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FACTORS AFFECTING AGENT BANKING DEPOSIT MOBILIZATION: IN CASE OF LION INTERNATIONAL BANK S.C.

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APPROVAL

The undersigned certify that they have read and hereby recommend to St. Mary's University to accept the Thesis submitted by Abyot Mulu Ejigu and entitled, factors affecting agent banking deposit mobilization in case of Lion International Bank s.c, in partial fulfillment of the requirements for the degree of master of business administration in management.

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LIST OF ACRONYMS

AML   Anti Money Launder

ATMs   Automatic Teller Machines

FCP   First Capital Plus

FI   Financial Institution

KYC   Knowing Your Customers

LIB   Lion International Bank

NBE   National Bank of Ethiopia

PCs   Personal Computers

PDA   Personal Digital Assistance

PIN   Personal Identification Number

POS   Pont of Sale

SBC   Speed Banking Card

SMS   Short Message Service

SPSS   Statistical Package for the Social Science

USSD   Unstructured Supplementary Service Data

WAP   Wireless Access Protocol

LIST OF TABLES

ABSTRACT

Agent banking has increasingly gained importance in developing countries over the last two decades. However, the extent to which agent banking can be used as a tool to mobilize deposit in the banking sector remains largely unknown and the true benefits of the agent banking model to customers, the banks and the bank agents also remains largely unstudied. The main objective of the study was to assess factors affecting agent banking deposit mobilization in case of lion international bank s.c. The study was conducted among 1,300 recorded agents with a respondent sample of 306 agents. Stratify random sampling technique was used to select the respondents who were requested to fill the questionnaires. The study used both descriptive and multiple regression analysis. The study concluded that agents had low facility fulfillments on hello cash mobile and agent banking deposit mobilization. Furthermore, the regression result showed that hello cash mobile and agent banking and accessibility have a positive effect on their deposit mobilization. Besides, the study found that as per as mean and standard deviation results showed that agents deposit mobilization from bill payment or business customers were having moderate extent. Finally, the study recommended that, Lion international bank should be assign more agents who are accessible to the customer to mobilize deposit at a grass root level and also to create awareness the customers where the service is found and how to serve from hello cash mobile and agent banking service.

Keywords: Agent banking, mobile banking, bill payment, deposit, hello cash mobile and agent banking

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Commercial banks play a vital role in the economic resource allocation of countries where they channel funds from depositors to investors. Commercial banks are financial institutions that collect surplus fund from depositor and provide loan to those who have fund shortage Ndirangu, D, (2011).Mobile and agent banking has become an essential practice of financial institution in bringing their services closer to the people at the grass root level. According to Burgessy and Wong, (2005), the growth of IT has affected almost each aspect of life; among them being the banking industry. The coming up of mobile and agent banking has changed and redefined the way banks were running. Since technology is now regarded as the major input for the institutions achievement and as their main proficiencies banks be it local or foreign, are channeling their finances more on offering clients with the fresh technologies by means of mobile and agent banking. Technological development has not only influenced lifestyle but has had an impact on the way clients do their banking.

Mobilization of deposit for a bank is as essential as oxygen for human being, deposit mobilization is one of the main functions of banking business and so an important source of working fund for the bank (Siedek, 2008). Commercial banks are beneficiaries of the rapid growth of agency outlets, which have helped cut costs on expansion of branch and staffing but it is important that the bank has a clear strategic rationale for each agents sets up, to drive decision making, ensure appropriate agent setup, channel support and permit subsequent performance evaluation against the original strategic intent (Siedek, 2008).Customers can interact with hello cash agent and mobile banking agents and bank branches to make deposit, withdraw and transfer cash their e-float value can be used to buy airtime or send money to relatives or friends or even just to store money in their e-money accounts.

Customers have the option of paying bills and to a transportation tickets, ambulance payments, registration fees and other utility payments.

1.2 Background of Lion International Bank s.c

Lion international bank s.c is a private owned commercial bank which was established on October 2, 2006 in accordance with proclamation 84/94 and the commercial code of Ethiopia. As a commercial bank, lion international bank provide commercial services such as accepting deposit, providing loan, issuing guaranty, foreign exchange and others service to make profit (LIB report 2010).to address the service at grass root level lion international bank launch mobile and agent banking service on September, 2015 as per the national bank of Ethiopia directive number FIS /01/2012(LIB report 2015).Lion international bank has partnered with belcash Ethiopia for the installation of mobile banking technology known as hello cash tech platform in 2015. Belcash is owned by the Netherland's belcash international which provides technological solutions for financial services using the internet and mobile phones. Lion international bank introduce hello cash mobile and agent banking service with the support of Ethiopia telecom (offer network service) and belcash (offer technology system) since 2015/2016 fiscal year. Hello cash mobile and agent banking refers to the delivery of financial services with and/or without conventional bank branches, often using an agent who are assigned by the bank in order to provide the service to the customer using mobile phones for real time transaction. Hello cash mobile and agent banking service are currently provided by Lion International bank s.c. This hello cash mobile and agent banking service is provided in compliance with national bank of Ethiopia's directives on mobile money banking regulation. The pilot of hello cash mobile and agent banking service is underway in three part of the country (north, east and west) with locations consisting of a mix of agent outlets and branches (Belcash operational manual 2015).

1.3 Statement of the Problem

National bank of Ethiopia promotes commercial banks to increase their paid up capital and to expand their branches in the part of the country to address their accessibility for the community. To fulfill this target all commercial banks mobilizing their deposit by different approaches. Among them, promote innovation through mobile, agent and internet banking is part of the commercial banks and other financial institutions approaches to addressing their availability in grassroots level and to mobilize their deposit. Lion international bank also introduced hello cash mobile and agent banking which offered by assigned agents and bank's branches to mobilize deposit and expand availability of the banking service. As of January, 2018 Lion international bank mobilizes 8.4 million birr on agent banking in the bank branches and 1,300 assigned agents. This study focused on how the assigned agents improve agent banking deposit mobilization. Numbers of studies have been done on various aspects in the banking sector. For instance, Shemsu, (2015), studied the determinants of deposit in commercial banks in Ethiopia. As per his finding the survival of every commercial bank in Ethiopia highly depends on deposit because mobilizing deposit for commercial banks is a matter of survival, Without having enough deposit for commercial banks' business is nothing the bank's ability to lend more as well as its success greatly lies on its deposit mobilization. Deposit mobilization is one of the main functions of banking business and so an important source of working fund for the bank. Deposit mobilization is the collection of cash or funds by a financial institution from the public through its current, savings, fixed, recurring accounts and other specialized schemes. This study also assured that without having enough deposit commercial banks can't survive as a bank, however, he doesn't investigate agents as determinant for deposit. Ndirangu, (2013), looked the effect of agency banking on the financial performance in Kenya. In his study he found that the introduction of agent banking was intended to enable institutions to provide banking services more cost effectively to customers but he doesn't find the effect of agents on hello cash mobile and agent banking deposit mobilization. Despite these studies having been conducted, there is gap to investigate on the effect of agents on hello cash mobile and agent banking deposit mobilization.

1.4 Research Questions

1. Does agents' accessibility have an effect on agent banking deposit?
2. In what extent bill payment services have an effect on agent banking deposit mobilization?
3. Does agents' have of facility fulfillment on agent banking deposit mobilization?

1.5 *Objective of the Study*

1.5.1 General Objective

The general objective of the study is to assess the factors affecting agent banking deposit mobilization.

1.5.2 Specific Objectives

1. To assess the agents' accessibility on agent banking deposit mobilization.
2. To examine agents' deposit mobilization from business customers (bill payment).
3. To determine the agents' facility fulfillment on agent banking deposit mobilization.

1.6 Scope of the study

The scope of the study was delimited to see the factors affecting agent banking deposit mobilization by using three dimensions of factors affecting agent banking deposit, such as facility fulfillment, accessibility of agents, business customers/bill payment services. Geographically the study focus was conducted in all gents who assigned by Lion International Bank of the three districts to provide hello cash mobile and agent banking service. As the method of primary data collection, only questionnaire were used to conduct the study.

1.7 Significance of the study

The finding of this research paper will have multiple values for different organs. It helps for lion international bank to identify the effects of agents on hello cash mobile and agent banking deposit and develop their strategy to be effective when they mobilize their deposit via hello cash mobile and agent banking. National bank of Ethiopia will benefit from this study to give license for similar businesses or other banks and the study will help to agents of lion international bank to identify their contribution for hello cash mobile and agent banking deposit. Additionally, the study will contribute as source of information on the banking industry and for further research as a guideline.

1.8 Limitation of the study

The study faced by various challenges were overcome among this were in a critical position to affect the outcome of the study were mentioned herein under. Difficulty collected questioners on time, the duration in which hello cash mobile and agent banking has been in operations is short since the commencement of agent banking in our country is so recent. The service was launched in 2015 and there is not much activity that has been seen on agent banking over the years to form a trend. The other key limitation was the availability of proper data, the study does not include the demand or final consumers of hello cash mobile and agent banking service due to lack of data. Negligence of some respondents to respond to the questioner and lack of finance to conduct the study was among the various problems encountered by the researcher during the study.

1.9. Organization of the paper

This thesis paper was organized into five chapters. The first chapter is the introduction part which consists of the background of the study, background of lion international bank s.c, statement of the problem, research questions, objectives of the study, significance of the study, and limitation of the study. The second chapter introduces related literature review which deals with the theoretical and empirical literatures on the effect of agents on hello cash mobile and agent banking deposit. The third chapter deals with research design and methodology of the study. The fourth chapter concerned with findings and discussion of the study. The fifth chapter which is the last but not the least focused on summary of findings, conclusions and recommendation of the study.

DEFINITION OF TERMS

Belcash: a company who supply technology system which used to provide the hello cash mobile and agent banking service.

Agent: an agent is a person or an entity that is contracted by Lion International Bank to facilitate provisions of banking business in the name and on behalf of the hello cash mobile and agent banking.

Agent banking: means facilitating of the banking service provision to customers by an agent in the name and on behalf of the financial institution.

Mobile banking: refers to the access of banking services and facilities using electronic mobile devices such as mobile phones to perform banking task such as monitoring account balance transferring funds between accounts and pay bill payment.

Hello cash mobile and agent banking: the use of mobile phone to perform banking task at the bank branches and/or at the assigned agents.

Bill payment: a business companies or persons who have contact with the lion international bank to collect their payment (bill payment) via hello cash mobile and agent banking.

E-float money: is amount of money in electronic form.

Anti-Money Laundering: It is the policy of National bank of Ethiopia to prohibit and actively prevent the use of its money transfer services to facilitate money laundering, the funding of terrorists or criminal activities.

Deposit mobilization: is the collection of cash or funds by a financial institution from the public through its current, savings, fixed, recurring accounts and other specialized schemes.

Mobile deposit: refers to application of cell phone as a channel for customers to deposit money into their bank account using their cell phones without physically going to the bank or financial institution to deposit the money.

CHAPTER TWO

LITERATURE REVIEW

2. Introduction

This chapter reviews the literature on the effect of agents on hello cash mobile and agent banking deposit mobilization. From this review, broad categories were derived which help to identify the critical effects of agents on hello cash mobile and agent banking deposit mobilization. Specifically, the chapter addressed the theoretical framework, empirical literature and conceptual framework guiding the study agents effect on the mobile and agent banking deposit.

2.1 Theoretical Review

Branchless banking represents a new distribution channel that allows commercial banks and other financial institutions to offer financial services outside traditional bank premises. A wide spectrum of branchless banking models are evolving, State Bank of Pakistan, (2011). Theories of branchless banking can be classified into three broad categories: Bank-focused theory, Bank-led and Nonbank-led theory.

2.1.1 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 (State Bank of Pakistan, 2011). For example range from use of automatic teller machines (ATMs) to internet banking or mobile phone banking to provide certain limited banking services to bank's customers. This model is additive in nature and may be seen as a modest extension of conventional branch-based banking. Although the bank-focused model offers advantages such as more control and branding visibility to the financial institutions concerned, it is not without its challenges. Customers' primary concerns are to do with the quality of experience, security of identity and transactions, reliability and accessibility of service and extent of personalization allowed. Banks address these issues by

providing a branchless banking service with an easy to use interface, made secure with the help of multi-factor authentication and other technology, capable of running uninterrupted for 365 days in a year Kapoor,(2010).

2.1.2 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 et al, (2006). This model is composed of a sequence of three main entities; the bank, the retail agent, and the customer. This sequence starts when banks develop their financial products and services that are delivered to clients through retail agents that interact directly with clients' on behalf of the banks. Basically, the bank is mainly responsible for opening and holding the account (cash in cash out transactions). The retail agents is responsible for verifying customer's ID, performing face to face transactions, processing applications, forming groups, disbursing small values to the bank, collecting customers deposits, vending insurance products, and dealing with small remittances .Customers are able to access the mix of financial and non-financial service available. To enable retail agents to facilitate the communication between the customer and the bank, the bank is responsible for installing electronic technology. Whatever the establishment, each retail agent is outfitted to communicate electronically with the bank for which it is working. The equipment may be a mobile phone or an electronic point-of-sale (POS) terminal that reads cards. But in some countries like Brazil the bank license management companies on its behalf to carry out its responsibilities such as outfitting retail agents with technology and monitoring their performances, albeit the bank is still accountable to the customer in the case of retail agent's fraud or negligence, Lyman et al.(2006). The model is also used in Pakistan, South Africa, Kenya and India where Indian branchless regulating policy obliges the retail agent to show all transactions on the banks' books within 24 hours RBI's circular, (2006).

The bank led model has been credited for facilitating the interaction between financial institutions and customers living in distance places who can access financial and non-financial services by visiting the retail agent.

Bank-led model offers a distinct alternative to conventional branch-based banking in that customer conducts financial transactions at a whole range of retail agents instead of at bank branches or through bank employees Lyman et al, (2006). This model promises the potential to substantially increase the financial services outreach by using a different delivery channel (retailers/ mobile phones), a different trade partner (Chain Store) having experience and target market distinct from traditional banks, and may be significantly cheaper than the bank based alternatives. Common risks associated with this model may mainly be related to lack of training to the retail agent staff, and the actual security of the system, which is not far too different from risks associated with conventional branch based banking. Agents related risks arise from substantial outsourcing of customer contact to retail agents. From a typical banking regulator's perspective, entrusting retail customer contact to the types of retail agents used in both the bank-led and nonbank-led models would seem riskier than these same functions in the hands of bank tellers in a conventional bank branch, State Bank of Pakistan, (2011). These retail agents may operate in hard-to reach or dangerous areas and they lack physical security systems and specially trained personnel. The lack of expert training may seem a particular problem if retail agents' functions range beyond the cash-in/cash-out transactions of typical bank tellers to include a role in credit decisions State Bank of Pakistan, (2011). According to Pakistan banking regulation typically recognizes multiple categories of risk that bank regulators and supervisors seek to mitigate. Five of these risk categories-credit risk, operational risk, legal risk, liquidity risk, and reputation risk-take on special importance when customers use retail agents rather than bank branches to access banking services. The use of retail agents also potentially raises special concerns regarding consumer protection and compliance with rules for combating money laundering and financing of terrorism, Kumar, et al. (2006). The bank lead theory is related to the study as it focuses on how financial institution like bank deliver their financial services through a retail agent, where the bank develops financial products and services, but distributes them through retail agents who handle all or most customer interaction. For example family bank of Kenya distributes it financial product through assigned agent, where the agent has face-to-face interaction with customers and perform cash-in/cash-out functions, much as a branch-based teller would take deposits and process withdrawals.

2.1.3 Non-bank Lead Theory

This model is composed of the mobile network operator (nonbank), the bank who holds a reserve of the equivalent e-value, the retail agent who acts as the third entity in this chain and deals with the customer. Banks are not a main player on this practice and the non-bank manages customer e-money accounts. The retail agent checks customer's id and transact on behalf of the nonbank using either mobile phone or smartcard reader. Whereas the customer request financial services using again either the cell phone or the smart card. Customers can use their e-money to buy products or services, save or exchange their balance for cash at the retail agent. The uniqueness about this model is that customers can enjoy a mix of financial services without having a typical traditional bank account. They can exchange their cash for a value stored on a card or their mobile phone Anyasi, (2009).The mobile phone network operator has already a pre-established relationship with both the retail agents and customers through its mobile phone services. One of the most successful applications of the nonbank model is the hello cash agent and mobile banking in Ethiopia. The model is also being adopted around the world for example in Tanzania, Kenya, Afghanistan, South Africa, Philippines and Sudan among others.

 Hello cash agent and mobile banking is a mobile payments system that enables customers to keep money in an e-float value on their account maintained in a server by the Ethiopian telecom and Belcash technology solution provider and operated by users through their mobile phone. Therefore, customers can interact with hello cash agent and mobile banking agents and bank branches to make deposit, withdraw and transfer cash their e-float value can be used to buy airtime or send money to relatives or friends or even just to store money in their e-money accounts. Customers have the option of paying bills and to a transportation tickets, ambulance payments, registration fees and other utility payments. Another successful example of nonbank application is evident in the Philippines, where the two mobile network operator's smart communications and globe telecoms has managed to provide their customers with various financial services through smart money and G-cash their customers are estimated around 8 million Bantug, (2006). Common risks associated with this model may be mainly related to e-money risks. For example, unlicensed and/or unsupervised nonbank establishments will collect

repayable funds from the public in exchange for e-money without being subject to prudential regulation and supervision.

2.1.4 Agency Theory

Banking agents must fit within the distribution strategies of banks, alongside other channels, such as branches or automatic teller machines (ATMs) and agent. Commercial banks are beneficiaries of the rapid growth of agency outlets, which have helped cut costs on expansion of branch and staffing but it is important that the bank has a clear strategic rationale for each agents sets up, to drive decision making, ensure appropriate agent setup, channel support and permit subsequent performance evaluation against the original strategic intent Siedek, (2008).Banking agents help financial institutions to divert existing customers from crowded branches to providing a complementary convenient channel. Other financial institutions, especially in developing markets, use agents to reach an additional client segment or geography. Reaching poor clients in rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost of setting up a fully-fledged branch the staffing costs related to those bank and other ancillary costs such as cleaning, security and maintaining an internet connection. Low-income clients often feel more comfortable banking at their local store than walking into a marble branch Siedek, (2008).

Benefits of agent banking are among others bringing banking services closer to the customers for instance customers can apply for lines of credit, credit cards, loans and mortgages through these agents hence, fewer visits are required to banks for doing banking transactions Purcell et al, (2003). Rikta, N.N (2007), mentioned that in Bangladesh, customers had to visit on an average of 15 times to their lender for a single loan. W. Williams, (2001) mentioned that agent businesses are more profitable and produce higher revenues than commercial banks that use only branch networks. Banks can benefit from lower transaction costs as agent banking requires less paper work, less staffs and physical branches Cheng et al, (2006).Never the less there are challenges that 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. 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. Fraudsters target agency staff as they are aware that they will not be able to easily identify fraudulent transactions for example identification of documents for originality Banker, (2011).The bank must address the challenges that are posed by having agency banking while at the same time taking advantage of all the benefits of having this channel of banking.

Agency banking may eventually lead to financial inclusion in the countries where it has-been adopted Banker, (2011). Success in branchless banking ultimately depends on offering customers, a service proposition that is superior to existing options. To date, branchless channels meet this standard only for some clients (Bankable Frontier Associates 2009).Success factors in agent banking include product attributes, competitive capabilities, resources, competencies, market achievements etc. It is very important for the strategists to understand the landscape of industry in order to identify the most important competitive success factors. Due to changes in driving forces and competitive conditions, the key success factors of one industry differ from other. Agent banking requires a generally good infrastructure in terms of road network, communication and information technology. Considerations should be made for areas that are hard to reach due to a poor fixed infrastructure and poor transport system. Key issues to note are technology; competitive rates product innovation, brand image, size of the company, location and convenience.

2.1.5 Agent Banking

A banking agent is a retail or postal outlet contracted by a financial institution or a mobile network operator to process clients' transactions, Bećirović.S, (2011).Rather than a branch teller, it is the owner or an employee of the retail outlet who conducts the transaction and lets clients deposit, withdraw, and transfer funds, pay their bills, inquire about an account balance, or receive government benefits or a direct deposit from their employer. Banking agents can be pharmacies, supermarkets, convenience stores, lottery outlets, post offices, and many, Banking agents are usually equipped with a combination of POS card reader, mobile phone, barcode scanner to scan bills for bill payment transactions, PIN pads, and sometimes personal computers

(PCs) that connect with the bank's server using a personal dial-up or other data connection. Clients that transact at the agent use a Magnetic Stripe (Mag-Stripe) bank card or their mobile phone to access their bank account or e-wallet respectively. Identification of customers is normally done through a PIN. With regard to the transaction verification, authorization, and settlement platform, banking agents are similar to any other remote bank channel, Hassen, et al, (2011). Banking agents are the backbone of mobile banking, i.e., performing transactions over a mobile device, most often a mobile phone. To enable clients to convert cash into electronic money and vice versa which can be sent over their mobile phone, clients will have to visit a branch or banking agents. Especially in remote and rural locations where cash is still the most important way to pay and transact, a mobile banking service is dependent on banking agents to enable clients to effectively use the service. Agents are merchants who provide financial services on behalf of a financial institution through various service delivery channels. Services provided by agent mainly include: opening of mobile account for customer, opening of regular saving account for customer, perform cash in (deposit) and cash out (withdrawal) services, transfer funds between different parties, perform various payment services, perform customer due diligence Know Your Customer (KYC) requirement of natural persons, customer education and, compliance with AML (Anti Money Laundering) & KYC (Know Your Customers) Policies.

Hello cash agents' network includes: branches of partner banks and micro-finance institutions, other retailers with a substantial distribution network like petrol stations, post offices, distributors, internet cafes, supermarkets, café and restaurants. Using hello cash businesses are able to open a hello cash business account to make bulk payments and/or receive payments from customers and members.

2.1.6 Mobile Banking

In recent years' banks have developed innovative technologies to provide variety products and offered a wide range of services in an effort to increase efficiency which is the ultimate goal of banks. Mobile banking refers to the access of banking services and facilities using electronic mobile devices such as mobile phones and personal digital assistant /PDAs/ Bećirović.S, (2011).According to Mutua, (2013), mobile banking has transformed the way people in the developing world transfer money and now it is poised to offer more sophisticated banking

services which could make a real difference to people's lives. This type of banking can offer a wide variety of services ranging from account information, which has to do with alerting the customers on the updates and transactions on their account through their mobile phones. People receive short messages on their phones informing them of their immediate transactions in their bank accounts. Also, they help in payments (utility bills), deposits, withdrawals, transfers, purchase airtime, request bank statements and other crucial banking tasks, all in real time over their mobile phones.

2.1.7 Challenges of Mobile and Agent Banking

When building, incentivizing, and managing a network of retail agents, banks must address the operational, legal, infrastructural, social, structural and economic challenges in a way that fosters a positive and consistent customer experience that will create and maintain trust in the system. Managing the structure, as one of the challenges by financial institutions towards the provision of Mobile and Agent Banking, refers to the approach that financial institutions establish relationship with their agents. The relationship can be direct, indirect or hybrid. A direct relationship with banking agents is one in which a financial institution uses its own staff to identify and evaluate potential agents and then contract and manage them. An indirect relationship involves contracting an external management company to manage the entire process. There is also a hybrid approach in which a financial institution assumes responsibility for parts of the process, for example, selection and contracting, while a management company is contracted to oversee the day-to-day management of the agent networks, Mas, Ignacio and Siedek.H (2008). Building agent network is also a challenge which focuses on establishing effective agent with well-trained manpower; trusted by customers; strategically and conveniently located; and properly incentivized to follow procedures, keep sufficient float on hand, and serve customers. When agents provide a range of services (e.g., account opening, deposits, withdrawals, bill payments, etc.) they are able to generate transaction volume and balance liquidity. An agent must maintain adequate cash and e-money float balances to meet customer cash-in/cash-out requests. If too much cash is taken in, the agent may run out of e-float and not be able to accept more deposits. If there are too many withdrawals, the agent will accumulate e-float but run out of cash. In either case, customers will get discouraged if the agent cannot provide the services they need when they need them. In addition, a secure mechanism needs to

be in place to transport cash needs to and from an agent Flaming.M,McKay.C and Pickens.M (2011).Availability and Quality of Infrastructure is one of the challenges which impact the Agent Banking business. Interruption in services of Telecommunications due to technical or non-technical issue and non-availability of any parallel system or alternative may cause disruption in service availability. Similarly, congestion in network may become a bottle neck in providing Quality of Service to Agent Banking user. The inconsistent availability of power supply in the country particularly in the rural area is one of the challenges for the implementation and continuous availability of Mobile and Agent Banking service. Therefore, Utility disruptions or software or hardware failures can cause a lack of service availability and information loss. Financial Institution without business continuity and disaster recovery planning may be on risk of non-availability of services in case of catastrophic events, power breakdowns, fire etc and natural disasters (flooding, earthquake etc). Agency 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. This is especially true in Africa where some areas are sparsely populated leaving long distances between the customer and the bank. Obviously, the set-up of agent banks is less costly and more flexible than for traditional bank branches since it reduces the need to invest in staff and physical infrastructure. (Barasaet al, 2013), (Gardner, 2000) contends that Agent Banking systems are up to three times cheaper to operate than branches for two reasons. First, Agent Banking minimizes fixed costs by leveraging existing retail outlets and reducing the need for financial agent banks to invest in their own infrastructure. Second, acquisition costs are lower for bank-enabled agents and bank wallets. Agents require a lot of capital because they need to have enough cash on hand and electronic float for customers to withdraw and deposit on demand. Other costs also require upfront investment, though in much smaller amounts. Agents may need to acquire a business license, bring the look and feel of their store up to standards (paint, counter, etc.), or make security improvements beyond all this they need to keep a prepaid balance/Collateral at the bank premises Flaming.M,McKay.C and Pickens.M, (2011). In the countries studied, the banks and non-banks involved undoubtedly devoted significant effort to researching the relevant laws and regulations before investing in agent-assisted branch- less banking approaches, and in most cases, they also consulted with regulatory authorities to understand better how authorities were likely to apply existing rules to the new model. But because regulators have had little experience with both models and are still

adjusting existing rules to address them (or have yet to begin this process), some level of legal and regulatory uncertainty and ambiguity for both the banks and to a lesser extent also for retail agents remains Makin.P (2012).

Product Image in the Society and Social Issue is also another concern area for financial institutions when retail agents' underpay-from or are robbed, banks' public image may suffer. Many operational risks mentioned (such as the loss of customer records or the leakage of confidential customer data) also can cause reputational risk, as can liquidity shortfalls in the retail agent's cash drawer. This and other mismanagement of the product image because the bad image on the public towards the new product refrain them to usage of the product Laurer.K, (2011). Managing the Risk has remained a challenge in association with technologically innovative products like Mobile and Agent Banking. Technological related risks are risks with regard to technology and could be characterized by unparalleled speed of transformation related to technological and customer service innovation, the nature of electronic network is open everywhere in the globe, the mobile banking application systems are integrated with the financial institutions legacy core application systems and with the hardware. And the necessary information technology service increases the financial institution dependency on the third parties. Whereas Infrastructure and Software Application Risks are attributed to financial institution without laying down proper information business continuity plans, security policies and procedures will be in a haphazard condition of performing information security operations of Mobile and Agent Banking.

2.1.8 Mobile and Agent Banking Technology Solutions

Currently, mobile and agent banking is implemented through three different technology solutions: browser-based applications, messaging based applications and client-based applications. The browser-based application is essentially a Wireless Access Protocol (WAP)-based internet access. This requires a compatible mobile phone which is WAP enabled. The mobile phone is used to access banking portals through the internet. (Brett, 2010) On the messaging based applications, the communication between the bank and the customer is carried out via text messages. For example, by using a registered mobile number, the customer sends a predefined command to the bank then uses text messages (SMS) to conduct transactions with the

bank. An example of messaging-based applications is Unstructured Supplementary Service Data (USSD), which has compatibility with most mobile phones. On client based applications, special software is installed in the mobile phone. An example of a client based application is what is called the Standard SIM Toolkit.

2.1.9 Importance of hello cash agent account

It is used as a payment method for buying goods and services at retail stores and service outlets such as the restaurant, supermarkets, shops and many more, Wiki for banking agent, (2015). As a business it can make bulk payments such as payroll, dividend disbursement, bill payment, registration fee and other transactions for customers and members. As businesses to receive payment from their customers using hello cash they don't need to install any devices or software, they receive it via their mobile phone and the money is safely and instantly deposited in to your business mobile account. Hello cash business account is aimed at encouraging cashless money transactions as it offers a convenient and cashless payment method using a mobile phone.

2.1.10 Hello cash for Convenient Payment

Businesses receiving payment via hello cash have an extra means of accepting payment from their customers; while customers are being able to pay for goods and services directly from their bank account for a small transaction charge, Anyasi, F.I, (2009).This service enables corporate clients to receive fund from their customers. This service offers most convenient way of payment collection from the public. Corporate clients can benefit from this service as their customers can pay for bills from anywhere, anytime.

The pay bill service is an ideal payment method for utility payments such as water, electricity, telephone and similar mode of services. It is also to be used as a payment method for buying goods and services at retail stores and service outlets such as the restaurant, supermarkets, shops and many more, Wiki for banking agent, (2015). This service enables corporate clients to send money through hello cash to many people who may be widely dispersed. The service targets corporate clients that would like to do salary disbursements, field staff disbursements, dividend payments among others. The bulk payment service offers great benefit to clients, providing a quick way of sending funds to their beneficiaries. The service is also secure and does not require

the client to travel with cash to the areas of disbursement. The service is cost effective when compared to other cash management services, Mutua, (2013).

2.1.11 Mobilization of deposit

Mobilization of deposit for a bank is as essential as oxygen for human being, Deb, K. (1988).Deposit mobilization is one of the main functions of banking business and so an important source of working fund for the bank. Deposit mobilization is the collection of cash or funds by a financial institution from the public through its current, savings, fixed, recurring accounts and other specialized schemes. Since deposits are normally considered as a cost effective source of working fund, the bank's ability to lend more as well as its success greatly lies on its deposit mobilization. However, the bank's ability to mobilize enough funds from the public through its current, savings, fixed, recurring accounts and other specialized Schemes will depend on the systems employed in this highly competitive industry, Digaria, H. A,(2011). Banking over the years has lived up to its definition of safe keeping of customers funds and ensuring that the customers get the money upon demand. And this has been the basic function of banking just as a raw material is for a business; to banking institution is cash mobilization therefore the world over has continually been part of the primary and important component of banking. In both retail and corporate banking, this important aspect of banking has been practiced in different forms with the commonly known aspect being direct deposit by the customer in the banking hall. Withdrawal of cash is also made in the banking halls or any permitted premises as approved by the bank or financial institution.

Financial institutions provide a system through which savers deposit their money and borrowers can access those funds. The process by which deposits are transformed by the banking sector into real productive capital is at the core of financial intermediation (Abel, 2013). Deposit mobilization is defined as the process of encouraging customers to deposit with the bank or persuading new clients to open accounts with the bank. The motivation for mobilizing savings is in the lower cost compared to other sources of funds. Deposits are mobilized to meet the required liquidity for loans. Deposit mobilization is the collection of cash or funds by a financial institution from the public through its current, savings, fixed, recurring accounts and other specialized schemes (Banson, Sey, &Sakoe, 2013). To enhance profitability, banks seek to

minimize their expenditure and are forced to mobilize low cost deposits. Thus the amounts of deposits are important. The deposit size largely decides the banks capability to lend money to borrowers; the higher the deposits, the higher will be the funds at the disposal of a bank to lend and earn profits. However deposit growth is profitable only if the commercial bank does not incur additional expenses to obtain and retain cash Adem, S. (2015).Banks simply cannot function without deposits from savers in the economy. Many developing countries suffer from low domestic savings rates. Domestic deposits traditionally provide a cheap and reliable source of funds for development, which is of great value to developing countries, especially when the economy has difficulty raising capital in international markets. Banks generally fund more of their loan books with customer deposits in order to stand more 14 robustly against liquidity squeezes and contribute to the stability of the banking system. Any decline in the amount of deposits at the banks raises important questions about whether the banks will be able to remain successful and meet the credit needs of the economy (Abel, 2013). Mobilization of deposits is one of the important functions of banking business. It is an important source of working fund for the bank.

Deposit mobilization is an indispensable factor to increase the sources of the banks to serve effectively. Mobilization of deposit plays an important role in providing satisfactory service to different sectors of the economy. The commercial banks must tap deposits from urban and rural areas. This helps the banks to provide large amount of funds to priority sectors for development. The success of the banking greatly lies on the deposit mobilization. Performances of the bank depend on deposits, as the deposits are normally considered as a cost effective source of working fund. Mobilization of rural savings is one of the important objectives of the Commercial Banks. It helps to expand banking operations Shettar, R. M. (2014).Technology has become an intrinsic part of banking, making it easier and cheaper to develop and deliver financial services. As a consequence of the highly technological environment developed around the world in the banking industry, the expansion of distribution channels for financial services relies on a very complex network of partnerships Robert Weissbourd, (2002). At the same time, in developing countries only part of the population has access to basic financial services such as a deposit account, for example a number of studies Claessens,(2006 and UNDP 2007) have claimed that technology will play a significant role in improving poor people's bank access, taking financial services in a sustainable way too far and underserved locations. There is a tremendous opportunity for

banking technology to connect lower-income citizens at reduced costs and bring millions of consumers to the formal financial marketplace through electronic channels R.Weissbourd, (2002). With the incorporation of innovation and technology, many aspects of banking have been automated and improved. Through innovation, customers have seen easy and accessible means of banking and have to a greater extent helped banks reach out too many of the unbanked population. With the support of technology, tedious processes of banking have been reduced and services have improved. Some innovations could be mentioned of the bulk cash collection by team of bank staff to key clients of the banks with bullion van; the use of mobile bankers to market and collect cash from petty traders and others clients of the banks; and the selling of nonbanking products such utility bills, bank assurance, sale of passport forms and registration of booking dates for visa to the embassies. Technology in the banking industry saw the introduction of internet banking; SMS banking, automated teller machines (ATM), and the introduction of mobile money, R.Weissbourd, (2002).

The emergence of mobile commerce in recent years as a new branch of E-Commerce has attracted the attention of the world. This rapid advance in technology has brought about growth and development of this type of commerce. According to European journal of Economics, Finance and Administrative Sciences, mobile banking is one of the main branches of mobile commerce, which influences the other fields of this commerce considerably wiki,(2011). In order to survive in the competitive environment of modern banking, banks need to consider the optimal management of costs of using various technologies, and incur minimum costs using best practices. Applying mobile banking greatly reduces the banks' costs. On the other hand, it provides customer satisfaction because of ease of access to financial transactions anywhere in any time with only a cell phone instead of waiting in a queue at the bank. The term mobile banking refers to application of cell phone as a channel to provide banking or financial services. It is a platform for the delivery of financial services via the mobile phone. Mobile banking is an application of m-commerce which enables customers to access bank accounts through mobile devices to conduct and complete bank-related transactions such as balancing check, checking account statuses, transferring money and selling stocks Kabir R.M, (2012). Mobile banking is an innovative method for accessing banking services via a channel whereby the customer interacts with a bank using a mobile device (e.g. mobile phone or personal digital assistant (PDA).Mobile banking services got a growing trend ahead so that economic experts predict that by 2013, 300

billion transactions worth over 860 billion dollars will be done through mobile banking Rogers, (1983).

Mobile deposit refers to application of cell phone as a channel for customers to deposit money into their bank account using their cell phones without physically going to the bank or financial institution to deposit the money. This will help address walk in deposit and non-banking hours. Walk in deposit is where a customer of a bank or a financial institution goes to the premises of that institution during working hours to pay money into his/her account. A non-banking hour refers to periods where banks do not open their banking premises to do business with their customers. For example, In Ghana, banks close their banking halls to the public after 16:30 hours GMT to the next day 08:30 hours GMT from Monday to Friday. In addition to Sundays and Saturdays but on a few open to the public on Saturday for some few hours. Cash mobilization as the most activity of a bank or any financial institution requires that it gets as much as it can so as to loan out or invest and this has seen banks and other financial institutions employ different means to mobilize as much funds as they can. Under this score that innovation and technology can make the means possible. The focus of the study is to explore systems which are being used today different from what used be in the past in deposit mobilization in the financial sector of the Ghana hence the Speed banking system (mobile deposit) from First Capital Plus. First Capital plus is a wholly-owned Ghanaian Savings and Loans institution. The company commenced operations as a savings and loans institution on October 29, 2009.This marked a major transition in operations, having operated for two years as a financial NGO specializing in micro finance. As a savings and loans institution, the company is authorized to provide a wide variety of banking service to the public including checking accounts, savings accounts, investments, e-banking services such as ATMs, SMS banking, electronic bill payments, funds transfers etc. It operates in four regions having 12 branches and 1 agency; Spintex, Tesano, Newtown, Makola, Ashiaman, Osu, Dansoman, Kasoa, Kumasi, Takoradi, Cape – Coast, Koforidua and AbosseyOkine. In June 2011, First Capital Plus launched its SMS Banking service (branded Speed-Banking) and commenced its innovative flagship 24hours cash deposit service. Speed banking (SB) allows customers to deposit cash directly into their bank accounts in real time through an SMS (text message), anywhere, anytime, any day using their cell phones and a scratch card called speed banking card (SBC). FCP's strategic objective for Speed-Banking is to

revolutionize banking by expanding its frontiers to include a large section of the unbanked population.

2.1.12 Importance of deposits in banking

Financial institutions provide the system through which savers deposit their money and borrowers can access those resources, Rogers, (1983). The process by which deposits are transformed by the banking sector into real productive capital is at the core of financial intermediation. Banks ensure that efficient transformation of mobilized deposit funds into productive capital .Deposit mobilization is therefore a key first step in the financial intermediation process. Banks simply cannot function without deposits from savers in the economy. Many developing countries suffer from low domestic savings rates. This is especially pronounced in countries like Zimbabwe, where there is no domestic currency and we have resorted to a multi-currency system. Domestic deposits traditionally provide a cheap and reliable source of funds for development, which is of great value developing countries, especially when the economy has difficulty raising capital in international markets. Studies around the world have shown that banks should fund more of their loan books with customer deposits in order to stand more robustly against liquidity squeezes and contribute to the stability of the banking system. When banks resort less deposit funding and rely more on open market funding, this is widely seen as negative for financial stability. Market funding requires that the bank continually rolls over bills and bond issues and renews its borrowings from other financial institutions. In general, these bond issues will be offered to both domestic and foreign investors. These funding sources have generally proved to be less stable than customer deposits, and reliance on market funding has thus made the banks' liquidity positions more vulnerable to external shocks. In an effort to mobilize deposits in an economy, banks develop various forms of products that can be enjoyed by the clients. The most important deposit products are those that make it easier for clients to turn small amounts of money into "useful lump sums" enabling them to smooth consumption and mitigate the effects of economic shocks, Siedek, (2008). These are typically provided by banks in the form of savings accounts. Consequences of failing to mobilize deposits in the economy, any decline in amount of deposits at the banks raises important questions about whether the banks will be able to remain successful and meet the credit needs of the economy.

Banks will typically experience a temporary liquidity dips due to a decline in the amount of deposits. The most important step for banks in addressing this problem would be to develop strategies that are consistent with the needs of the savers in the economy. When the deposit base in the economy shrinks, banks will respond in a variety of ways. Such as banks will become aggressive in maintaining their local base of depositors and the underlying customer relationships, banks will offer incentives to depositors in the form of higher interest rates and other attractive conditions in order to retain depositors on their books, many banks will look for other funding sources and will compete more directly for market based funds. In this respect interbank funding becomes an option, and also banks look at ways of creating new funding sources and better ways to manage banking assets.

An option that banks can adopt is to lend on a more selective basis whenever funds are tight either by rising credit standards or increasing loan rates and fees. Although this strategy could result in better credit quality and perhaps higher net interest margins as loan demand increases, it could also mean curtailing the amount of credit extended to creditworthy customers. On a broader level, this could translate into economic stagnation as some sectors grappled with working and long term capital challenges as they fail to access loans and overdrafts from the banks. Those who are lucky to access the resources run the risk of failing to repay as a consequence of the high cost of the funds. It is important to keep in mind that every time one makes a deposit with the bank, they are providing part of the lifeblood for the economy as it is deficit units of the economy that benefit from the actions of depositors. Putting the little resources that you have under the pillow implies that you are depriving a struggling household or a firm somewhere in the economy of a vital lifeline.

2.2 Empirical Review

Several studies have been conducted on the effects of mobile banking and the performance of commercial banks. World Bank report, (2010) indicates that branchless banking is only allowed to be undertaken by licensed deposit-taking financial institutions (bank and non-bank) or their agents. Furthermore, all customers of financial institutions (FIs) undertaking branchless banking activities must be uniquely identified. In each case customer account relationship must reside with some FI and each transaction must hit the actual customer account. All FIs and their agents must comply with the Anti-Money Laundering act, (2008) as well as the international standards set by the Financial Action Task Force World Bank, (2010).

Bold, (2011), a study Conducted in Brazil found that some countries restrict the location of agents, though such restrictions are sometimes eased when regulators recognize that their regulations create obstacles to financial inclusion. In Peru, agents are mainly pharmacies; grocery, stores and other retail establishments. These tend to be small retail establishments, although there are some larger agents, such as La Curacao, a large retail chain. Roughly 16% of the population now has access to bank services exclusively through agents. These agents facilitated approximately 3.8 million transactions per month (45 million transactions in the year). However, 3 times this amount of transactions per month was performed at ATMs, and the total value through ATMs was at least 2 times larger than agent transactions. In 2010, less than 50% of the total financial system transactions were conducted inside traditional bank branches and ATMs; POS terminals accounted for 36% of total transactions (SBS & CGAP, 2010).

Kamotho.N,(2009). Study carried on mobile phone banking. The study covered the two main dominant mobile banking service providers- Safaricom and zain. From inception the mobile phone subscribers have a total of 8000 outlets agents. This number tripled compared to 876 branches and 1424 ATM for commercial banks (CBK, 2008). The survey was informed by a quantitative survey on m-banking services and demand. Data on usage and exploration patterns were gathered through reliable cluster sampling techniques using comprehensive questionnaires. It was observed that competition triggers innovation and creativity. Continuous innovation not only yield new products but rather promotes efficiency in the performance of activities. Hence lowering the transaction cost. This finding is also confirmed by, Tufano, (1989).
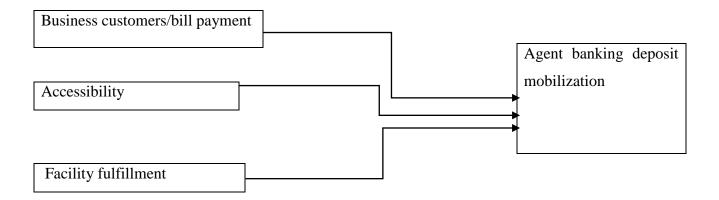
Simboley, B (2017), Study has been conducted on determine the effect of agency banking on deposit growth. The study determined that the low if no cost charge to deposit money has encouraged many customers with large sums of money to deposit at their convenience. Deposit mobilization positively affects the financial performance of commercial banks. Thus, deposits play a vital role in the financial performance and sustainability of a bank and it is an indispensable factor in which loan disbursements and revenue generations are based. King'ang'ai, et ,al, (2016). And also the researcher concluded that agency banking has improved financial inclusion the majority of the population is no longer unbanked due to the presence of agents in rural and semi-rural areas. The agents have been equipped with tools and the knowledge of bank products and have significantly led to the increase in customer awareness and ultimately the growth of customers for their respective banks.

Ziporah.K.O, (2014). The researcher concluded that banking agents enable commercial banks to divert existing customers from crowded branches providing a "complementary", often more convenient channel. They use agents to reach an "additional" client segment or geography. Otherwise, reaching poor clients in rural areas is prohibitively expensive for banks since transaction numbers and volumes do 35 not cover the cost of a branch. Banking agents that piggy back on existing retail infrastructure – and lower set up and running cost - play a vital role in offering many low-income people access to a range of financial services. Also, low-income clients often feel more comfortable banking at their local store than walking into a marble branch which increases the commercial banks" revenue.

2.3 Conceptual Framework

Conceptual framework is a presentation of how the independent and dependent variables are related. It therefore, specifies the working definition of a variable and enables a simple explanation of the flow of theoretical framework. In this study, the independent variables will be accessibility, facility fulfillment and bill payment/business customers while the dependent variable will be deposit mobilization of agent banking.

Factors affecting agent banking deposit mobilization

```
┌─────────────────────────────────┐
│ Business customers/bill payment │
└─────────────────────────────────┘                  ┌──────────────────────┐
                                                      │ Agent banking deposit│
┌─────────────────────────────────┐                  │ mobilization         │
│ Accessibility                   │───────────────►   │                      │
└─────────────────────────────────┘                  └──────────────────────┘

┌─────────────────────────────────┐
│  Facility fulfillment           │
└─────────────────────────────────┘
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Source: Tornatzky and Heisher (1990)

Independent Variables   *Dependent Variable*

CHAPTER THREE

Research Design and Methodology

3. Introduction

This chapter presents the methods which used to carry out the study. It further described the type of research design, the target population and sampling methods, nature of data and instruments of data collection and data analysis methods. It describes how data collected and analyzed. The suitable methodology in that study gives the guidelines for information gathering and processing.

3.1   Research Design

Research design is a master plan specifying the methods and procedures for collecting and analyzing the required data. The choice of research design depends on objectives that the researchers want to achieve, Hafiz, et al, (2007).

In conducting the research, the researcher used descriptive research design using mixed research approach whereby both qualitative and quantitative approaches were used to describe and summarize sets of data.

3.2 Population and Sample

According to Ngechu.M, (2004), a population is a well-defined or set of people, services, elements and events, group of things or households that are being investigated. As of February 2018, Lion international bank has 1,300 agents which are grouped in three districts: 306 agents' in northern region branches district, 612 agents in Addis Ababa city branches district and the remaining 382 agents in other outline branches district. The target population for this study was all agents in three districts.

3.3 Sample Design

Sample size is sub set of the population. The researchers used it to obtain information about an entire population by examining only a part of it. The researcher was selected the sample size by using stratified random sampling techniques from three district of agent banking who assigned by the bank. This study used stratified random sampling techniques to get proportionate sample in all districts of the bank and to ensure that subgroups (strata) of a given population were each adequately represented within the whole sample population of a research study. The researcher got the sample size from agents on three districts by using a simplified formula to calculate sample sizes. Yamane (1967:886) this formula used to calculate the sample sizes in the targeted population.

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

$$n = \frac{1300}{1 + 1300(0.05)2} = \underline{306}$$

Where, n= sample size

N=targeted population

e = error term

❖ Selected 306 from 1,300 agents in three districts to get proportionate sample in all district of the bank

➢ 89 (29%) agents from other outline

➢ 73 (24%) agents from northern

➢ 144 (47%) agents from Addis Ababa

3.4. Reliability

Reliability refers the degree to which the questionnaire was produced the same result if administered again. To test reliability of the questionnaire the researcher used Cronbach's alpha (α) internal consistency indicator. The questionnaire which is made up of questions was distributed and answered by respondents. Each question had a set of responses and then the researcher calculate the Cronbach's alpha (α) for the sum of all the answers to the questionnaire. To carry out the reliability analysis, Cronbach's Alpha (α) is the most common measure of scale reliability, whichis a value greater than 0.600 is acceptable and a reliability value greater than 0.700 is very acceptable, according to Cronbach's (1951), (Field, 2009; Cohen and sayag, 2010).

Table 4.**5** Reliability

Cronbach's Alpha	N of Items
.662	16

From the above table, the value for Cronbach's Alpha (α) was 0.662 for all variables. From that compared with the minimum value of alpha 0.600 advocated by Cronbach's (1951), then the responses generated for all of the variables' used in this study was reliable enough for data analysis.

3.5. *Nature of Data and Instruments of Data collection*

In an endeavor to assess the factors affecting the agent banking deposit mobilization, all necessary information obtained from both primary and secondary sources of information.

A. **Primary Data:** The study used primary data collected from agents of the bank through questionnaires. The nature of questioner was five-point liker scale from strongly disagree to strongly agree. The Questioners were distributed to the respondents and collected from the respondents.

Questionnaires: The survey took the form of questionnaires of five-point Likert scale format, this Likert scale format was a choice from strongly disagree to strongly agree of the statements which were filled by respondents. It is a pleasant simple way in order to get the specific opinion as well as easy to construct the multiple-item measures Bagheri and Zaidatol, (2009) cited in (Zinaw, 2016). In addition, it is also quick, easy and efficient to obtain the information from the respondents.

The questionnaires consist of two parts, which were Section one and Section two. In Section one, it requires the information regarding demographic characteristic and personal information of the respondents, the questions consist of gender, age, and education. For Section two, it was related to the independent variables of the research which were facility fulfillment, agents' accessibility, and bill payment as well as the dependent variable which was agent banking deposit mobilization.

B. **Secondary Data:** The study was also collected data from Secondary sources. Complementary data for the study was added by consulting different literatures, publication on organizational data.

C. **Data processing:** The data-preparation process begin with questionnaire checking, editing, coding, transcribing, and data-cleaning, statistically adjusting the data and selecting a data-analysis strategy , Malhotra, (2007).

3.6. Data Analysis Method

As noted by Kothari, (2004), data has to be analyzed in line with the purpose of the research. The responses of the respondents that were collected using the above methods were organized, analyzed, and interpreted in a sensible way. Data analysis was a body of methods that help to describe facts, detect patterns, and develop explanations. It involves review conceptual framework and relationship for each variable to be studied, prepare data for analysis and determine if research involves descriptive analysis. They offer a simple and quick look at the data, and used in all of the sciences, in business, in administration, and in policy Joseph and Patricia, (1989). The data analysis was converting, transforming and processing all the raw data into useful and valuable information using appropriate technique. Statistical Package for the Social Science (SPSS) Version 21 and Microsoft Excel 2007 software were suitable to use for

data analysis. The collected data from the survey questionnaire was transformed into useful information by SPSS, which used to test the reliability test and multiple regression analysis.

The researcher conducted multiple regression analysis using the following regression model.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \quad \text{Where,}$$

Y = hello cash mobile & agent banking deposit

α = Regression constant

β_1 to β_3 = Regression coefficients

X_1 = Lack of facility fulfillment

X_2 = bill payment/business customers

X_3 = accessibility

e = error term

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSIONS

4.1 INTRODUCTION

This chapter discussed the main findings from the descriptive and multiple regression analysis on the factors affecting agent banking deposit mobilization. The primary data were organized through data collection methods of the questionnaire. The data gathered through questionnaires from different agents are tabulated and presented under this section. As discussed in chapter three, the data were collected from 306 agents using stratified random sampling technique. From the 306 questionnaires distributed to different agents 280 (91.5%) were collected successfully, remain26 (8.5%) questionnaires were not returned back from the respondents.

4.2 The Descriptive Analysis

This part presents main findings on the relationship between banking agents and their factors on deposit mobilization. The following table presents the descriptive statistics for the main demographic variables used in the discussion part.

Table 4.1 Demographic characteristics of respondents' frequency and percentage

Demographic characteristics		Frequency	Percent
Gender	Male	121	43.2
	Female	159	56.8
Age	18-30	97	34.6
	31-40	105	37.5
	41-50	49	17.5
	Above 50	29	10.4
Educational background	Grade 10 completed	80	28.6
	Diploma	135	48.2
	First degree	42	15.0
	Masters	2	0.7
	Others	21	7.5
	Total	280	100.0

Source: Own Survey

The above tabulation table indicates that 159(56.8%) of the respondents were females while 121(43.2%) respondents were males. This implies that most agent banking services are offered by females.

From the above table 4.1: the age demographic indicates that 37.5% respondents were 31 up to 40 years old , 34.6% of the respondents were 18 up to 30 years old ,17.5% of the respondents were 41 up to 50 years old and 10.4% of the respondents were above 50 years old. This implies that most of agent banking services is offered by the youngest people.

The other demographic elements of the respondent were education background as table indicates that 135(48.2%) of the respondents had college diploma, 80(28.6%) of the respondent complete grade ten, 42(15%) of the respondent had first degree, 21(7.5%) of the respondents were much more educated entrepreneurs and 2(0.7%) of the respondents

had second degree or masters. This implies that most of agents in lion international bank are educated people.

4.2.1 Agents Facility fulfillment

The next table 4.2: presents the agents' facility fulfillment on agent banking deposit mobilization.

Table 4.2: Mean and standard deviation for facility fulfillment of agents

Independent variables	Mean	Std. Deviation
Do you have suitable bank formats	3.71	1.040
Do You have visible and attractive promotion board	2.74	1.524
Do you have sufficient hard currency to make payment	2.35	1.261
Do you have sufficient e-float money	3.11	1.213
Mean value	2.98	1.260

Source: Own Survey

As per the above table 4:2 from responses regarding to agents' facility fulfillment of agent banking deposit mobilization, which is the higher the mean score indicates the more the respondents are agreed with the above statements or questions while the low mean and standard deviation score shows that less respondents are agreed with the statements or questions. The standard deviation amount of facility fulfillment told us the variation among responses on the variables. According to Bagheri and Zaidatol, (2009) cited in (Zinaw, 2016) the five point Likert scale instrument below 3.39 was considered as low, from 3.40 up to 3.79 considered as moderate and mean score above 3.8 is considered as high. As per the view and the result of the mean score and standard

deviation results indicates that Lion international bank agents' who provide agent banking services have low facility fulfillment.

4.2.2 Accessibility of Agents for deposit

The following table presents the response of the respondents on the agents' accessibility on deposit mobilization.

Table 4.3: Mean and standard deviation for accessibility of agents

Independent variables	Mean	Std. Deviation
You are accessible to customer	3.75	.940
Your accessibility have effect to collect deposit from customer	3.63	1.131
You provide service to the customer outside the bank working hour	3.62	1.209
You provide service on Sunday	3.51	1.247
Branches are accessible to balance your deposit	3.35	1.145
Hello cash mobile and agent banking is easy to use	3.57	1.307
Mean value	3.57	1.163

Source: Own Survey

The minimum and maximum amount is one and five respectively because of five point Likert scale is used to collect and analysis data. As per the above table from responses regarding about accessibility of agents effect on agent banking deposit mobilization, while the higher mean score indicates the more the respondents are agreed with the statements or questions while the low the mean score shows the less the respondents are agreed with the statements or questions. The standard deviation amount of the accessibility told us the variation among responses on the variables. According to Bagheri and Zaidatol, (2009) cited in (Zinaw, 2016) the five point Likert scale instrument below 3.39 was considered as low, from 3.40 up to 3.79 considered as moderate and

mean score above 3.8 is considered as high. From the above table, as per this view and the result of the mean score show that agent banking has moderate accessibility of agents to their customer.

4.2.3 Bill payment and Deposit

The following table presents the agents deposit mobilizes from bill payment on which have effect with agent banking deposit mobilization.

Table 4.4: Mean and standard deviation for bill payment of agents

Independent variables	Mean	Std. Deviation
Many customers deposit on agent banking to use bill payment for selam bus ticket	3.60	1.269
Many customers deposit agent banking account to use bill payment for yemaleda kokeboch	2.35	1.261
Customers deposit agent banking account to use bill payment for DStv card	3.90	1.090
Customers deposit agent account to use bill payment of Tebita Ambulance	2.50	1.270
Customers deposit in agent banking account in order to use bill payment of mobile card/air time	4.29	.882
Customers deposit in agent banking account in order to use bill payment airline ticket	3.85	1.102
Mean value	3.42	1.457

Source: Own Survey

As per the above table 4.4 from responses regarding about agents' bill payment services, which the higher mean score indicates the more the respondents are agreed with the statements or questions while the low the mean score shows the less the respondents are agreed with the statements or questions. The standard deviation amount of the bill payment told us the variation among responses on the variables. According to Bagheri

and Zaidatol, (2009) cited in (Zinaw, 2016) the five point Likert scale instrument below 3.39 was considered as low, from 3.40 up to 3.79 considered as moderate and also above mean score 3.8 is considered as high. As per this, the mean score show that among the depositors of agent banking who deposit his/her money for the purpose of bill payment is moderate.

4.4 Results of multiple regression analysis

Regression is probably the single most important tool at the econometrician's disposal Chris. B, (2014), It is concerned with describing and evaluating the relationship between a given variable which is the dependent variable and one or more other independent variable(s). Regression can be used to understand the relationship between variables and also to predict the value of one variable based on another variable. More specifically, regression is an attempt to explain movements in a variable by reference to movements in one or more other variables.

This study was aiming to see the extent relationship between the dependent variable deposit of agent banking deposit mobilization and independent variables which include accessibility of agents, agent's facility fulfillment, and agents' bill payment service.

Table 4.**5**: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.807[a]	.652	.648	.775

a. Predictors: (Constant), Accessibility, bill payment, facility fulfillment

Predictors :(constant), refers to accessibility, bill payment and facility fulfillment of agents and dependent variable; hello cash mobile and agent banking deposit mobilization. The regression results on the model summary can be summarized as follows. Model SPSS gives room to specify multiple models in a single regression command. This gives the number of model being reported.

R-square - Coefficient of determination Goodness of fit measure for a multiple regression model. In multiple regression models where more than one independent variable is considered, the squared value of the coefficient of multiple correlations is used in a similar manner. The square of the coefficient of multiple correlations, called the coefficient of determination or R-square, shows how well a multiple regression model explains changes in the value of the dependent variable. R-square is defined as the proportion of the total variation in the dependent variable that is explained by the full set of independent variables.

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable.

From the findings in the above table the value of adjusted R squared was 0.648 indicated that there was variation of 64.8% on the agent banking deposit due to changes in accessibility of agents, bill payment, and lack of facility fulfillment at 95% confidence interval. This shows that 64.8% changes in agent banking deposit could be accounted to changes in accessibility of agents, bill payment and facility fulfillment. R=0.807 R is the square root of R-squared and is the correlation between the observed and predicted values of the dependent variable. R-square =0.652 R-square is the proportion of variance in the dependent variable of agent banking deposit mobilization which can be predicted from the independent variables of accessibility, bill payment and facility fulfillment. This value indicated that 65.2% of the variance in science scores can be predicted from the variables accessibility, bill payment and facility fulfillment of agents. Note this is an overall measure of the strength of association and does not reflect the extent to which any particular independent variable is associated with the dependent variable.

Adjusted R Square= 0.648 as predictors are added to the model, each predictor will explain some of the variance in the dependent variable simply due to chance. One could continue to add predictors to the model which would continue to improve the ability of the predictors to explain the dependent variable.

Table 4.**6**:ANOVA[a]

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	68.507	3	22.836	15.445	.000[b]
Residual	408.064	276	1.478		
Total	476.571	279			

a. Dependent Variable: Agent banking deposit mobilization

b. Predictors: (Constant), Accessibility, bill payment, facility fulfillment

The above table presents the results of Analysis of Variance (ANOVA), on the effect of agents on hello cash mobile and agent banking deposit mobilization. The test of significance of regression model has revealed that there is a significant relation between the study variables. The ANOVA results for regression coefficient indicate that the significance of the F is 0.00 which is less than 0.05. This implies that there is a positive significant relationship hello cash mobile and deposit mobilization. In addition, the significance value of the test statistic is substantively 0.05 the independent variables of the study – facility fulfillment of agents, accessibility and bill payment-significantly predict on agent banking deposit mobilization.

The coefficients of the regression model were also tested for significance; the results in the following table.

Table 4.**7**: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	7.112	.961		7.398	.000
Facility fulfillment	.390	.050	.048	.793	.428
bill payment	.410	.079	.032	.515	.607
Accessibility	.250	.124	.115	2.009	.046

a. Dependent Variable: Agent banking deposit mobilization.

From the findings, the intercept of the regression model 7.112 .This implies that if agents' that affects the hello cash deposit mobilization. The p- value stands at 0.000.which is substantively below the 0.05 significance level of confidence. The p- value of the test statistic for the significance of the intercept implies that if the null hypothesis were true, we are highly unlikely to observe the computed test statistic. The test of significance reveals that coefficient does not significantly predict the in the coefficient 0.390 a unit of facility fulfillment which is implies that holding the other independent variables constant, a unit increase in the facility fulfillment results in a 0.390 units of increase agent banking deposit mobilization. The test of significance reveals that coefficient does not significantly predict the in the coefficient 0.410 a unit of bill payment which is implies that holding the other independent variables constant, a unit increase in bill payment result of 0.410 a unit increase on agent banking deposit mobilization.

The coefficient number of accessibility, one of the independent variable in the regression model stands at 0.250. This implies that increase the accessibility of the agents' results showed that increases on agent banking deposit mobilization by increased a unit of 0.250.The p- value of the test statistic of the significance of coefficient of accessibility of agents is 0.046 which is below the 0.05 significance level. However, a unit increases on agent banking deposit mobilization.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presented the summary of key data findings, conclusions drawn from the findings highlighted and recommendations that were made. The conclusions and recommendations drawn were in quest of addressing research objectives of establishing the effect of agents on hello cash mobile and agent banking deposit.

5.2 Summary of findings

The study set out to analyze the factors affecting agent banking deposit mobilization. The study focused on three research objectives; to assess the effect of agents' accessibility on hello cash mobile and agent banking deposit, to examine agents' deposit mobilization from business customers (bill payment), to analyze the effect of agents' facility fulfillment on hello cash mobile and agent banking deposit. The researcher would have adopted a descriptive survey and gathered data by means of probability sampling design in the form of stratified random sampling technique. The researcher preferred that sampling method due to the nature of the organization that has three districts and those districts considered as strata. The study was conducted among 1,300 recorded agents with a respondent sample of 306 agents. Stratify random sampling technique was used to pick the respondents who were requested to fill the questionnaires. The study used both descriptive and multiple regression analysis and data was collected by five likert scale questions used to access agreement level from strongly agree to strongly disagree. The questionnaires were checked for completeness, and data was entered in to SPSS for further analysis. As per regression analysis there is a positive relationship between agents' accessibility and hello cash mobile and agent banking deposit. Besides, the study found that agents deposit mobilization from bill payment or business customers were a moderate to extent.

5.3 Conclusion

From the research finding that present in chapter four the study makes conclude on the following points.

❖ From the regression result positive relationship between agents' accessibility and agent banking deposit mobilization. Currently lion international bank provide agent banking in its bank branches and by assigned more than thousands of agents in three parts (west, north and east) of the country. Eventually, the accessibility of the service to the communities has still low outreached.

❖ Agents in lion international bank have not fulfilled enough facilities which are used to provide service for their customers. They have not sufficient money in both e-float and hard currency. They also have not suitable and attractive promotion board which is to create awareness the customers where the service is found and how to serve from the agent banking service.

❖ When customers who open agent banking account and make deposit on his/her account for different purposes, among this purposes customers who were deposit his/her money at agents for bill payment were moderate. The study found that agents mobilize deposit from bill payment or business customers were moderate extent.

5.4 Recommendation

From the data presented in chapter four and the researcher conveyed the following recommendation.

❖ Lion international bank should be assign more agents at different direction of the country specially, the place where there are no accessible branches for providing service and mobilizing deposit by expanding agents at unbanked area. The bank also expands agent banking service into southern part of the country by assign an agent. To up great deposit mobilization by agents' service, lion international bank should be assign a person who follows agent's operation, number of accounts opened by them and working as per the national bank directive and lion international banks rule and regulation.

❖ Even if hello cash mobile and agent banking service is at infant stage in our country, the agents should have adequate facilities either provided by the bank or by agents its own. When making a business contract with agents', lion international bank should be check about their facilities fulfillment to provide the service successfully and competently. Therefore, to mobilize deposit by provide quality service via hello cash mobile and agent banking at the unbanked area, Lion international bank should be take care when assign agents with in the facility fulfillment in order to provide the service successfully for the customers.

❖ It is better that the bank take contract with business customer who provide daily consumption product as such Ethiopian Tele communication and selam bus. When customer come to get bill payment service for one business customer product the bank should attract customers and create awareness for those customers to use other types of bill payment, which enhance the deposit of hello cash mobile and agent banking. The bank should be increase on their advertising activities in order to create awareness as well as increase their confidence on the security of the agent banks. This helps to increase the deposit mobilization of hello cash mobile and agent banking. Finally, lion international bank should be aware for the agents about the technology implementation and adaptation by providing continuous training.

5.5 Suggestions for Further Studies

This study only concentrated on lion international bank yet mobile banking has been adopted in all commercial banks in Ethiopia. The study suggests that further researches will be conducted on the relationship between agent banking deposit mobilization on lion international bank and other similar business firms which provide agent banking related services. The study further recommends that another study be conducted in lion international bank on the relationship between customer satisfaction and agent banking service.

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APPENDIXES

Appendix I: Results of regression

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	57.656	4	14.414	9.462	.000 [b]
	Residual	418.915	275	1.523		
	Total	476.571	279			

a. Dependent: Agent banking deposit mobilization

b. Predictors: (Constant), hard currency to make payment, do you have suitable bank formats, do you have visible and attractive promotion board, do you have sufficient e-float money.

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.054	.381		8.020	.000
Do you have sufficient e-float money	.206	.074	.184	2.775	.006
Do you have suitable bank formats	.224	.065	.220	3.435	.001
Do you have visible and attractive promotion board	.009	.062	.009	.151	.880
Do you have sufficient of hard currency to make payment	.144	.067	.151	2.136	.034

a. Dependent Variable: Agent banking deposit mobilization

Appendix II: Hello cash mobile and agent banking service are currently operated by in Ethiopia

1) **Lion International Bank,**
2) **Cooperative Bank of Oromia**
3) **Somalia Micro finance**

St. Mary's University

School of Graduate Studies

MBA Program

Factors affecting Agent Banking Deposit Mobilization: In case of Lion International Bank S.C)

This questioner is prepared to undertake a study entitled "factors affecting agent banking deposit mobilization" in case of lion international bank s.c. The information you provide will be valuable for the successes of the research paper. The information you give is used only for academic purpose and will be kept confidential by the researcher. You are kindly requested to respond the questions based on the following **two** instructions. If you have any doubt, please contact me on Tel: **+251910827170** and/or e-mail **abiyotmulu10@gmail.com.**

Background Information

Instruction One: please read the questions and give accurate answer as possible at your earliest time.

1. Sex: Male ☐   Female ☐

2. Age: ☐ 18-30

   ☐ 31-40

   ☐ 41-50

   ☐ Above 50

3. Educational background of the respondent

   □ Grade 10 completed

   □ Diploma

   □ First Degree

   □Masters

   □other, please specify --

Instruction Two: Below are lists of statements pertaining factors affecting agent banking deposit mobilization. Please indicate whether you agree or disagree with each statement by ticking (√) on the spaces that specify your choice from the options that range from "strongly agree" to "strongly disagree". Each choice was identified by numbers ranged from 1 to 5.

   Note: 5=strongly agree 4=agree 3=Neutral 2=disagree 1=strongly disagree

Part I: Questionnaires related with accessibility of agents for deposit

No.	Key questions	Agreement Scale				
		1	2	3	4	5
1	Do you think that you are accessible to the customers?					
2	Do you think that your accessibility have effect to collect deposit from the users.					
3	Do you have provided hello cash service to the users outside the bank working hour?					
4	You collect deposit on hello cash mobile & agent customers because of you work on Sunday.					
5	Is there accessible branch for you to balance your deposits that provide assistance for you work?					
6	You make deposit on hello cash mobile & agent account to work with LIB because, it is easy to use.					

Part II: Questionnaires related with facility fulfillment of agent for deposit

5=strongly agree 4=agree 3=Neutral 2=disagree 1=strongly disagree

No.	Key questions	Agreement Scale				
		1	2	3	4	5
1	Do you have sufficient e-float money to provide hello cash mobile and agent service?					
2	Do you have suitable bank formats to provide hello cash mobile and agent service?					
3	Do you have visible and attractive promotion board which indicate to customers, the appearance of hello cash mobile and agent banking service					
4	Do you have sufficient money (hard currency) to make payment to your customers?					

Part III: Questionnaires related with bill payment of agent for deposit

5=strongly agree 4=agree 3=Neutral 2=disagree 1=strongly disagree

No.	Key questions	Agreement Scale				
		1	2	3	4	5
1	Among customers that you serve, many of them deposit on their hello cash mobile & agent account to use bill payment for selam bus ticket					
2	Among customers that you serve, many of them deposit on their hello cash mobile & agent account to use bill payment for yemaleda kokeboch.					
3	Among customers that you serve, many of them deposit on their hello cash mobile & agent account to use bill payment for DStv card					
4	Among customers that you serve, many of them deposit on their hello cash mobile & agent account to use bill payment for tebita Ambulance.					
5	Among customers that you serve, many of them deposit on their hello cash mobile & agent account to use bill payment for mobile card/airtime					
6	Among customers that you serve, many of them deposit on their hello cash mobile & agent account to use bill payment for airline ticket					

Thank you for your time, opinion and comments.   Tel: **+251910827170**