Cronbach's alpha is an index of reliability associated with the variation accounted for by the true score of the "underlying construct" (Nunnally, 1978). Cronbach's Alpha's can only be measured for variables which have more than one measurement question. Nunnally (1978) has stated that 0.5 is a sufficient value, while 0.7 is a more reasonable Cronbach's alpha. The results were extracted and presented by the table below, and it shows a result of 0.759. According to the result is more than 0.7.

Table 3.2 Reliability statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
.759	30

Source: SPSS Output

Moreover, to secure the content validity of the instrument, the researcher referred previous researcher's questionnaires that fit the purpose and let the Advisor to review the instrument before distributing to the respondents. Accordingly, he had critically examined and forwarded some modifications on the instrument; hence, their expertise feedback has been incorporated.

Furthermore, pre-test were conducted using a total of 20 samples. Based on the findings of the pre-test, the researcher tries to rephrase some questions that are not clear without affecting the basic context of the instrument. And, it was confirmed that the questionnaires that pass the pre- test become effective to meet the objective of the study before distributed to the respondents.

3.8 Ethical Considerations

When questionnaires are distributed to respondents, first inform on the introduction part of the paper about the title and objective of the study. Besides to develop respondents confidence they has been informed that their responses be kept confidentially and the information uses only for academic purpose.

CHAPTER FOUR

4. DATA ANALYSIS AND INTERPRETATION

In the previous chapter, the overall methodology, which was focused on research purpose, research approach, research strategy and the specific method of data collection and data analysis used in the study, has been presented. On the other hand this chapter presents the results and analysis of data collected via questionnaire. The remaining part of this chapter is organized as follows. The first section of this chapter presents a demographic description of the sample in terms of gender, age, work experience and educational level. The second section summarizes the response of participants of the research when it comes to the service of agent banking.

4.1. Introduction

As it is discussed in the methodology part of this study, data collected by using different techniques were analyzed in this chapter by using descriptive statistic analyzing approach. A total of 247 questionnaires were distributed to purposely sample four Addis Ababa district located agents which is (south, east, north and west Addis). Out of the total 247 questionnaires, 91% or 225 usable questionnaires were collected back. In addition to questionnaire, the researcher reviews some bank documents regarding agent-banking system. In order to analyses the research results, Statistical Package for the Social Sciences (SPSS) software is used. SPSS is a computer program used for statistical analysis. SPSS fit with quantitative approach and survey strategy which were adopted in this research; SPSS has many features and properties which can provide appropriate results, these results lead to achieve research purposes. SPSS can provide several statistics for each element in the research questionnaire (De Coster 2004). Descriptive measures of each questions response results are presented in the following sections.

4.2. Demographic information of the respondents

The study participants on survey questionnaire have different personal information; besides these differences they introduce different responses towards agent-banking usage, and the factors that influence agent-banking service. The following discussion shows these differences. The demographic profile of respondents, participated in this study was shown in table 4.1 as follows.

Table 4.1: Frequency distribution of demographic factors

Demography		F	%	Total	
				F	%
Gender	Male	126	56.7	225	100%
	Female	99	43.3		
Age	18-25	72	32.0	225	100%
	26-35	53	23.5		
	36-45	55	24.3		
	46-55	34	15.4		
	Above 55	11	4.9		
Educational Level	Elementary school completed	17	7.3	224	99.6%
	High school Completed	78	34.8		
	Diploma	59	26.3		
	Degree	68	30.4		
	Masters and above	2	0.8		
How long have you been an agent?	6 month	64	28.3	225	100%
	7 month - 1 year	119	53.0		
	more than 1 year	42	18.6		

Source: Survey result, 2017

As it is shown on the above table, the highest percentage of participants in this study was males which take 56.7% of the respondents and females are 43.3%. In the case of classification of respondents With regard to age 32% of the respondents belong to the age group 18-25 years, 23.5% of the respondents are between the ages of 26-35 years, 24.3% of the respondents are between the ages of 36-45 years, 15.4% of the respondents belong to the age between 46-55 years and 4.9% of the respondents' are over the age of 55 years.. Regarding the educational level of the study participants, the highest percentage of them has between bachelor degrees to High school completed which is 91% of total participants. The largest percentage of participants was selected from their service giving duration which take 53% are form 7 month - 1 year.

Hence, the result of the demographic profile of LIB agents shows that most of the respondent are male and according to their education level, age and work experience participants are young whose age are between 18-35 years, there education levels from high school to bachelor degree which indicate they are literate and have more than 7 month working experience.

The following sections discuss the service of Agency Banking systems in LIB. These barriers are identified based on the framework that developed based on the TAM model.

4.3. Barriers on the service of Agent-banking system in LIB

Although there are many associated benefits with the sevice of Agent-banking, there are numerous reasons which hinder implementation of the system. The following reasons which may be considered as hindrance factor for the use of agent banking system in LIB. These barrier factors include, technology related factors, factors associated with training, skills, knowledge and experience, attitudinal and environmental factors were analyzed in the following sections.

Environmental factor

Another factor which can affect the service of agent banking is an external environment: in this study four basic environmental factors are considered, these are legal frame works, national ICT infrastructure, competitive pressure, customers trust and regulation in case of agent commission and cash limit. The result obtained from survey regarding those four issues was presented in the following sections.

Table 4.2 environmental factors that affect agent banking service

NO	Statement	Mean	SD	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		Total	
				F	%	F	%	F.	%	F	%	F	%	F	%
1	I believe that banking location influences extent of use of Agency banking	4.41	1.06	156	69.2	30	13.4	25	11.3	3	1.2	11	4.9	225	100
2	Availability of appropriate Agent Banking channels influences the service of Agent Banking	4.44	0.86	138	61.5	61	27.1	13	5.7	11	4.9	2	0.8	225	100
3	Lack of available ICT infrastructure affect my daily operation	4.14	1.32	122	54.3	64	27.9	3	1.6	36	16.2	0	0	225	100
4	substitute products like ATM card, internet Banking and other product affect the service of Agent Banking	3.08	1.39	41	18.2	73	32.4	8	3.6	70	31.2	33	14.6	225	100
5	I observe that there is a lack of trust on using agent banking in the society	3.40	1.41	75	33.2	40	17.8	33	14.6	56	24.7	21	9.7	225	100
6	The cash limit affects my business	3.41	1.19	48	21.1	83	36.8	10	4.5	84	37.5	0	0	225	100
7	the competition affect to hold my customer	3.46	1.30	75	33.6	78	34.6	22	10.1	26	10.9	24	10.5	225	100
8	The commission that I get from serving the customers are not good	3.43	1.27	42	18.6	103	45.7	12	5.7	46	20.2	22	9.7	225	100

Source: Survey result, 2017

As shown in the above table, the responses were scored on a scale of 1 – 5, with representing strong disagreement to respondents' strong agreement with each of the factors. The challenges of the banking location influences extent of using Agency banking ranked highest with the strongly agree rate of 69.2% and agree take 13.4% as well as 11.3% of respondent are neutral mean score of 4.41. the second factor was Lack of adequate ICT infrastructure the respondent ranked highest on strongly agree 54.3% and agree 27.9% but 16.2% of respondent disagree With the mean score of 4.14.

According to the environmental factor location is one of the elements and from the assessment of the respondent location have key attribution on agent banking service. As the result of the study shows that Agent banking requires a generally good infrastructure in terms communication and information technology. Therefore this study identified that the national ICT infrastructure are the major challenges faces the bank in Agent banking service

The third factor was the Availability of appropriate Agent Banking channels influences the service of Agent Banking was moderately take by strongly agree level which is 61.5 % and the agreement level take 27.1% and 5.7% of respondent were neutral with the mean score of 4.44 and For the question of substitute products like ATM card, internet Banking and other product affect the service of Agent Banking. As the researcher view from their response the mean is 3.08 Based on the frequency the respondents that representing 32.4 % agreed and 18.2% respondents were strongly agreed that substitute product affect the service of agent banking and 31.2% respondents disagreed on its impact on the service of agent banking. The other question the researcher asks was the competition affect to hold your customers. The mean is 3.46 Most of the respondent replies ranked on agree and strongly agree which is 33.6% and 34.6% but 10.9% of respondent are disagree.

The other point of environmental factor is competition and substitute product. As mention on the literature review many banks introduce themselves in to the market According to Kitaka P.(2001) shifts in relative cost relationships, emergence of new consumer needs or other economic and sociological changes that evaluate a new product or service to the level of a potentially viable business opportunity. The agency banking model is expected to continue playing a catalytic role in expanding the reach of banks within a rapidly changing technological environment. So this implies that there is high

competition and from agent perspectives most of the respondents agree that it affect the business. On the other point respondents agree on substitute product affecting adoption of the agent banking it implies the bank have to work on its product line and familiarity of service.

In addition to this, respondents were asked they observe that there is a lack of trust on using agent banking in the society. The mean is 3.40 hence, indicated in table 4.2 majority of the respondents that representing 33.2% strongly agreed and 17.8% agree. On the other hand 24.7% respondents disagreed that that there is a lack of trust on using agent banking. According to The cash limit affects agent business the mean is 3.41 and from the respondents' frequency 37.5% disagree, 36.8% of respondents are agree and 21.1% of respondents are strongly agree that the cash limit affect their operation. Finally, as the commission that agents get from serving the customers is not good majority of the respondents were agreed which is 45.7% and 18.6% of respondent are strongly agree but 20.2% of respondent are disagree and the mean is 3.43.

Based on the above table there is a lack of trust on customers the use of technological facility provide by bank is another factor that can hinder frequent use of agent banking in LIB. Large number of respondents agreed with the idea that trust is one basic factor in the agent-banking system. This result confirms the finding of Sathye (1999) which suggests; the greatest challenge among the electronic banking sector is winning the trust of customers so from the respondent answer implication there is not that much work done on gaining customer trust. on the other hand as mention on the above paragraph most of the respondent agree that availability of appropriate agent banking channels influences the service of agent banking it implies that the bank have no other channeled other than USSD and agents are dose not satisfy on that.

based on the government regulation of The National Bank of Ethiopia (NBE) issued a Regulation of Mobile and Agent Banking Services Directives No. FIS /01/2012 Directives for Mobile & Agent Banking allowing financial institutions to reinforce the coverage of financial services in the country by using existing merchants as an agent network, Telecom infrastructure and Mobile phone technology regarding the cash limit. The maximum balance that should be maintained in a mobile agent account should be Birr 25,000.00 and daily transaction (debit) not to exceed Birr 6,000.00, if it exceed they have to go to their bank so this also affect their operation. As a result the cash limit is

also other challenges for agent banking service in LIB. And most of the respondent seems they have problem on their operation and also they are dissatisfied about the commission they get from serving the customers'. Even if the bank is the provider of the service agents are the actual facilitator of the service to customers' there is a lack of follow up on agents.

Perceived ease of use

TAM was developed by Davis (1989) to explain the computer-usage behavior. According to the model, in explaining the adoption of any information system, perceived ease of use (PEOU) and perceived usefulness (PU) are the two most important determinants. One of the basic benefits related with the use of agent banking system is the perceived ease of use. Giglio (2002) suggests that online banking services reduce the workload over the banking staff and it's easy to have more satisfied customers. On the other hand Robinson (2000) indicated that online banking provides convenience not only to bank and also to Customers. The data obtained from the survey in this study also confirms the finding of Giglio (2002) and Robinson (2000) and the result were shown in table 4.3 as follows.

Table 4.3 Evaluating service package that facilitated the rapid adoption and frequent use of hello cash

N O	Statement	Mean	SD	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		Total	
				F	%	F	%	F.	%	F	%	F	%	F	%
1	In the case of using Agency Banking, security risk affect users decision to use the system	3.34	1.41	45	20.2	65	28.7	27	12.1	63	27.9	25	10.9	225	100
2	Services offered via Bank agencies should be increased	3.29	1.37	56	24.7	63	27.9	25	11.3	55	24.3	26	11.7	225	100
3	Is there a time that the services Do not work when the customer needed	3.63	1.39	90	40.1	45	19.4	25	11.3	48	21.5	17	7.7	225	100
4	The services provided by the system is adequate	2.88	1.48	44	19.4	56	24.7	6	2.8	71	31.6	48	21.5	225	100
5	The service provide by the bank is user friendly	3.71	1.19	74	33.2	40	17.8	33	14.6	55	24.7	23	9.7	225	100
6	The speed of processing transaction by Agency Banking is much faster	3.86	1.22	74	32.8	62	27.5	55	24.3	20	8.9	14	6.5	225	100

Source: Survey result, 2017

As indicated from the above table 4.3 In the case of using Agency Banking, security risk affects users decision to use the system the mean is 3.34 on the other hand the frequency of customer response lays on 28.7% of the respondent agree and 20.1% of the respondents are strongly agree although 27.9 % of the respondent disagree that security risk dose affect on the service of agent banking.

From the above table implication most of the respondents agree that security risk is one the problem that affects users' decision to use the service. One of risk faced by bank institutions in offering agent -banking services is the customers' resistance to use the services that significantly hinder the growth of agent -banking (Laforet 2005 and Zhao *et al.* 2008). Issue related to security is also a concern when dealing with technologies related to online transactions. Therefore, the perception of the risks regarding the e-banking is expected to influence its adoption (Ayana, 2012).

Based on question 2 Services offered via Bank agencies should be increased the mean lay on 3.29 and 27.9% of the respondent strongly agree and 24.7% of the respondents are agreed that the service package should be increase but 24.3% of respondent were disagree on that. As the above table indicates that the respondents were agreed on the Is there a time that the services Do not work when the customer needed with the mean score of 3.63 which take 40.1% and 19.4% were strongly agree and agree even if 21.5% of the respondents' are disagree. The other point was about the services provided by the system is adequate. The mean is 2.88 as indicated in table, majority of respondents' representing 31.6 % and 21.5% are disagreed and strongly disagree on the adequacy of the system but 24.7% of respondent were agree on its sufficiency.

From the respondent view of question two and four implies that the service provide by the agent is not much and adequate it entail that agents are not happy the limitation of the service. on the other hand most of the respondent agree that there is a down time of the service when the

customers need so this implies that the system is not working as it suppose to and there is no other option when there is a down time.

It indicated from service provide by the system is user friendly. 33.2% and 17.8% of respondent are agree and strongly agree However 24.7% of the respondents were disagree that the service provide by the system is ease of use and the mean is 3.71. The last questioner the researcher asked is The speed of processing transaction by Agency Banking is much faster and the mean was 3.86 and according to the frequency of the respondent 32.8% and 27.5% of the respondent are strongly agree and agree. 24.3% of the respondent wearer neutral.

The other point is system ease of use majority of the respondents agree that the service provide by the system is user friendly so there is no much problem on that. According to the speed of processing transaction by the agents is much faster most of the respondents' are agree this implies that the system is user friendly.

Attitude towards the service

the predisposition of customers' attitude towards behavior or use of electronic related systems such as agent banking services can be defined as positive or negative feeling that an individual has towards certain action (Wu ,et al , 2008; Labianca, 2014). Attitude towards behavior can be summarized into two concepts; positive and negative. Therefore, the idea of developing positive or negative attitude towards behavior depends largely on the banking sector ability to improve customers' trust towards the use of its products and services (Bagraim& Werner, 2007). The next table asses the customer altitude based on agent view.

Table 4.4 identifying customers’ attitude base on agent view

N Q	Statement	Mean	SD	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		Total	
				F	%	F	%	F.	%	F	%	F	%	F	%
1	Do you think banking agency opening and closing hours influences the use of Agency banking	3.465	1.24	45	20.2	91	40.5	32	14.2	36	15.8	21	9.3	225	100
2	the frequency of clients visiting to get the service is low	3.85	1.25	83	36.8	86	38.1	19	8.5	16	7.3	21	9.3	225	100
3	Most of your customers prefer using banking agencies in their transactions other than deposit and withdrawal	2.60	1.38	34	15	36	15.8	15	6.9	89	39.7	51	22.7	225	100
4	The experience of the agent attracts customers	3.20	1.504	67	29.6	48	21.5	28	12.6	42	18.6	40	17.8	225	100
5	Customers may not be willing to accept Agency Banking service	3.30	1.506	63	27.9	65	28.7	21	9.3	45	20.2	31	13.8	225	100
6	Relatively using of Mobile to get banking service is expensive for customers	2.47	1.31	17	7.7	39	17.4	50	21.9	45	20.2	74	32.8	225	100
7	The speed of the agent in serving customers influences the number of clients visiting the agency.	3.87	1.377	110	49	45	19.8	18	8.1	32	14.2	20	8.9	225	100

Source: Survey result, 2017

As shown on table 4.4 question 1 The challenges banking agency opening and closing hours influences the use of Agency banking ranked highest with the agree rate of 40.8% and strongly agree take 20.2% but 15.8% of respondent mean score of 3.465. The second factor was the frequency of clients visiting to get the service is low was moderately take by agree level which is 38.1 % and the strongly agreement level take 36.8% as well as 8.5% of respondent are neutral with the mean score of 3.85. In addition to this, respondents were asked on question no 3 about Customers willing to accept Agency Banking service. The mean is 3.30 hence, indicated in table 4.4 majority of the respondents that representing 28.7% agreed and 27.9% are strongly agreed. On the other hand 20.2% respondents disagreed that Customers may not be willing to accept Agency Banking.

From the above table agent operating hour influences the use of agent banking this implies that the bank have to assess the most of the customers' preferring time to use the service. question no 2 asks about the frequency of customers visiting agents and based on respondent agents it is low and since agents also merchants they have opportunity to get new customers but from the respondent customers' willingness is low to accept the service this implies that there is low awareness about the service or customers did not happy about the service.

the 3rd factor was Most of your customers prefer using banking agencies in their transactions other than deposit and withdrawal the respondent ranked highest on disagree 39.7% and strongly disagree 22.7% however 15.8% of respondent agree on that with the mean score of 2.60. For the question of the experience of the agent attracts customers. As the researcher view from their response the mean is 3.20. Based on the frequency majority of the respondents that representing 29.6 % strongly agreed and 21.5% respondents were agreed that experience of the agent affect the frequent use of agent banking service plus 18.6% respondents disagreed on its impact on the frequent use of agent banking.

Based on question no 3 most of the customers use hello cash only for deposit and withdrawal and according to Barasa D. & Dr. Mwirigi F. (2013) Agency banking

system has two focal goals which are deposit mobilization in countryside area that are not easy to reach and creating non cash society in built-up area. this indicate that there may have to be a lack of awareness on society to use the service other than deposit and withdrawal like paying bills and purchasing good and service. The other question part was about the experience of the agents and the speed of the agent in serving customers influences the number of clients visiting the agency. From implication of the respondent customers prefer to use the service on well experienced agents.

According to Relatively using of Mobile to get banking service is expensive for customers the mean is 2.47 and from the respondents' frequency 32.8% strongly disagree, 20.2% of respondents are disagree as well as 21.9% of respondents are neutral that the cash limit affect their operation. The other question the researcher asks was the speed of the agent in serving customers influences the number of clients visiting the agency. The mean is 3.87 Most of the respondent replies ranked on strongly agree and agree which is 49% and 19.8%.

The last point was about the service charge that customers pay to get the service affect the frequent use of agent banking service. Customers can get banking service at lower costs compared with traditional banking service, because, it is cheaper to make transaction over Electronic fund transfer. Similarly, the study of, Balachandher *et al.* (2010), noted that, online banking fees have reduced over the years and less expensive when compared with traditional system. And from the respondent view since the price is low it is not affect the adoption of agent banking. Based on the speed of the agent serving clients have also affect the customers adaptation to use the service.

According to the open ended questioner distribute to respondent most of the agents recommended that the bank have to work on customer awareness, also decreeing the frequency of down time of the service and preparing other channels other than USSD. The other point they raise is about training most of the respondent mention about the timing of training since most of agents have small business it tough for them to corporate when training is prepared and since the frequency of training is low.

4.5 Assessing agent awareness about the service?

NO	Statement	Mean	SD	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		Total	
				F	%	F	%	F	%	F	%	F	%	F	%
1	Is There a Lack of skills to implement Agency Banking on the agents	3.46	1.33	61	27.1	64	28.3	32	14.2	33	14.6	35	15.8	225	100
2	Do you have sufficient knowledge about the service	2.64	1.32	16	7.28	18	7.69	32	14.2	100	44.5	59	26.3	225	100
3	Do you believe that frequent training is necessary to the agent	4.07	1.36	132	58.7	41	18.2	10	4.5	21	9.3	21	9.3	225	100
4	Is there a frequent training and support provided to the agents	1.86	1.01	8	3.6	14	6.1	12	5.3	95	42.5	95	42.5	225	100
5	Do you insist your customers to use agent banking service	2.28	1.21	18	8.1	24	11.3	26	11.6	94	41.7	63	28.3	225	100

Source: Survey result, 2017

Based on table 4.5 the researcher focuses on agent awareness about agent banking. Question one relays on if there is a Lack of skills to implement Agency Banking on the agents and the mean is 3.46. Most of the respondent wear agree and strongly agree 28.3% and 27.1%. 14.2% of the respondents are neutral. The other question are about agents knowledge about the service and the mean is 2.64 As the above table indicates that the respondents were disagreed on whether they have sufficient knowledge about the service which take 44.5% and 26.3% were. Disagreed and strongly disagreed even if 14.2% of the respondents' are neutral.

According to question 1 and 2 it implies that there is a lack sufficient knowledge on the agents about the service and there is also lack of skills to implement Agency Banking on the agents it show that there is not quit done on follow up agents. D" Souza (2002) noted that, the combination of higher technology and higher skills have posted a higher return for banks as they have been able to provide better.

The other point was about do you believe that frequent training is necessary to the agent. The mean is 4.07 as indicated in table, majority of respondents' representing 58.7 % and 18.2% are strongly agreed and agree. For the question of is there a frequent training and support provided to the agents. As the researcher view from their response the mean is 1.86. Based on the frequency majority of the respondents that representing 42.5% strongly disagreed and 42.5% respondents were disagreed.

The other part of the question was about the training and from the data collected from respondent it infer that agent want to get frequent training however there is no frequent training and support provide by the bank.

In addition to this, respondents were asked do you insist your customers to use agent banking service. The mean is 2.28 hence, indicated in table 4.5 majority of the respondents that representing 41.7% disagreed and 28.3% are strongly disagreed however 11.6%of respondents were neutral.

Majority of the respondents don't recommend others to use the agent banking service, implying that due to the malfunctioning of the service and other problems they are not willing to recommend to their customers'; while some of the respondents agree that they will recommend their customers' to use the service.

Table 4.6 Agent attribution to the adoption of agent banking

What would you attribute to the frequency use of agent banking to the residents of the County?					
Valid	Mean	SD	F	%	Cumulative Percent
Agency characteristics	2.19	1.1442	127	56.7	56.7
Banking products			55	24.2	80.9
Opening hours			18	8.2	89.1
Agency location			25	10.9	100.0
Total			225	100	

Source: Survey result, 2017

Table 4.6 shows that 56.7% of the respondents agree they attribute by Agency characteristics, 24.2% of the respondents select Opening hours, 10.9% of the respondents select Agency location and 8.1% of the respondents providing banking product is there attribution to the society with a mean score of 2.19. From the above table, we can infer that the agent character and opening hour is one of the variable agents contribute to the society.

The study revealed that majority of the respondents strongly agreed with the statement; most of clients are highly affected by transport means, many people use banking agencies because of location of the main banks in relation to their homes and enterprises, Using bank agencies saves on transport cost, and bank agencies operates where there are no banks. Also there is a strong positive correlation between agency location and Agency banking use. The findings from scheduled interviews for customers and bank managers also revealed that Banks location also influenced the choice between use of agency banking and visiting the bank. These results agrees with Ivantury and Timothy(2006), who argued that Agency banking could be of benefit to the clients in the following ways; lower transaction costs (closer to their homes), longer opening hours, and also there good character.

CHAPTER FIVE

5. Summary of Findings, Conclusion and Recommendation

The study intended to examine the main barriers in the service of Agent banking system in LIB, through adopting quantitative research approach. On the other hand, the purpose of this chapter is to delineate the summary of findings in section 5.1, followed by conclusion in section 5.2 and presents some recommendations forwarded in section 5.3.

5.1. Summary of findings

The objective the study was to identify the challenges of Agent Banking service in LIB through investigating the various aspects of potential and eminent challenges facing agents and users in due course of implementing Agent banking business in LIB. Accordingly, this part of the research summarizes the major findings of the study from the challenge.

The study found out the following challenges influencing the provision of Agent banking service being prioritized based on the degree of influence in the context of LIB business environment. The most influential challenge was the level of development of ICT infrastructure which has significant impacts on Agent Banking business in the bank since there is a frequent down time the service. Most of the respondents believed that the existing infrastructural development in the Country, especially in relation to telecom and road networks will have significant impact on the provision of the Agent banking business since the business requires a generally good infrastructure in terms of road network, communication and information technology.

The second most pressing challenge that the research spotted out on influencing the service was the availability of appropriate Agent Banking channels. Availability of agent Channels are vital in ensuring a wide reach by bank. There are limited delivery channels. Most of the respondent agree that service provide by agents have to increase and there is a lack of capability on the service. The challenge on location of agents was ranked on is one of the factor that influence the extent of using agent banking. In addition the finding

of the study indentified some challenges of agent banking service. Daily withdrawal limit from Agent Bank and limits of deposit with Agent bank, proximity and accessibility to a bank branch by the retail, commission agents get from serving customers is poor to the agents, were identified as challenges to the service of agent banking. The level of trust and lack of security associated with Agent banking service pose challenges to the banks. Improvements are required to ensure client confidence. Lack of competitiveness among local banks, substitute products is also another challenge for the adoption of agent banking in the country.

Based on respondent agent opening and closing hour influence the user decision to use the service. It also founded that the frequency of client visiting to get the service is low and based on the open ended question most of the agent recommended that the bank have to work on customers altitude to use the service and the service package. Majority of the respondent agree on that most of the time customers' use only deposit and withdrawal services. Even if it is good progress since the goal of the bank is deposit mobilization and creating cash less Customers'.

From the analyses agent experience have positive impact on attracting customers' so the skill of the agent in serving client have impact on the frequency of customers' visiting the agent but According to agent skill most of the respondents agree on that there is a lack of skill on the agents and there is also have low level of knowledge about the service a that there is a lack of frequent training and the bank have to provide frequent training to the agents. So this is a huge challenge on the service of agent banking.

According to the service charge the research found out that it is not potential threats at this juncture on the use of agent banking. Moreover majority of the respondent agree on Customers'' willingness to use the service is low. It is also found that spite of the availability of the problem most of the agent do not recommend their customers to use the service.

5.2 Conclusions

This study aims at investigating the main barriers on the service of agent banking in LIB agent. To achieve the proposed objective basic frame works were used, i.e. Technology acceptance model (TAM). On the other hand quantitative research approach was employed in the study.

Agent banking system was not well adopted by LIB Customers'. This is due to low level of ICT infrastructure and lack of available service channel, which can initiate agent banking industry to implement the system the other point is the commission of agents serving client is low so it have an impact to the agent willingness to serve Customers' The other point is environmental factor was location according to the analyses bank can increase its customers by expanding its agent in to the location that the bank couldn't reach.

In addition to the above four basic factors affecting the service of agent banking in LIB, Result of the study also shows that security risk and lack of trust on the use of technological adoption are other major barriers for the system. The level of security risk associated with agent banking product or service pose different challenges to the bank. Improvements are required to ensure client confidence. Lack of competitiveness among local banks is also another challenge for the service of Agent banking in the bank. On the other hand, the study reveals that even if the service provide by the system is user friendly and The speed of processing transaction by Agency Banking is much faster there is a frequent down time and the service package is not enough. According to agent awareness since there is a low rate of training provide by the bank it appear a lack of agent skill and knowledge.

In general, the findings of this study offer additional insights into the current agent banking service situation. Furthermore, the understanding of the barriers to agent banking service identified in this study may help to identify the best course of actions to promote its development. It will also be valuable to the bank to increase their awareness and understanding of agent banking benefits.

5.3. Recommendations

Agent banking system is a new financial evolution in Ethiopia, but it's an important issue, because it has a great impact on the banking system, at the same time its difficult and need a lot of efforts to be used and accepted by the Customers'', so it need a lot of efforts to succeed. Based on the above conclusion, the researcher recommends the following points:

- Availability of network is the key to give agent banking service; the banks should try to work with Ethio telecom to reduce the service down time as part of improving their service and also the bank have to work on increasing its service package and preparing other substitute channels.
- Agent satisfaction on commission is low and since they play a huge role in getting new customers' the bank has to review its commission payment.
- The bank better continuously review and upgrade the existing system of security to the level that minimize risk and let the customers know the status for their decision and confidence in adoption of new innovation. Using all forms of media (brochures, web pages etc) , the bank tries to present the security used, outline the procedure on how to cope with the problems if any, and provide information on how to use agent banking services safely.
- Familiarization of the existing agent banking services to the customers' needs to be done through well trained personnel at the bank counter and agent. Moreover, extensive massive promotion that address the general public using mass medias, brochures, sponsorship for programs that have mass audience, different promotional materials that easily catch the attention of the individual at the same time that promote the bank's service and well designed user friendly web site need also be in effect appropriately for the enhancement of the service.
- In an effort to maximize the agent's existing knowledge of agent banking which ultimately have an effect in the provision of effective service, the bank search and design a special training program to upgrade the capability of existing key agents.

To some extent, it is also better for the bank to search and welcome experienced personnel in this field to benefit from others experience.

5.4 Further Research Areas

This study was conducted to assess challenges on the agent banking Service targeting to LIB agents that facilitate the service to customer and found at Addis Ababa Area. Hence, the following could be considered for future research:-

- The study on challenges in agent banking service focusing on the selected Addis Ababa Area agents can be extended to a more comprehensive study that incorporate upcountry (Outside of Addis Ababa) Area Banks of LIB.
- The study can also be extended to include all other Commercial Banks found in Ethiopia and also customers' so that the findings can be useful to conclude about agent banking services in Ethiopian context.

Reference

- Admassu B, Asayehg D. (2014). Banking Sector Reform in Ethiopia International. *Journal of Business and Commerce* , 3 (2225-2436), 25-38.
- Afewerk.G. (2015). *Assesment of adoption of agent banking innovation in Ethiopia barriers* . Addis Ababa: Addis Ababa university.
- Afsana Rahman and Josh Woodard. (2016). *google*. Retrieved january 26, 2017, from Agent Banking 101” USAID: <http://datatopics.worldbank.org/financialinclusion/country/banglades>
- AGNES. (2013). *the adoption of agency banking by Kenya commercial banks in Nakuru*. Nairobi: University of Nairobi.
- Alfansi, L. Sargeant, A. (2000). Market segmentation in the Indonesian banking sector: the relationship between demographics and desired customer benefits'. *International Journal of Bank Marketing* , 18.
- Amit & Livnat. (2003). Geographic Diversification in Banking and Its Implications for Bank Portfolio Choice and Performance. *BIS Workshop* . Banking and Financial Stability.
- Ansoff, H. I., & McDonnel, E. (1990). *Implanting Strategic Management*. New York: Prentice-Hall.
- Anuwar, A. (2015). *Adoption of Agent Banking and Electronic Banking in Ethiopian Banking Industry Industry: Prospects and Challenges*. Addis Ababa: SAINT MARY’S UNIVERSITY.
- Atman, E. (1993). *Corporate Financial distress & Bankruptcy*. Malasya.
- Ayana. (2012). *Factors affecting adoption of electronic banking system in Ethiopian banking industry*. ADDIS ABABA: ADDIS ABABA UNIVERSITY.
- Barasa D. and Dr. Mwirigi F. (2013). The Role of Agency Banking in Enhancing Financial Sector Deepening in Emerging Market: Lessons from the Kenyan Experience. *European Journal of Business and Management* .

Beaver, L. (2002). *Strategic management Formulation and Implementation*. New York.: Harper Collins Publishers.

Berger A. N. & Humprey B. D. . (1998). Reserve Bank of Cleveland. *Journal of Banking and Finance* .

Bhatti, T. (2007). Exploring Factors Influencing the Adoption of Mobile Commerce. *Journal of Internet Banking and Commerce* , 3, 1-13.

Bindra. (2007). *Crown your customer*. Nairobi: Story moja.

Bryman, A. and Bell, E. (2007). *Business Research Methods* (2nd edition ed.). New York ,USA: Oxford University Press.

CGAP and FGV . (2010). *Branchless Banking Agents in Brazil*. Retrieved from <http://technology.cgap.org/2010/02/25/nationwideimpact-of-agents-in-brazil>

CGAP. (2010, April). *Building viable agent networks in India*. Retrieved from <http://www.ifc.org/wps/wcm/connect/73590c8049585f409f8abf19583b6d16Tool+10.8.+CGAP+Analysis++FINO+and++EKO+Channel+Managem>

CGAP. (2010, February). *Nationwide impact of agents in Brazil*. Retrieved from <http://www.cgap.org/blog/nationwideimpact-agents-brazil>

CGAP. (2010, January). *Update on Regulation of Branchless Banking in Brazil*. Retrieved from <http://www.cgap.org/publications/regulation-branchless-banking-brazil>

Charles& Dr. Agnes. (2014). Assessment of Factors Influencing Adoption of Agency Banking in Kenya: The Case of Kajiado North Sub County. *International Journal of Business and Commerce* , 3 (ISSN: 2225-2436), 91-111.

Chiteli, N. (2013). Agent Banking Operations as a Competitive Strategy of Commercial Banks in Kisumu City. *International Journal of Business and Social Science* , 4.

Christopher, W. (2002). Interfirm Relationships and Informal Credits in Vietnam. *Quarterly Journal of Economics* , 114, 153-170.

Cohen, M. (2002). Making Micro Finance More client-led. *Journal of international Development presented at the Marrott School Research Symposium.*

Creswell, W. (2003). *Research Design: Qualitative, Quantitative and Mixed Approaches* (2nd edition ed.). California: Sage publication.

Davis, F. D. (1993). *User acceptance of information technology: system Character, User perceptions and behavioral impacts.*

De Coster, J. (2004). *Data Analysis in SPSS.* Retrieved March 24, 2017, from <http://www.stat-help.com/notes.html>

EFInA. (2011, October). *Evaluation of Agent Banking Models in Different Countries.* Retrieved from <http://www.efina.org.ng/assets/Documents/EFInAAgent-banking-study-report->

Elfagid, A. (2015). *The Challenges and Prospects of Mobile and Agent Banking in Ethiopia.* Addis Ababa: Saint Mary's University.

(2014). *Ethio-Telecom 5 year business plan 2014/15-2018/19.*

F, D. (1989). perceive usefulness, perceived ease of use, and users acceptance of information Technology. *MIS quarterly* , 13, 319-400.

Giglio, V. (2002). Privacy in the world of cyber banking: emerging legal issues and how you are protected. *International Journal of Bank Marketing* , 14, 48-60.

Harper, Malcolm, and Marie Kirsten. (2006). ICIC Bank and microfinance Linkages in India. 17, 30-39.

Harun, M. (2012). *the effect of agent banking and financial inclusion in Kenya.* Nairobi: University of Nairobi.

HELLO, C. (2017, January 21). *Hello cash company profile.* Retrieved from [https://www.cgap.org/sites/default/files/hello cash -profile of hello cash-Jan-](https://www.cgap.org/sites/default/files/hello%20cash%20-profile%20of%20hello%20cash-Jan-)

Ignacio Mas and Dan Radcliffe. (2010). *Bill & Melinda Gates Foundation Mobile Payments go Viral.* Kenya: M-PESA .

- J. (2013). *Adoption of agency banking by equity bank Kenya Limited in its International business operation*. Nairobi: school of business, university of Nairobi.
- J. Bagraim, A. Werner. (2007). *Organizational Behaviour: A Contemporary South African Perspective*. Van Schaik.
- Kasekende, A. L. (2008). *Africa continues Steady Growth*. Africa Forum.
- Kent, R. (2007). *Marketing research: approaches, methods and applications in Europe*. USA. Thomson Learning.
- Kitaka, P. (2007). *A Survey of the use of Financial Performance Indicators by Micro*. Nairobi: University of Nairobi.
- Kumar A. Nair A. Parsons A, & Urdapilleta, E. (2006). *Expanding Bank Outreach through Retail Partnerships: Correspondent Banking in Brazil*. Washington DC: World Bank.
- Labianca, G. (2014). *Negative Ties in Organizational Networks, Research in the Sociology of Organizations*.
- Laforet, S. (2005). Consumers' attitudes towards online and mobile banking in China. *Journal of Bank Marketing* , 23, 362-380.
- Lion, i. B. (2017, february). *profile of agent banking customers and agents*. Retrieved from <http://www.lib.org.ng/assets/Documents/libAgent-banking-report->
- Lomosi, W. (2015). *Factors influencing the use of Agent banking by the residents of kitui country*. Kenya: University of Nairobi.
- Lu, J, Yu, C, Liu, C, & Yao, J. (2003). *Technology acceptance model for wireless internet*. Electronic Networking Applications and Policy.
- Lyman. (2006). *Use of Agents in Branchless Banking for the Poor: Rewards, Risks, and Regulation*. Washington, D.C: CGAP.
- M., Morris, G. and Davis, F.D.,. User Acceptance of Information Technology:Toward a Unified View. 27, 425-478.

- Mas, Ignacio and Hannah Siedek,. (2008). *Banking through Networks of Retail Agents*. Washington D.C.: GAP.
- Merton, L. (1990). *Geographic Diversification in Banking and Its Implications for Bank Portfolio Choice and Performance*. Banking and Financial Stability.
- Miller, M. (2003). *Can Credit Registries Reduce Credit Constraints?, Empirical Evidence on The Role of Credit Registries in Firm Investment decisions*.
- Mols, N. (1999). The Internet and Banks' Strategic Distribution Channel Decision. *International Journal of Bank marketing* , 17.
- Mosoti, Z. M and Mwaura, R. W. (2014). An Investigation on Slow Adoption of Agent Banking Services in Kenya as Strategic Response by Commercial Banks: A Case Study of Roysambu Constituency. *Journal of Research in Business and Management* , 1-13.
- M-Pesa. (2014). *The Safaricom Story Case study*. Proudly Made in Africa.
- Mwangi, M. H. T., & Willy, M. M. (2014). Factors influencing the uptake of agency banking services by customers in commercial banks in Kenya: a case of Kenya Commercial Bank. *Strategic Journal of Business & Change Management* , 179-197 .
- Nardos, Y. (2016). Agent banking. *banking new venture in Ethiopia* . Addis Ababa: Addis Fortune.
- Ndome, D. (2011). *Adoption of agent banking services among the residents of Kawangware area in Nairobi Kenya*. Nairobi: University of Nairobi.
- Ndung'u, N. (2011). at the launch of the draft electronic retail transfers and draft electronic money issuers Regulation. Kenya: Central Bank of Kenya.
- Njeru. (2014). Factors Influencing Adoption of Agency Banking in Kenya. *International Journal of Business and Commerce* , 3, 91-111.
- Nunnally, J. (1978). *Psychometric Theory*. New York.

- Ombutora, E. K. & Mugambi, F. (2013). Role of agency banking on the performance of agent entrepreneurs : A case study of Co-operative Bank Co-op Jirani in Kibera. *International Journal of Social Sciences and entrepreneurship* .
- Otieno & Raphael O. (2016). *Factors influencing the adoption of agency banking by KCB bank of Kenya limited*. Nairobi: School of Business, university of Nairobi.
- Pandery, N. (2004). *Making Money Work for the Poor in India Dhanraj Maha*. Mumbai .
- Pickens, J. (2005). *Attitudes and Perceptions, in Organizational Behavior in Health Care*. Sudbury: Jones and Bartlett Publishers.
- Pikkarainen, T, K. Karjaluo, & Pahnla, S. (2004). Consumer acceptance of Online Banking: an extension of the technology acceptance model. *14*, 224-235.
- Pikkarainen, T, K. Karjaluo, & Pahnla, S. (2004). *Consumer acceptance of Online Banking: an extension of the technology acceptance model*. Internet Research.
- Rezwan & sandip. (2015). inclusive Growth through Branchless Banking: A Review of Agent Banking and its Impact. *Journal of Economics and Sustainable Development* , 3.
- Robinson, T. (2000). *Internet banking*. Information Week.
- Rogers, E. (2003). *Diffusion of innovations* (5th ed.). New York: Free Press.
- Rogers, E. M. (1983). *Diffusion of Innovations*. New York: Free Press.
- Rose, P. S. (1992). *Agency theory and entry barriers in banking*. *The Financial Review* (Vol. 27).
- Ross, Stephene A. (1973). *The economic theory of agency: The principal's problem* (Vol. 62). American economic review.
- Sekaran, U. (2003). *Research methods for business: a skill building approaches* (4th ed.).
- Tarazi, M. (2010). *Branchless Banking: The Test and See Approach*.

Wairi, D. (2011). *Factors influencing the adoption of Agent Banking innovation among Commercial Banks in Kenya*. Nairobi: University of Nairobi.

William, E. (2002). Diversification in banking: Is noninterest income the answer. *Journal of Money, Credit, and Banking* , 36, 853-882.

Y. Wu, Y. Tao, P. Yang,. (2008). The use of Unified Theory of Acceptance and use of Technology to Confer the Behavioral Model of 3G Mobile Telecommunication Users. *Journal of Statistics and Management Systems* , 11, 919-949.

Yemane, T. (1967). *statistic:An Introductory analysis* (2nd ed.). new York: Harper and Row.

Zhao, et al. (2008). Perceived risk and Chinese consumers' internet banking Service Adoption. *International Journal of Bank Marketing* , 26, 505-525.

Appendix



ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

Dear Sir/Madam

The aim of this questionnaire is to assess factors affecting the adoption of Agency 000Banking in banking industry. The results of the study are anticipated to supply to the understanding of the basic challenges of adopting agency banking in delivering service to customers in Lion international bank agents. I would like to assure you that the information you provide will be used only for the purpose of achieving academic award. Your involvement is regarded as a great input to the quality of the research results. Hence, I believe that you will enlarge your assistance by participating in the study. The quality of the result of this research will be based on the accuracy of the information you provide while filling out the questionnaire so you're honest and thoughtful response is invaluable.

Eventually, I would like to assure you that utmost care will be taken for the confidentiality of the information you will provide.

Thank you for your cooperation!

**Regards,
Meron Derese**

General Instruction

This questionnaire contains two sections; you are kindly requested to respond to the questions based on the instructions under each section. If you have any comments or want to provide further explanations, please use the space provided at the end of the questionnaire.

Section I: Demographic profile of respondents

Please indicate the following information's by ticking (√) on the spaces provided in front of the each option.

1. Gender

Male

Female

2. Age	Tick (√)
appropriate one	
18-25	<input type="checkbox"/>
26-35	<input type="checkbox"/>
36-45	<input type="checkbox"/>
45-55	<input type="checkbox"/>
Above 55	<input type="checkbox"/>

3. Educational level	Tick (√)
appropriate one	
Below Elementary	<input type="checkbox"/>
Elementary school completed	<input type="checkbox"/>
High school completed	<input type="checkbox"/>
Diploma	<input type="checkbox"/>
Degree	<input type="checkbox"/>
Masters and above	<input type="checkbox"/>

3. How long have you been an agent?

6 month

1 year

more than 1 year

Section II: Questionnaires related with barriers of adopting Agency Banking

The following lists of statements are used to get relevant information for the accomplishment of the research objective. Thus, please indicate your level of agreement with each statement by ticking (√) on the spaces provided under each option. The options range from Strongly Agree to Strongly Disagree.

Note: SA - for Strongly Agree

A- For Agree

N- For Neutral

D- For Disagree, and

SD- For Strongly Disagree

Evaluation on the environmental factors that affect the service of agent banking		SA	A	N	D	SD
1	I believe that banking location influences extent of use of Agency banking					
2	Availability of appropriate Agent Banking channels influences the adoption of Agent Banking					
3	Lack of available ICT infrastructure affect my daily operation					
4	substitute products like ATM card, internet Banking and other product affect the adoption of Agent Banking					
5	I observe that there is a lack of trust on using agent banking in the society					
6	The cash limit affects my business					
7	the competition affect to hold my customer					
8	The commission that I get from serving the customers are not good					
Evaluating service package that facilitated the rapid adoption and frequent use of hello cash?		SA	A	N	D	SD
1	In the case of using Agency Banking, security risk affect users decision to use the system					
2	Services offered via Bank agencies should be increased					
3	Is there a time that the services Do not work when the customer needed					
4	The services provided by the system is adequate					
5	The service provide by the bank is user friendly					
6	The speed of processing transaction by Agency Banking is much faster					
Customer attitude based on agent observation		SA	A	N	D	SD

1	Do you think banking agency opening and closing hours influences the use of Agency banking?					
2	the frequency of clients visiting to get the service is low					
3	Most of your customers prefer using banking agencies in their transactions other than deposit and withdrawal					
4	The experience of the agent attracts customers					
5	Customers may not be willing to accept Agency Banking service					
6	Relatively using of Mobile to get banking service is expensive for customers					
7	The speed of the agent in serving customers influences the number of clients visiting the agency.					
Assessing agent awareness about the service?		SA	A	N	D	SD
1	Is There a Lack of skills to implement Agency Banking on the agents					
2	Do you have sufficient knowledge about the service					
3	Do you believe that frequent training is necessary to the agent					
4	Is there a frequent training and support provided to the agents					
5	Do you insist your customers to use agent banking service					

Please indicate the following information's by ticking (√) on the spaces provided in front of each option.

1. What would you attribute to the frequency use of agent banking to the residents of the County?

(a) Agency characteristic

(b) Banking products

(c) Opening hours

(d) Agency location

2. What is your suggestion or recommendation to bring improvements on agent banking Services?

Thank you!