ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MBA PROGRAM

The Effect of Agency Banking Services on Customer Satisfaction: In the case of Commercial Bank of Ethiopia

By: Yared Melese
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A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF

ST. MARY'S UNIVERSITY IN PARTIAL FULFILLMENT FOR THE

DEGREE OF MASTERS IN BUSINESS ADMINSTRATION

December, 2020
Addis Ababa, Ethiopia

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Advisor: Temesgen Belayneh (Ph.D.)

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Declaration

I declare that this thesis entitled "*The Effect of Agency Banking Services on Customer Satisfaction: In the Case of Commercial Bank of Ethiopia* "is my original work, has not been presented for degree in any other university and that all sources of materials used for the thesis have been duly acknowledged.

Declared by: Yared Melese

Signature: _____

Date: December 31, 2020

This research project has been submitted for examination with my confirmation as a supervisor to the candidate.

Advisor: Temesgen Belayneh (Ph.D.)

Signature_____

Date_____

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Name and signature of members of the examining board

Dean, Graduate studies	**Signature & Date**
Advisor	**Signature & Date**
External Examiner	**Signature & Date**
Internal Examiner	**Signature & Date**

Acknowledgement

List of Acronyms/ Abbreviations

ANOVA   Analysis of Variance

ATM   Automated Teller Machine

CBE   Commercial bank of Ethiopia

CBE-birr   Agency banking service of CBE

NBE   National bank of Ethiopia

ICT   Information commutation technology

POS   Point of sale

PIN   Personal Identification Number

SPSS   Statistical Packed for Social Science

SERVQUAL   Service Quality

USSD   Unstructured supplementary service data

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Abstract

The main objective of the study was to determine the effects of agency banking on customer satisfaction in Commercial bank of Ethiopia. Players in the financial institution sector find the study useful as they can use the findings to strategize on how they can mutually benefit from this development as opposed to being competitors of the same market segment. The researcher adopted descriptive research approach and qualitative research method to conduct the research. The study was carried out in Commercial bank of Ethiopia in Addis Ababa. The population of study consisted of the agency banking customers of agents offering agency banking in CBE. The study used a sample of 384 agency bank customers. Primary data was collected for this study by use of questionnaires. Validation was done through careful examination of the content after a pilot study. The researcher ensured that all objectives were adequately covered by cross checking the objectives and corresponding items. Data was analyzed using quantitative methods. The study used both explanatory, correlation and multiple regression analysis. The study concluded that all variables except service value i.e. service convenience, service quality and agent quality have positive effect on customer satisfaction. Furthermore, the correlation result showed that service quality has a strong and positive correlation with customer satisfaction followed by Convenience. Service value and Agent quality have a moderate correlation with customer satisfaction. Based on the above findings, the study therefore recommends there was need for agents to additionally invest in the service equipment and improve the visual appearance of the points of service and the bank should improve agents convenience parameters to keep the satisfaction level of customers by ensuring that customers to get the service near to their residence. Further, the agents should also improve the speed of service delivery and resolve transaction problems quickly, and without the need for customers to travel back to the points of service. Further, the agents must continually improve service delivery by reducing the time customers wait to be served, by improving professionalism, sense of belongingness, attractiveness and eliminating errors in financial transactions through adequate controls to keep the satisfaction level.

Key Words: *convenience, agent quality, service quality, service value, agency banking, customer satisfaction*

CHAPTER ONE

INTRODUCTION

This chapter mainly introduces the concepts of the study. The main concepts discussed here are agency banking and customer satisfaction. It also provides an insight on the problem statement, the research questions, significance of the study and also the scope and limitations of the paper.

1.1. Background of the study

Before the introduction of agency banking service model micro finance institutions were driven largely by expanding informal sector activities and the only option to reach out to the unbanked society. The launch of branch less banking service is welcomed by many developing countries. Banks in developing countries have a capacity problem to open branches so the new innovation make them able to reach to the unbanked society. Micro finance institutions like that of banks needs a lot of capacity. The new branch less banking model helped them to expand banking service. Now the banking sector has been changed, the agency banking service has redefined the bank service as a whole. Banks are now providing service to customers with the new technologies like mobile banking, automated teller machine (ATM), point of Sale (POS), through agency banking outlets.

Agency Banking is a service outlet contracted by financial institution or mobile network operator to process customer's transactions rather than a banker. It is the retail outlet employee or the owner who conducts the transaction and lets its client deposit, withdraw and transfer funds, pay their bills, inquire about an account balance, or a direct deposit from their employer, or receive government benefits. Banking agents can be pharmacies, super markets, conveniences stores, lottery outlets, post offices etc. (Ivatury & Layman, 2006) Agency banking refers to the delivery of financial services outside conventional bank branches, often using non-bank retail outlets that rely on technologies such as point-of sale (POS) devices or mobile phones for real time transaction processing (Modupe, 2010). It is one of branchless banking model used for giving banking service without reliance on bank branches as depicted by Ivatury et al (2006). According to the authors agent banking signifies less cost alternative to branch based banking service using common

channels such as retail outlets, mobile phones, internets and ATMs. According to the authors in three parties are involved in agency banking in doing the activities in addition to this the authors show that agency banking are beneficial to the clients because it lowers transaction cost by bringing services closer to homes to serve transport cost to reach bank branches. And makes the customers to enjoy longer opening hours since this business operates for longer hours than banks and reduces longer queues. According to Mwando (2013) approved activates agents are cash withdrawal, bills payment, cash deposits funds transfer, balance enquiry, document collection for debit and credit cards, loan applications and account opening forms, collection of bank correspondence and mail mobile banking services. But, in our context collection of debit and credit cards, collection of bank correspondence and loan application are not allowed as per NBE Directive no. FIS-01-2012 NBE (2012).

As defined above agency banking provide banking services to the bank customers through the engaged agents under a valid agency agreement, rather than a teller/ cashier. It is the owner of an outlet, who conducts banking transactions on behalf of the concerned bank (Ferdous, Mosharrafa & Farzana 2015).Agent Banking is also known as, "Branchless Banking" an alternative to Card Banking enabling mobile phones as payment devices and can get the services at Agent shops without necessarily going to Bank Branches. Agent banking in commercial bank i.e. CBE-BIRR is an agent banking service introduced by Commercial Bank of Ethiopia in accordance with NBE directive number FIS/01/2012. It was in testing phase from June 2017 to December 2017 and became live in December 12, 2017. Like other agent banking service providers, CBE-BIRR customers can transfer money to subscribed or unsubscribed users, deposit and withdraw cash from agents, buy airtime directly without scratching mobile cards, pay for goods and services. (http://www.combanketh.et)

This study was conducted to investigate effect of agency banking services on customer satisfaction in the case of Commercial Bank of Ethiopia. Commercial Bank of Ethiopia has been aggressive in fulfilling its financial objectives and remaining competitive in the market via regional expansion, and seeking to create a holding company, among other strategies such as mobile banking, agency banking, corporate responsibilities, among these strategies, the bank is keen on creating agent banking system in various areas as a strategy to decongest the banking halls, widen its market and to enhance client proximity hence taking the financial services closer to the clients. Despite these

worthwhile efforts, the usage of agency has been slow and some clients in these targeted areas prefer to get the service from other sources. The objective of this study is to assist in formulating effective and efficient policies by not only Commercial bank of Ethiopia but also by other stakeholders in the banking sector in Ethiopia. The main objective of the study was to identify the effect of agency banking services on customer satisfaction in Commercial bank of Ethiopia.

1.2. Statement of the problem

Banking is a service-oriented industry that deeply be contingent on customer satisfaction for development and existence. Banks differentiate themselves through acceptance of procedures and does that repeatedly improve customer satisfaction, and subsequently entice and recall customers, while safeguarding profitability development and increase in market share. Companies with excellent customer service record advanced profit per employee likened to similar companies with established poor service delivery. (Islam & Niaz, 2014)

Banks must reliably develop techniques and methods for improving customer service delivery. The increased adoption of agency banking by commercial banks is one of the strategies for improving service delivery in underserved areas, both in the rural and urban areas. In a highly competitive environment such as the financial services sector in Ethiopia, customer satisfaction remains a challenge and banks struggle to retain customers through training of agents to provide high levels of service. With the increasing adoption of agency banking by commercial banks, it is important to evaluate its effects on customer satisfaction. Further, existing studies have predominantly focused on agency banking in the banks with larger agent networks, and little on banks that are also rapidly expanding their networks to survive the competition (Mwende, Bichanga, & Mosoti, 2015), hence the need to expanded studies.

The customer is still the responsibility of the Banks and the same has not been delegated to the agency. 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. However, almost every Ethiopian bank encounters similar problems in meeting customers` expectation of their services. It was against this background that this research sought to evaluate the effects of agency banking on customer satisfaction in the banking industry in Commercial Bank of Ethiopia. This study intended to assess

customer's satisfaction from agent banking service to enable banks to see their failure and short coming of the service if there is any for further service improvement.

Because the service is at infant stage and new to the banks, to the customers, and to Ethiopia as a whole no sufficient work has been done with regard to agent banking service and customer satisfaction issues except few studies on the challenges and prospect, barrier and driver and its impact in promotion of financial inclusion. Like for example, on assessment of adoption of agency banking by Afework Gugssa in 2015, challenge and prospect of mobile and agent banking by Elfagid Aregahegn in 2015, agent banking service in promotion of financial inclusion by Tsegaye Belete in 2016, opportunities and challenges of agent banking by Tilahun Girma 2017, challenges of Implementing agent Banking by Betelhem Kurabachew 2018, agency banking effect on banks performance by Abebe Tadesse in 2018. The problem here is: the bank is giving this service but are customers really satisfied by the service they are getting? In this regard one research was conducted by Yonas Semahegne in 2018 on the effect of agency banking on customer satisfaction a case study on united bank S.C. which try to evaluate the agency service in reliability, convenience, agent quality and safety and affordability of agents.

As maintained above; the previous studies conducted shows the importance of agency banking its challenges and also agent banking for customer satisfaction of commercial banks. However, to the best of my knowledge there is no empirical study that has been undertaken so far on the effect of agent banking on customer satisfaction in the case of commercial Bank of Ethiopia. Hence, the purpose of this study is to fill the gap in this regard.

1.3. Research questions

The researcher was addressed the following questions:-

- To what extent service convenience of agency banking service contribute to customer satisfaction?
- To what extent agent banking service quality contribute to customer satisfaction?
- To what extent the service value of agency banking service influence customer satisfaction?
- To what extent that the agent quality influences customer satisfaction?

1.4. Objective of the study

General Objective

- The main objective of the study was to investigate the effect of agency banking services on customer satisfaction in the case of Commercial Bank of Ethiopia.

Specific Objectives

- To identify the contribution of service convenience of agency banking service on customer satisfaction.
- To detect the contribution of agents service quality on customer satisfaction.
- To identify the contribution of service value of agency banking service on customer satisfaction.
- To detect the contribution of agent quality influences on customer satisfaction.

1.5. Significance of the study

The study planned to establish the effect of agency banking services on customer satisfaction in the banking sector, more specifically in commercial bank of Ethiopia. Since there is no formal study conducted by the bank this study may provide useful information to the management of Commercial Bank of Ethiopia to establish policies and procedures that will have positive impact on customer satisfaction.

Moreover, the findings of this study can be used by the bank to improve or expand its service in a way geared to economic empowerment and customer satisfaction. The study will generate new information that advances existing knowledge on the relationship between service delivery dimensions and customer satisfaction, with particular focus on the effect of service quality, service convenience, service value and agent quality on customer satisfaction at Commercial bank of Ethiopia. Finally, the findings may be used as secondary data for other studies and other banks who are planning to provide the service may also take important lesson from this study. The finding of the study will also initiate other researchers to perform a better and in-depth study on the area.

1.6.   Scope and limitation of the study
1.6.1.   Scope of the study

The scope of this study is limited to the independent variables: service quality, service convenience, service value and agent quality and the dependent variable: customer satisfaction. The study is limited to agent customers of Commercial Bank of Ethiopia in Addis Ababa.

1.6.2.   Limitation of the study

As stated earlier this study is limited in scope. The outcome of the study is solely dependent on individual responses of the respondents that participate in the study thus the findings of this study may not give a general picture of the agent banking service quality in commercial bank of Ethiopia and finally due to COVID-19 some respondents were not willing to divulge information however this was mitigated by taking additional sample.

1.7.   Definition of terms

- **Agent banking** means the conduct of banking business on behalf of a financial institution through an agent using various service delivery channels. (Ferdous, Mosharrafa & Farzana 2015)
- **Customer** is an individual or entity who uses agent banking services of financial institutions offered through agents. . (Kotler, 2001)
- **Service quality**: - Is the difference between customer's expectations for service performance prior to the service encounter.(Owino, 2015)
- **Customer satisfaction**: - a function of the customer's expectations and perceptions of performance according to the expectancy - disconfirmation paradigm. (Masila et.al, 2015)
- **Reliability:** - the ability to perform the promised service dependably and accurately. (Ghotbabadi et.al, 2015)
- **Responsiveness**: - willingness to help customers and provide prompt service. (Ghotbabadi et.al, 2015)
- **Tangibles**: - is appearance of physical facilities, equipment, personal, and communication materials. (Ghotbabadi et.al, 2015)
- **Assurance**: - is knowledge and courtesy of employees and their ability to convey trust and confidence. (Ghotbabadi et.al, 2015)

- **Empathy**: - is carrying individualized attention the firm provides its customers. (Ghotbabadi et.al, 2015)

- **Financial inclusion** is an acquiring of a broad range of financial products which are relevant, appropriate and affordable for the entire adult population, especially those low-income segments (Afework, 2015).

1.8.   Organization of the Study

The research paper was organized in to five chapters. The first chapter discusses the Introduction, Background of the Study, Statement of the problem, Objectives of the Study, research questions, Significance of the Study, scope and limitations of the study. Second chapter presents Literature review. Third chapter mainly deal with description of the research area, sources of data, sample size and sampling procedure, methodology and data presentation and analysis use for the study. Fourth chapter cover the presentation and analysis of data. The last chapter comprises a summary of the findings; conclusion and recommendation. Finally, the survey questionnaire that is used for the data collection are attached to this document as an appendix.

CHAPTER TWO

LITERATURE REVIEW

This chapter critically review different literature relating to introduction and growth of agency banking in general. This chapter highlights theoretical review, the empirical review, agency banking services, agent banking and customer satisfaction. Under this the following points were included: agency banking, concept of customer satisfaction, evaluation of agent banking models in different countries, role of agency banking in economic growth, risks and challenges of agency banking in in different countries, models of agency banking, models of agency banking in Ethiopia, risks and challenges of agency banking in Ethiopia, empirical review, and the conceptual framework. The review tries to include the various theories on agency banking.

2.1. Theoretical Literature
2.1.1. Banks and their Role in the Economy

Economists define banks as financial intermediaries (financial institution) that provides banking and other financial services to customers and financial intermediary is an institution in the business of collecting money from savers and transferring it to borrowers. A bank generally can be understood financial intermediaries that fulfill financial needs of customers. (Angeles, 2019)

According to Angeles (2019), the banking sector contribute a lot to the society at individual and aggregate level. At individual level the banking service consists in collecting currency deposits from the public and using most of that currency to make loans to borrowers and at aggregate level it will enhance funds, mobilize resource and may pool saving. In general the banking sector serves three important functions in an economy First, it ensures the orderly flow of funds between economic agents through the provision of payment services. Second, it mobilizes resources in the form of savings by offering attractive investment opportunities. Third, it pools savings and allocates them in the form of loans to investment projects. The banking sector thus acts as an intermediary between savers and investors in an economy and as a result enables the decentralization of economic decisions in a market economy.

As to Zavadska (2018), who evaluate the role of banks in financing of innovative development under different economic theories concluded that under different economic theories banks contributed a lot in supporting (financing) innovative products. some of the contributions are banks increase in business activities has the impact on the increase of money supply in circulation, the priority of credit operations aimed at the country's crisis recovery.

2.1.2. Overview of Banking History in Ethiopia

The establishment of banking industry in Ethiopia has a long story. The Modern banking in Ethiopia was introduced in 1905. The first bank in Ethiopia was Bank of Abyssinia established in 1906. In 1931, Emperor Haile Selassie introduced reforms into the banking system and the Bank of Abyssinia was liquidated and became the Bank of Ethiopia, a fully government-owned bank providing central and commercial banking services until the Italian invasion of 1936. Following Italian occupation in 1936, when, due to liquidation the Bank of Ethiopia, a broad colonial banking network, extended to encompass all Italian possessions in the Horn of Africa (Eritrea, Ethiopia and Somalia) and closely linked with the metropolitan financial system, was established in the country. In 1943, establishment of the State Bank of Ethiopia marking the rebirth of the Ethiopian independent banking. This occurred during World War II after liberation of the country which was its independence from fascist Italy, the State Bank of Ethiopia was established, with two departments performing the separate functions of an issuing bank and a commercial bank. (Mauri, 2003)

In the period up to 1974, several other financial institutions emerged including the state owned as well as private financial institution and which wiped out the monarchy, nationalized companies and shaped a "socialist banking" two-tier model "suited" to Ethiopia, the whole credit system being based on the central bank and three state-owned financial institutions, each of them enjoying monopoly in its respective market. The fifth event was the collapse of socialist regime followed by a financial sector reform and liberalization according to Monetary and Banking Proclamation of 1994. (Mauri, 2003) a fairly after this period a number of private banks have been established. For example, in the 2010/11 fiscal year the total number of banks already operational in the country reached fifteen. Of these banks, twelve were private and the other three were government owned (National Bank of Ethiopia Quarterly Bulletin; September 2010). Currently, there are Seventeen commercial banks operating in the country.

2.1.3. Branchless banking business model

According to Yuliaty et al., (2018) under branchless banking business model there are three distinct business models have been identified those are Non-bank/ Telecommunications company (Telco)-led, Bank-led, and "hybrid." Branchless banking model is one of the latest innovation in banking industry which in reaching its financial services to customers without going through the physical office of the bank but only utilizing the services of agents or information and communication technology. Now day's banking service is given anywhere and anytime without any limit of time and place.

The launch of branch less banking service is welcomed by developing countries like Indonesia. Banks in developing countries have a capacity problem to open branches those new innovations make them able to reach to the unbanked society. There are different business models of branch less banking models that agents (third party) involvement in providing finical service. Those are bank led which the bank responsible for conducting banking services activities from beginning to end. And the second one is Telco Led which is a telecommunication company responsible for transfer activities from beginning to end. And the third is Hybrid is a combination of both. Products that may be used include products issued by Bank and/or Telco that are e-money. Furthermore, products issued by the Bank in the form of savings products are free of administrative fees, given interest, products, or e-banking activities, and micro-credit disbursement. (Yuliaty et. al., 2018)

2.1.4. Agency Banking

The Regulation of Mobile and Agent Banking Services Directive No. FIS/01/2012 issued by National Bank of Ethiopia (NBE) clearly stated that agency banking refers to the conduct of banking business on behalf of a financial institution through an agent using various service delivery channels. (NBE Directive no. FIS/01/2012). Agency banking is delivery of financial services outside conventional bank branches, often using non-bank retail outlets that rely on technologies such as point-of sale (POS) devices or mobile phones for real time transaction processing.

Agency Banking is a service outlet contracted by financial institution or mobile network operator to process customer's transactions rather than a banker. It is the retail outlet employee or the owner who conducts the transaction and lets its client deposit, withdraw and transfer funds, pay their bills,

inquire about an account balance, or a direct deposit from their employer, or receive government benefits. Banking agents can be pharmacies, super markets, conveniences stores, lottery outlets, post offices etc. (Ivatury & Layman, 2006) Agency banking refers to the delivery of financial services outside conventional bank branches, often using non-bank retail outlets that rely on technologies such as point-of sale (POS) devices or mobile phones for real time transaction processing (Modupe, 2010).

Agency banking is one of branchless banking model used for giving banking service without reliance on bank branches as depicted by Ivatury et al (2006). According to the authors agent banking signifies less cost alternative to branch based banking service using common channels such as retail outlets, mobile phones, internets and ATMs. According to the authors in three parties are involved in agency banking in doing the activities in addition to this the authors show that agency banking are beneficial to the clients because it lowers transaction cost by bringing services closer to homes to serve transport cost to reach bank branches. And makes the customers to enjoy longer opening hours since this business operates for longer hours than banks and reduces longer queues. According to Mwando (2013) approved activates agents are cash withdrawal, bills payment, cash deposits funds transfer, balance enquiry, document collection for debit and credit cards, loan applications and account opening forms, collection of bank correspondence and mail mobile banking services. But, in our context collection of debit and credit cards, collection of bank correspondence and loan application are not allowed as per NBE Directive no. FIS-01-2012 NBE (2012).

Ivatury et al. (2006) designates that agency banking is a new distribution channel that allows financial institutions and other commercial actors to offer financial services outside traditional bank premises. They cite models of branchless banking other than agency banking such as Internet banking and automatic teller machines (ATMs) as modest extensions of conventional branch based banking. They further argue that branchless banking through retail agents appeals to policymakers and regulators because it has the potential to extend financial services to unbanked and marginalized communities.

2.1.5. Benefits of Agent banking

According to (Lehman, 2010) Banks in this day use agency banking for increasing their profit. Financial institutions are finding it cheaper to set up agents as opposed to opening a branch where they will incur extra costs of staffing, rent, electricity etc. with agency banking they can able to reduce their cost. In many developing countries, banks have expanded their network through trusted local "agents" or "correspondents" to offer their services. For instance, whereas previously many banks focused on traditional banking, agents in a number of countries are now authorized to offer a many of the traditional products offered by banks. Banks have, therefore, moved up the ladder of product range to offer more sophisticated banking products such as bank supported insurance and asset financing products.

Beside agent banking reduce transaction costs for banks, agent banking also reduce cost for customers to travel to get banking service. Banks and other financial institutions often do not have sufficient incentive or capacity to establish formal branches in these areas. The financial institution will extend the store a credit line. The size of the credit line is normally not standardized, but adapted individually to each agent depending on its size, the expected volume of transactions and how long the agent has already been working with the bank. These local agents or correspondents may be known and trusted retail outlets such as shops or post offices. Agents help reach more people in areas where bank branches do not exist or by easing traffic at existing branches. While initially focused on traditional payments products such as the payment of bills or taxes, agents in a number of countries are now authorized to offer a broader range of financial services, such as withdrawals, deposits, pre-approved credit lines, simplified current accounts, and international remittances(Kitaka, 2001)

I. Benefits of agent banking to the customer

According to Gichuki (2013) some of these benefits are ease of access that is with bank agents almost everywhere, you no longer need to travel long distances to visit your bank, flexible hours that is most banks close their doors by 4pm, but with bank agents, for as long as the business premise remains open, you can do your transactions. This has proven to be very convenient especially for people who are busy during the day. Here in our country context the working hour may extend from 5PM to 7PM in most banks and the other benefit is cost-effective that is

transacting through bank agents has proven to be cost-effective especially to people who live in rural areas that are far away from banks.

II.   Benefits to the Banks

According to Gichuki (2013) these are some of the benefits for banks through agent banking services that is cutting costs, banks are finding it cheaper to set up agents as opposed to opening a branch where they will incur extra costs of staffing, rent, electricity etc. With agent banking, the agent incurs almost all the costs. Increased product penetration, Agent banking has made it possible for bank products and services to penetrate areas that at first seemed impossible. With agent banking banks have reached even the smallest of villages. Wide customer base, bank agents are paid commissions when they sign up new customers and this has led to an increase in the number of customers for banks. Banks are finding it effective to increase their customer numbers in this manner as opposed to using sales people. As a result of all the above benefits cost to the bank reduced, products and services penetrated and customer base will increase and increase market share and as a result of that bank performance will increase.

III.   The Role of Agency Banking in Promoting Financial Inclusion

Financial inclusion can be defined as the process of ensuring access to financial services and timely and adequate credit when needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost by mainstream financial institutions players. (The committee on financial sector reforms, Rajan, 2009 cited by Singh & Roy, 2015)

Financial inclusion is providing financial services to the commercial and retail customers who are excluded from the system at a cost which is affordable and easily available to them. Financial services are delivered primarily by banks along with other financial institutions like post office, insurance companies, brokers, investment funds etc. collectively known as the financial sector. This financial sector development brings down information and transaction cost playing an important role in mobilizing savings, disbursing credit, facilitating payments, risk management etc. to enhance economic growth leading to reduction in poverty. It is also important for the development of financial sector.

Exclusion from financial sector could occur for many reasons like because of inconvenient and un-affordable product, ignorance of the customer, lack of financial literacy, high transaction cost

and low outreach of banks etc. To bring about financial inclusion these hurdles have to be removed by effective policy initiative after a through comprehensive measurement of financial inclusion from both supply and demand side. (Singh & Roy, 2015)

2.1.6. Agent banking in Ethiopia

According to Shewagegnehu, (2015) Agent banking in Ethiopia started in 2014. Yet, now, it looks like it is at a standstill. Inability to attract customers and lack of trust are factors contributing to the inactivity. Most banks are not involved in the agent service but now that it has become obligatory, they might have to change their paper plans to reality. The writer argue that NBE's regulation is a right decision, since this is the only way to serve the unbanked population. Financial institutions in Ethiopia are being constantly expanding with technological innovations. For instance, till recently, bank customers were used to stand in line to get financial services, but now because of the multi-channel service outlets they can perform it from anywhere at any time. Funds are transferred electronically between financial institutions and individual accounts, and between individual accounts using agent banking service (Afework, 2015).

In Ethiopia there are different banks who launches agent banking services and on NBE's pending list for the approval of the service from different technology service vendors including Bole Atlantic Mobile Wallet Technologies for United Bank S.C, Rewire for Addis International Bank, M-Fino for Dashen Bank, MOSS ICT for M-Birr, Techno Brain for Oromia International Bank, Belcash for Wegagen Bank S.C. and S2M ICT for Awash International Bank and Abay International Bank S.C. As per recent data by Belcash technology Solutions (2017), they are vending agent banking service by brand name called "Hello cash" having feature including account opening, cash depositing, cash withdrawal, bill payments, top upping mobile balance, transferring money and upcoming services like receiving international money transfers from worldwide. After approval of NBE's mobile and agent banking proclamation Commercial bank of Ethiopia launch CBE- Birr agent banking service in December, 2017. It was introduced in accordance with NBE directive number FIS/01/2012. It was in testing phase from June 2017 to December 2017 and became live in December 12, 2017. Now the bank has over 2.1 million CBE Birr customers and 3,500 agents. Like other agent banking service providers, CBE-BIRR customers can transfer money to subscribed or unsubscribed users, deposit and withdraw cash from agents, buy airtime directly without scratching mobile cards, pay for goods and services.

2.1.7. Models of agency banking

There are three widely practiced models to conduct the Mobile and Agent Banking business worldwide. These are: the bank focused model, the Bank-Led Model and Nonbank-Led Theory.

I.   The Bank-Led Model

The most common and widely used agency banking model which gives service under financial institutions and delivers services through retail agents. The retail agents have direct contact with customers and perform cash in/out and as branch teller they perform and process cash deposit and withdrawal. In this model the bank is the ultimate provider of financial services and is the institution in which customers maintain accounts. The agents may use a mobile phone or an electronic point-of-sale (POS) terminal that reads cards. (Lyman, Ivatury & Staschen, 2006).

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. In the most basic version of the bank-led theory of branchless banking, a licensed financial institution (typically a bank) delivers financial services through a retail agent. That is, the bank develops financial products and services, but distributes them through retail agents who handle all or most customer interaction. (Lyman, et al, 2006)

The Regulation of Mobile and Agent Banking Services Directive No. FIS/01/2012 issued by National Bank of Ethiopia (NBE) clearly specified that Ethiopia has adopted the Bank Led Model. (NBE Directive no. FIS/01/2012). Accordingly, only Commercial Bank of Ethiopia are allowed to provide the service in Ethiopia with prudent supervision by the National Bank of Ethiopia.

II.   Bank-Focused model

This model is a mixed or hybrid model that use both features of   ranges from use of different technology like, Automatic teller machine (ATMs) to internet banking or mobile phone banking to provide certain limited banking services to bank customers. The theory supports agency banking model by stating that the work of a bank is developing financial products and services, but distributes them through retail agents who handle all or most customer interaction (Lyman, et al, 2006). In some countries, retail agents also handle all account opening procedures and, in some

cases, even identify and service loan customers. Virtually any outlet that handles cash and is located near customers could potentially serve as a retail agent. Whatever the establishment, each retail agent is outfitted to communicate electronically with the bank for which it is working. The equipment may be a mobile phone or an electronic point-of-sale (POS) terminal that reads cards.

III. Nonbank-Led model

The nonbank performs a role similar to that of a bank in the bank-led model. In this theory customers neither deal with a bank, nor do they maintain a bank account. Instead, customers deal with a Non-Bank firm-either a mobile network operator or prepaid card issuer and retail agents serve as the point of customer contact. (Agnes, 2013).

Customers exchange cash for value stored in a card- or mobile phone-based virtual account. Customers can send this e-money to others, use it to make purchases, or use the e-money account to store funds for future use. They can also convert it back to cash at any participating retail agent. (Lyman, et al, 2006)

2.1.8. Model of agency banking in Ethiopia

As you have seen above there are three models of agency banking, Ethiopian banks under the directive of NBE apply bank led model. The directive of NBE an agent, on behalf of principal financial institution, shall open regular saving account of natural person. In addition, an agent provide services as may be specifically agreed between it and financial institution. As agent banking is a system by which a financial institution extends services without directly opening a branch it is done through potential certified agents. This way is the most cost-effective and accessible form of providing financial services for the customers. Agent banking enables individuals to deposit and withdraw money, transfer funds, pay bills and other related services simply by holding an agent account.

2.1.9. Agency banking challenges and risks

Under all bank led, bank focused and non-bank led model of agency banking all may some sort of additional risks as we compared to formal (conventional) banking service those risks are credit, operational, legal, liquidity and reputational risk.

Credit risk is the risk that one party to a financial transaction will not receive the money he or she is owed when it is due. These risk is related with banking transactions. Like that of banks in retail agent may not settle the transactions immediately. For banks and nonbanks that use retail agents and rely on electronic communications to settle transactions, a variety of potential operational risks arise. For instance, customers or retail agents could commit fraud, or a bank's equipment or other property could be stolen from a retail agent's premises which we call it Operational risk. Retail agents, especially those that are relatively those which are small, unsophisticated, and remote, may not have enough cash to meet customers' requests for withdrawals which is called Liquidity risk. Reputational risk is risks related to image of the bank. When retail agents underperform or are robbed, banks' public image may suffer. Financial service providers like retail agents may violate law and regulation of the country that will add some more additional risk for the bank that is legal risk. For non-bank led model in addition to those risk there is also additional risk related to e-money plus those risks are unsupervised which makes more difficulty. (CGAP, 2006)

According to Henos, (2018) lack of awareness of both agents and customers, NBE regulations and limitations, lack of budget, poor advertisement, unavailability of new and additional services, illiteracy, dependability of the service and poor network quality are some of the challenges in Agency banking in Ethiopia. and the researcher further recommends the following points: at this time the service is provided only with USSD channel which requires reading and writing skills, In order to tackle this problem the service should be available with voice or other channel to illiterate customers who can't read and write, Actual services deviate from the promoted ones on media, If all services are actually available it will be more interesting to users, Presently most of the merchants are not using the service so registered merchants has to start the service. In addition to currently available services additional services should be added, it needs more advertisement, promotion and other awareness creation programs to attract customers.

As to Yikeber, (2018) challenges of Agent Banking can be classified in to environmental, organizational and technological. Under environmental challenge lack of adequate ICT infrastructure, poor quality of internet and mobile network, inconsistent power & network supply in rural areas of the country and under organizational challenges lack of support & commitment of top level management, lack of availability of well-trained manpower to build agent network, lack of skill of IT personnel, lack of technical and managerial skill of staffs are included and technological challenges are lack of confidence with the security aspect, customer's fear of risk of new technology innovation, and lack of availability of physical security are challenges. (Yikeber, 2018)

Another research was done by Elfagid, (2015) on the challenges and prospects of mobile and agent banking. In this research the researcher tried to assess Ethiopian mobile and agent banking practice at that time. As Elfagid, (2015) clearly mentioned on his paper the following are limitations faced while he was conducting his research. The study only participate financial institutions and regulatory bodies (NBE and MOEFED). But the study did not include the major players i.e. Agents and actual users of the system because there was no actual agent banking service launched at that time. The other limitation of this study was it didn't incorporate the development, initiation and expansion stages of the technology. Finally the research is more concentrated on the challenges of adopting agent banking.

Barriers and drivers of adoption of agent banking innovation in Ethiopia is another research studied by Gugsa, (2015). In this research, the data was gathered from four commercial banks and the collected data is analyzed using descriptive statistics. The researcher identified several external barriers to the development of agent banking in Ethiopia, such as lack of legal framework, under developed ICT infrastructure including poor network connectivity, lack of competition among banks, lack of sufficient government support and customer trust towards the service.

2.1.10. Concept of Customer satisfaction

Most researchers defined Customer satisfaction is defined as an evaluation of the perceived discrepancy between prior expectations and the actual performance of the product. Customer satisfaction is all about assessing customer attitude about the product or service or brands. (Kotler, 2001 Oliver 1999) According to Oliver customer satisfaction also comes along with it which

means it ascertains the expectation of the customer on how the goods and services are being facilitated by the companies. Actionable information on how to make customers further satisfied is therefore, a crucial outcome (Oliver 1999.) Here customers' perception takes the major share towards customers' satisfaction because satisfaction is the result of what is perceived towards the specific service. Dissatisfied customers may try to reduce the dissonance by abandoning or returning the product (Kotler, 2001).

Now a day's business like banks, manufacturing, retail, wholesale, media industries and hospitals satisfying the customer is priority. Satisfied customers will market for the firm by providing positive word of mouth recommendation to friends and relatives but most importantly are likely to come back again-repeat customers (Kotler et al, 1996). Customer satisfaction is also highly related with performance of any company that is why companies now a days give attention to customer service. When we say customer satisfaction it means Customer care and service and it should be enhanced so as to attract more and more customers who will be willing and able to use the specific banking services of the banks providing agent bank services. A satisfied customer can rely on the bank for a long time and is willing to welcome his or her friends to use the same banking services of that specific bank, hence increased sales of agency banking services leading to a higher profitability of the bank. (Masila et.al, 2015)

According to Mburu (2018) a continuous improvement of all service delivery dimensions for improved customer satisfaction and overall organizational performance. The researcher indicated that there is a positive relationship between customer satisfaction and service delivery dimensions those are service quality, service convenience, and service reliability. As to Owino (2015) like that of Mburu working on service delivery dimensions in this case customer responsiveness, customer service value in agency banking services and service quality by agency banking services. The researcher also indicated that there is a strong positive relationship between customer satisfaction and customer service value and agency banking service quality while there is a weak positive relationship between customer responsiveness. As we can see here there is a positive relationship between customer satisfactions.

Factors Affecting Customer Satisfaction

Knowing factors affecting customer satisfaction is very important because those factors will create customer satisfaction or dissatisfaction. So, researchers that work in customer satisfaction area identified factors affecting customer satisfaction. There will be different factors that will influence customer satisfaction of customers it will depend on the service that company gives. According to Hanif, Hafeez & Riaz(2010) the study conducted factors affecting customer satisfaction of telecom subscribers of telecom and mobile service in Pakistan concluded that there are two most important factors that will affect customer satisfaction of telecom user's prices fairness and customer service. There may be other factors that will affect customer satisfaction. (Hanif et.al, 2010)

According to Matzler et al., (1996) there are three most important factors that affect customer satisfaction those are basic factor, performance factor and Excitement factors. The basic factor is the minimum(basic) requirements that will cause dissatisfaction if they are not fulfill encounter they will create satisfaction if they are fulfilled in other word they are basic for customer satisfaction. Performance factors are factors that will create both satisfaction and dissatisfaction. And according to them Excitement factors are factors that will create additional satisfaction but not cause dissatisfaction if they are missing.

2.1.11. Convenience on Customer Satisfaction in Agency Banking

Tindi & Bogonko (2017) revealed that convenience of agency banking affects customer satisfaction in commercial banks to a great extent. Different authors identified six major dimensions of service convenience: access, search, evaluation, transaction, possession, and post-purchase convenience in a study of e-service environments. In this case, access convenience refers to a consumer's perceived time and effort expenditures, search convenience is a consumer's perceived time and effort expenditures to search for a product, evaluation convenience is a consumer's perceived time and effort to effectively complete trade or purchasing, and possession convenience is the time and effort to own what a consumer wants and experience those benefits, while post-purchase refers to the time and effort to contact the supplier after using the service(Jiang et.al, 2011)

As to Mburu (2018) the study conducted Diamond bank in Kenya revealed that service convenience, the customers agreed that the agents delivered the services they needed, quick and easy, and that it possible to locate information. The study shows that there is a great relationship between access convenience and benefit convenience, but not with the other service convenience constructs: decision convenience, transaction convenience, and post-benefit convenience. (Mburu, 2018) Owino (2015) concludes that there is a very strong positive correlation between the independent variable convenience and the dependent variable customer satisfaction, this conclusion is supported by the results of the descriptive and correlation analysis statistic showing that there is the strongest uphill (positive) linear relationship in comparison to the variables under study.

2.1.12.Service-Value on Customer Satisfaction in Agency Banking

Owino (2015) analyzed the effect of agency banking services on customer satisfaction in Kenya Commercial Bank in Ongata Rongai, Kenya showed that 31.8 % respondents termed convenience as excellent, while 57% rated the service value as satisfactory, yet still 20.6% respondents rated responsiveness excellent and 32.8% of respondent acknowledged product (service) quality as satisfactory. (Owino, 2015)

2.1.13.Service Quality on Customer Satisfaction in Agency Banking

According to Aljassar & Sasidhar (2016) service quality is customer perception how well the service is given compared with their expectation. To deliver higher service quality than others the major way is differentiation of service. (Aljassar & Sasidhar, 2016)

Measurement of Service quality is one of the significant tools for firms to understand consumers' needs and wants by analyzing the experience of consumers and customers' satisfaction on the services provided which Customers' expectations are formed by their past experience, word of mouth and service firm advertising. The customers choose providers on this basis and after receiving the service, they compare the perceived service with the expected service. There are different models that was used to measure service quality like Gronroos Model, Service Quality GAP model, SERVPERF Model, Hierarchical model, and Industry-specific service quality models those are more accepted in field of service quality measurement. There are also Strengths and weaknesses of each model all are also best in regard of their usage. (Ghotbabadi et.al, 2015)

SERVPERF Model

SERVQUAL model is a good measurement for many industries, researchers reported that this model is not suitable for some areas like retail store environment. It is difficult to measure service quality of a given service. Different researchers develop service quality measurements with consideration of different perspectives. SERVQUAL model have five determinants of service quality are reliability, responsiveness, assurance, empathy and tangibles. It proceeded to measuring performance (perceived service) with the same dimensions as reliability, responsiveness, assurance, tangibles, and empathy for service quality measurement instead of "expectation-perception" difference. The research findings showed SERVQUAL factors are inconsistent, and SERVPERF is a more accurate measurement for service quality in comparison with SERVQUAL. (Ghotbabadi et.al, 2015)

The parameters that are used for measuring consumers' perceptions of service quality. Tangibles is measured by the Physical facilities, equipment and appearance of personnel. Reliability is Ability to perform the promised service dependably and accurately. Responsiveness is the Willingness to help customers and provide prompt service. Assurance (including competence, courtesy, credibility and security) is Knowledge and courtesy of employees and their ability to inspire trust and confidence. Empathy (including access, communication, understanding the customer) is all about Caring and individualized attention that the firm provides to its customers. (Shahin, 2015)

Different studies demonstrated that tangibility, responsiveness, reliability, empathy and assurance are positively related to customer satisfaction in agency banking. As to Mburu(2018) which was conducted in the case of diamond trust bank, Nairobi Kenya, Masila, Bellah & Peter(2015) which was conducted in Kenya and as to Owino(2015) which was verified that there is a positive relationship between service quality(which was measured by tangibility, responsiveness, reliability, empathy and assurance) and customer satisfaction. (Mburu, 2018) (Masila et.al, 2015)

2.1.14. Agent Quality on customer satisfaction in Agency banking

According to Tindi & Bogonko (2017) Agent quality related to the agents ability (capacity) to run the agent banking business. It can be measured by agent's employee's education and years of experience. The agents experience with the banks customers will affect positively customer

satisfaction and time spent in agency banking as compared to the convictional banking and it also influence positively the cost of transaction. According to them agent quality will affect positively customer satisfaction next to reliability of the agent banking service. (Tindi & Bogonko, 2017)

2.2. Empirical Literature
2.2.1. Agent banking

An agency bank is an organization that acts in some capacity on behalf of another bank. It cannot accept deposits or extend loans in its own name. Acts as agent for the parent bank. It is a retail outlet contracted by a financial institution or a mobile network operator to process clients' transactions. It refers to the conduct of banking business on behalf of a financial institution through an agent using various service delivery channels. (NBE Directive no. FIS/01/2012). Agency banking is delivery of financial services outside conventional bank branches, often using non-bank retail outlets that rely on technologies such as point-of sale (POS) devices or mobile phones for real time transaction processing.

2.2.2. Agent banking and customer satisfaction

The effect of agency banking on customer satisfaction conducted by Eden (2013) which try to study the effect of service convenience, value, responsiveness and quality in agent banking service a case of Kenya commercial bank agent system in ongata rongai. The researcher finds out there is a weak positive linear relationship between customer satisfaction and customer responsiveness by agency banking services and strong positive linear relationship between customer satisfaction and service quality by agency banking services. In addition to this the researcher deduced that some activities that causes the slow uptake of agency services despite it been a good model for financial gains were; Perform and carry out transactions when the networks and communication failure is experienced and there is no acknowledgement or receipt, the false believe the agent also may Charge customers some fees, Carrying out agency banking business when agent is no longer operating a business, agents may offer its own banking services apart from the sponsoring bank, Anti-money laundering services concerns by some customers, lack of Foreign exchange transactions, lack of En-cashing and depositing of cheques, and lack of Provision of cash advances and loans by agent outlets.

"The effect of agency banking on the financial performance of commercial banks in Kenya" which was conducted by Dianga (2013) and the objective of the study was to determine the effects of agency banking on financial performance of commercial banks in Kenya. The researcher concluded that agency banking positively affects the financial performance of commercial banks in addition to this commercial banks were able to extend their accessibility by citizens thereby improving their market share and revenue. The researcher recommended that more banks implement agency banking as the number of commercial banks that had implemented agency banking were thirteen out of a total of forty three commercial banks. And also the study further recommended that more commercial banks set up agency banking to tap into the deposits and withdrawals which are key transaction revenue elements for commercial banks in terms of financial performance.

The research entitled "Effects of agency banking on customer satisfaction in the banking industry in Kenya" which was conducted by Tindi & Bogonko (2017) which was aimed to determine the effects of agency banking on customer satisfaction in the banking industry concluded that agent quality has a positive influence on customer satisfaction in commercial banks and reliability has a positive influence on customer satisfaction in commercial banks. Agent's prior experience with the bank customers is positively related to satisfaction and time sent in agency banking is low compared to the normal banking and also the cost involved in transacting in agency banking was low compared to the banking hall. Innovation affects customer satisfaction in commercial banks. Technology innovations, product innovations, market innovations as well as process innovations affect the financial performance of the Banks. Based on the findings the study recommends provision of sufficient information to agency customers to make informed decisions regarding borrowings and investments.

Masila, Bellah & Peter (2015) research entitled "the impact of agency banking on customer satisfaction: a survey on agent banks in Kenya" that investigate how agency banking has influence customer satisfaction in Kenya. It was established that different attributes of customer satisfaction can be used to improve agent banking services. These attributes include responsiveness towards customer's service quality and have a drive to attend to customers.

Tindi & Bogonko (2017) "Effects of agency banking on customer satisfaction in the banking industry in Kenya." the study was to determine the effects of agency banking on customer satisfaction in the banking industry. Agent quality has a positive influence on customer satisfaction in commercial banks and reliability has a positive influence on customer satisfaction in commercial banks. Agent's prior experience with the bank customers is positively related to satisfaction and time spent in agency banking is low compared to the normal banking and also the cost involved in transacting in agency banking was low compared to the banking hall. The study recommends provision of sufficient information to agency customers to make informed decisions regarding borrowings and investments.

2.2.3. Literature gap

In the Ethiopian context, agent banking is at its infant stage and banks are under implementation stage since the issuance of the NBE directive on Mobile and Agent banking service in 2012. Studies conducted in developed countries like, Australia, Italy, USA and developing countries in Latin America, Asia and in Africa including Ethiopia shows the importance of agency banking its challenges and also agent banking for customer satisfaction of commercial banks.

However, to the best of my knowledge there is no empirical study that has been undertaken so far on the effect of agent banking on customer satisfaction in the case of commercial Bank of Ethiopia. In addition to this most studies were limited to three constructs of service delivery: service quality, service convenience, and service reliability. This research was expand by adding more service delivery dimensions four dimensions (convenience, agency quality, agency service quality and service value) to the model or using alternative constructs to determine the relationship between service delivery and customer satisfaction. Therefore, this research work is expected to contribute its part in bridging the gap towards the literature on the effect of agency banking on customer satisfaction.

2.3. Conceptual Framework

Based on literature reviewed above, the relationship between agent banking service and customer satisfaction variables can be shown in figure below. The six customer satisfaction dimensions have been selected from the study done by Owino (2015), Tindi & Bogonko (2017) and Masila, Bellah & Peter (2015). However, determinants of each variable adjusted as per the literature reviewed.

These four dimensions (convenience, agency quality, agency service quality and service value) ranked by the respondents on the level of importance for determining the source of satisfaction of agent banking service. The researcher evaluated those independent variables by transaction of time, distance to agents, customer service, and sense of belongingness, professionalism, responsiveness, empathy, service reliability, assurance, active account, cash turn over, and active business of agents. The conceptual framework was adopted from studies conducted by Owino (2015), Tindi & Bogonko (2017) and Masila, Bellah & Peter (2015).

The convenience of agents evaluated by transaction of time and its distance to customers the service value of agents evaluated by the agent's sense of belongingness and professionalism the service quality evaluated with SERVQUAL model which have five determinants of service quality are reliability, responsiveness, assurance, empathy and tangibles and the agent quality assessed by active account, professional and attractive appearance of agent employees and active business.

Figure 1: Conceptual framework

Independent variables
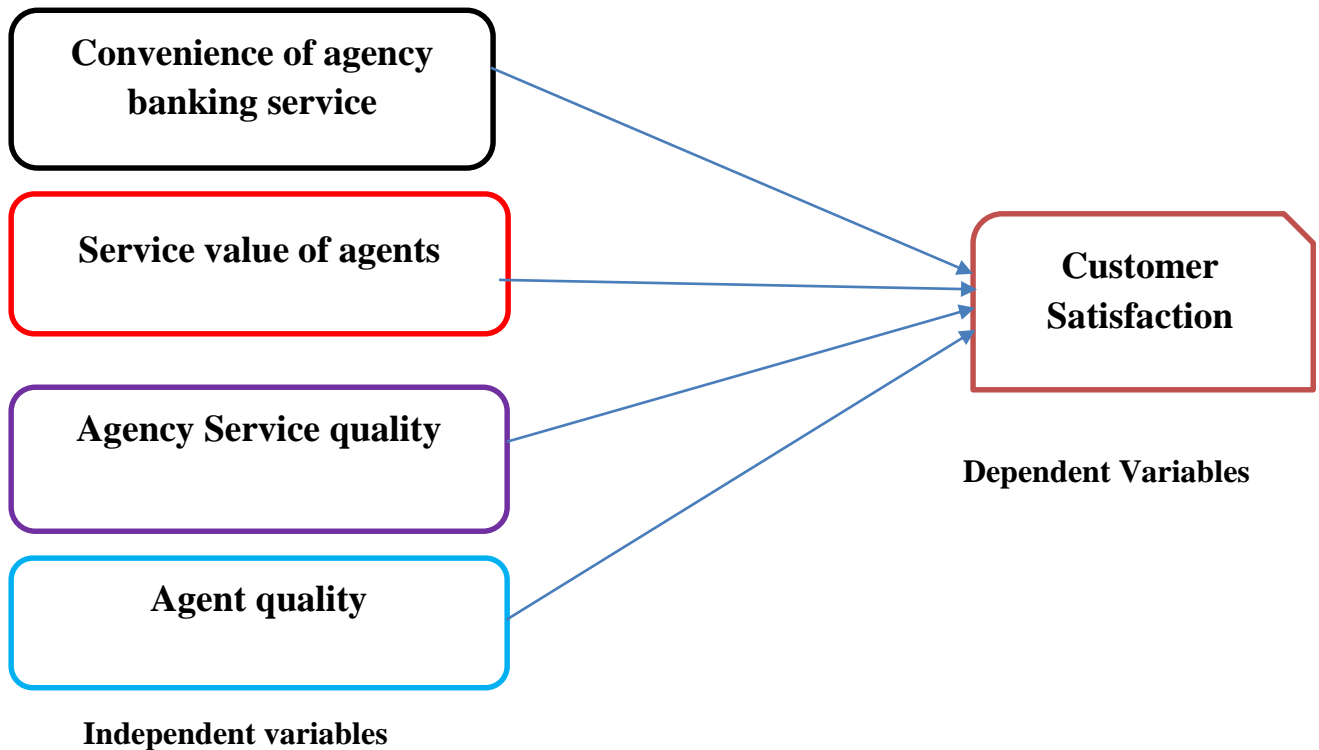
Source: Adopted from Owino (2015), Tindi & Bogonko (2017) and Masila, Bellah & Peter (2015).

2.4.   Hypothesis

The hypothesis designed for this paper is based on the following assumptions:

H_1 Service Convenience of agent banking service has a positive and significant effect on customer satisfaction.

H_2 Service quality of agent banking service has a positive and significant effect on customer satisfaction.

H_3 Service value of agents has a positive and significant effect on customer satisfaction.

H_4 Agent quality a positive and significant effect on customer satisfaction.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter presents the research approach and method, source of data, population of the study, sample size, sampling procedures, data collection methods, and data analysis techniques used in the study. The chapter also outlines research design, location of study, targeted population, sampling design, data collection tools, pilot testing and data analysis.

3.1. Research approach and method

This research applied descriptive research design. It was adopted to investigate the research questions. A descriptive design was adopted to investigate the research questions. According to Cooper & Schindler(2003) a descriptive study is used to describe or define, often by creating a profile of a group of problems, people or events, through the collection of data and tabulation of the frequencies on research variables or their interaction (Cooper & Schindler, 2003). Descriptive research design selected because it enabled the researcher to generalize the findings to a large population. The descriptive research approach is also appropriate due to the fact it allowed analysis and determination of relationship between dependent and independent variables. It is a descriptive study where by quantitative approaches profoundly employed to answer the research questions as it has a primary purpose of assessing customers' satisfaction toward agent banking service at commercial bank of Ethiopia trough questionnaire. This study was also use explanatory research design, to explain understand, predict and control the cause and effect relationships between variables.

The study used quantitative methods to study the effect of agency banking service on customer satisfaction. As to Creswell (2015), quantitative research is a means for testing objective theories by examining the relationship among variables.

3.2. Sources of data

In order to meet the objectives of the study both primary and secondary sources of data were used. The study more depends on primary data, which were collected by using a questionnaire developed based on modified SERVQUAL instrument and obtained from customers of selected sample

branches located in Addis Ababa. The questionnaire was consists of six sections: Section I deals with the general profile of the respondent, Section II is about Convenience of agency banking service, Section III deals with agent service quality, section IV covers Service value of agency banking, section V deals agent quality and Section VI covers customer satisfaction service. A five–point Likert scale ranging from strongly disagree = 1 to strongly agree = 5 was used to measure the items. Before the main survey a sample of 38 respondents (10% of the sample size) was selected for pre testing the questionnaire. Pre-testing the questionnaire was important to check the clarity and understandability of the questionnaire and to identify and modify the items which needed modification.

The Secondary data were obtained from different papers, journals, articles, books, others related thesis conducted previously, reports and banks documents and manuals.

3.3. Population of study

The study target population are customers of agents of Commercial bank of Ethiopia. The target population is the specific population about which information is desired. Commercial bank of Ethiopia has more than 2.1 million customers. For the sake of convenience the study focused on four Addis Ababa districts agent banking customers.

The populations of this study were customer of agents at commercial bank of Ethiopia Addis Ababa city branches under four Addis Ababa district.

The target populations for the study were customers of four Addis Ababa districts grade four branches. These branches were selected for this research because they have a large number of agent customers and high volume of transaction.

3.4. Sampling Techniques and procedures

Sampling is the process of selecting a number of individuals for a study in such a way that the individuals represent the larger group from which they were selected (Creswell, 1994). The sampling frame consisted of a list of agent customers of commercial bank of Ethiopia. The researcher used stratified sampling to generate the required sample. In this sampling technique, the researcher first identifies the subgroups of the population of interest and then selects cases from

each subgroup. This technique allowed the researcher to discover and describe in detail characteristics that are similar or different across the strata or subgroups. In stratified sampling, the population is partitioned into groups, called strata, and sampling is performed separately within each stratum. Thus, by definition, strata refer to a population subgroup/subcategory from which sample units are drawn.

Simple random sampling was used to draw samples from each stratum. In simple random sampling, each element in the population has an equal probability of selection and each combination of elements has an equal probability of selection. The advantage of this is that it provides an opportunity to study the stratum variations; estimation could be made for each stratum. Again, the precision likely to increase as variance may be smaller than when simple random sampling is used to generate samples from the sample population. Further, field works can be organized using the strata (e.g., by geographical areas or regions). Finally, the technique reduces survey costs.

3.5. Sample Size

Even though the bank has more than 2.1 million customers it is difficult to know the exact number of customers. This is because of daily increase in the number of customers. The sample size for this study is 384 customers determined using infinite population formula of sample size determination.

$$n = \frac{z^2 * p * q}{e^2}$$

Where:

n = the sample size

Z = standard error associated with the chosen level of confidence (For 95% confidence = 1.96)

e= acceptable sample error (0.05)

p = probability of success (assume it is 0.5)

q= 1-p

$n = (1.96)^2 X (0.5 \ X \ 0.5) / (0.05)^2$

n = 0.9604/0.0025

n = <u>384</u>

The researcher randomly selected respondent customers served by each of the sampled agents operating in Addis Ababa City, to yield a total of 384 customers. CBE has four districts in Addis Ababa the researcher collect data equally from all Addis Ababa districts as shown below.

Distract	Customers(users) Sample Size	Percent
North Addis Ababa	96	25%
South Addis Ababa	96	25%
East Addis Ababa	96	25%
West Addis Ababa	96	25%
Total	384	100%

3.6. Method of data Collection

Data is defined as the information gathered for the purposes of the study. Data can either be primary or secondary. Primary data refers to information that the researcher has obtained from the field, while secondary data is collected by other researchers and archived in some form to answer different research questions. Data can either be qualitative or quantitative.

Data was collected using questionnaires which had both open and closed ended questions. The close ended questions will consider appropriate since they conserved time and they are easy to fill as well as easy to analyses as they are in an immediate usable form. Open ended questions will be used as they encourage the respondent to give in-depth response without feeling held back. The use of questionnaires was justified because of cost effective and gave adequate time to the respondent to fill in and return to the researcher (Mugenda & Mugenda, 2003). The questionnaire was divided into five sections. The first section covered general information on gender, age, and level of education of the respondents. The second Section covered Convenience of agency banking

service. The third section included questions on the dimensions agent service quality. The fourth section covers Service value of agency banking, section V deals agent quality and the last section was on customer satisfaction. Questions in this section covered the five aspects of customer satisfaction: personnel, products, service, access, and image. The responses of all the questions were based on a 5-point Likert scale.

3.7.   Method of data analysis

Data analysis is the ordering and organizing of raw data and transforming it into useful information can be extracted from it. The process of organizing and thinking about data is key to understanding what the data does and does not contain. Raw data can take a variety of forms, including measurements, survey responses, and observations. The type of data collected determined the type of statistical analysis needed and influenced the possibility of statistical inference. Quantitative data are either discrete or continuous. In this study, the data collected from the questionnaires was analyzed using both descriptive and inferential statistical measures. All the data collected was coded and entered into an Excel sheet, organized and cleaned for any inconsistencies. The first process of data analysis is data cleaning, which involved review and validation of data to ensure consistency. The second process was data validation, which entailed review of quality controls to ensure that only the necessary data was collected. The third process was data verification, which was removing errors on data that had been collected to remove errors, incomplete answers, and any other ambiguities. These processes ensured that the data proceeding to analysis is clean, unbiased, representative, and appropriate for the statistical analyses. Data collected was analyzed using descriptive statistics. The descriptive statistical tools such as frequencies, percentages, mean and standard deviation helped the researcher to describe the data. In addition inferential statistics also used to determine the accuracy of the models developed. Regression analysis was used to determine the relationship between agency banking and customer satisfaction in commercial bank of Ethiopia.

SPSS 24 was used to analyze the data which and then the data was presented into tables, charts, graphs and figures. The Statistical Packages for Social Sciences software (SPSS 24) was used for descriptive and inferential analysis. In descriptive statistics, statistical methods are used to summarize or describe sets of data. Descriptive statistics limit the generalization of the findings to a particular population group that was observed. At this point in time, the research does not provide

conclusions that extend beyond the group to infer about other groups. This means that descriptive analysis concerns itself with the provision of estimates and summaries. These were presented in tables and graphs and aligned according to the objectives of the study. Measures of central tendency refer to analyses that estimate the center of a distribution value. Three main measure of central tendency are used in research: mean, mode, and median. The mean is simply the average and represents the center of the gravity of the distribution. It measures the average of all the counts or values in a distribution. In normal circumstances, the mean is computed by adding all the values and dividing by the number of counts. Means can be used to compare different groups and are also useful when performing advanced statistical measures in inferential statistics. Median is a positional average and it divides the distribution into two equal parts, so that one half is above, while the other half is below it. It is the mid value that differentiates 50% of a population from the other 50%. On the other hand, mode refers to the value that occurs more frequently among a set of values. It can be stated that the mode is a quick indication of the mean and median.

Measures of variability also describe the distribution of the sample. While the variability describe the spread of actual scores. It presents how various classes have been distributed. This is computed through measures such as range and standard deviation. While range shows the highest minus the lowest value, standard deviation measures dispersion of the population. Additionally, there are other measures such as the measure of divergence from normality which shows the shape of the distribution. This can be achieved through computing for related to the dependent variable is expressed essentially in the correlation coefficient *R*, which is in effect the square root of *R-square*. In multiple regression, *R* can assume values between 0 and 1. Regression analysis is suitable for testing the existence of a relationship among variables.

Multiple regression analysis was used to establish the relationship between agency banking services and customer satisfaction.

The model will take the form of:

$Y = \alpha + \beta_1 X_1 + \mathcal{E}$

Where:

Y = Dependent Variable

X1 – Independent Variables

α = Alpha is the intercept

$\beta 1$ = is the Beta coefficients for independent variables X_1 explaining the variance in Y.

Replacing for the variables the equation will take the form of:

$$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

$$CS = \alpha + \beta_1 SQ + \beta_2 AQ + \beta_3 SC + \beta_4 SV + \varepsilon \text{---Equation 1}$$

Where:

CS = Customer Satisfaction

SQ = Service Quality

AQ = Agent Quality

SC = Service Convenience

SV = Service Value

β_1, β_2, β_3 and β_4 are coefficients of determination, ε is the error term which was assumed to be zero in this study. Findings were presented in tabular form accompanied with descriptive narratives.

3.8. Ethical research consideration

The study gave due consideration to ethical issues such as confidentiality and anonymity. Therefore, the participants were first communicated as to the purpose and significance of the study and that their responses would be used only for academic purpose and kept confidential. They were also assured that their name and their organization identity would remain anonymous. They have taken this for guarantee and took part in the study voluntarily.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETAION

This chapter presents the finding of the study based on the data collected through questionnaire which includes the demographic profile of the respondents, descriptive analysis, correlation and regression of customer satisfaction and agency banking dimensions. By using STATA 24 software application findings are presented and interpreted and the previously identified research question in chapter one will be answered in this chapter.

This chapter the results for general information: age, gender, and the education level. In addition, descriptive results for the dimensions of the three independent variables: service quality, service convenience, and service reliability were also presented in percentages, means and standard deviations. Finally, for each of the research objectives, the section presents the regression findings to test the level of significance of the relation. All presentations in the chapter were accompanied by a narrative description and a discussion of findings.

From the total 384 questionnaire distributed to the respondents 308 (80.20%) questionnaires were collected and the remaining 76 (19.79%) questionnaires were not collected which is deemed satisfactory for data analysis and interpretation. According to Willimack et al. (2002), response rates for questionnaire surveys of business ranging from 50 to 65 per cent are significant for further analysis. Therefore, response rate of 80.20 % is significant for further analysis.

4.1.   Data Validity and Reliability

The researcher carried out a pre-test study before the final and actual data collection process. Pilot studies are important in detecting ambiguity, evaluating the type of answers given to determine whether they help the researcher to achieve the laid down objectives. A pre-test sample should be between 1% and 10% depending on the sample size (Mugenda & Mugenda, 2008). The study used a pre-test sample of 38 respondents (10% of the sample size). The findings from the research pilot study were used for two purposes: to determine the reliability of the instrument and to improve the questionnaire. Questions that are found to be ambiguous, unclear or confusing for respondents were restructured to achieve clarity.

Validity testing was used to establish the degree to which the instrument measured what it purported to measure. There are various validity measures that can be performed in an instrument; namely, content, predictive, concurrent, construct, and criteria validity. Content deals with the representativeness of the data collection tool. A data collection instrument should demonstrate how comprehensively it covers the study areas it should cover to adequately respond to the set hypotheses.

Validity is the credibility or believability of the research. There are theoretical concepts related to the research and the questionnaire used for this study is adopted from earlier researches. Additionally the validity is verified by the advisor of this research who looks the appropriateness of the questions and scale of measurement.

Cronbach's alpha is a coefficient of reliability used to measure the internal consistency of the test or scale. The result is between 0 and 1 in which result approaches to 1 is more internal consistency of the items. The result of the coefficient alpha for this study's instrument of Service Convenience (0.710), Service quality (0.897), Service value (0.767) and Agent quality (0.709) indicates the scale is acceptable for further analysis.

Table 4.1: Reliability test of agent banking service variables

Variables	Reliability Statistics	
	Cronbach's Alpha	N of Items
Service Convenience	.710	7
Service quality	.897	23
Service value	.767	3
Agent quality	.709	2
Customer satisfaction	.841	7

Source: Survey data, 2020 SPSS output

4.2.   Demographic Analysis of the Respondents

This section discusses about the general characteristics of the respondents such as gender, age, education level of respondents.

Table 4.2: Demographic Characteristics of the Respondents

Demographic characteristics	Description	Frequency	Percentage
Sex	Male	176	57.1
	Female	132	42.9
	Total	308	100.00
Age	Under 20 years old	11	3.6
	21- 30 years old	128	41.6
	31-40 years old	108	35.1
	41-50 years old	41	13.3
	Over 51 years old	20	6.5
	Total	308	100.0
Education Level	Secondary school	10	3.2
	Certificate/Diploma	51	16.6
	Degree	205	66.6
	Masters	42	13.6
	Total	308	100.0

Source: Survey data, 2020 SPSS output

The results showed that out of the 308 customers who participated in the study, a majority were female 42.9 (132), compared to the male customers, 57.1 (176). This gap may be due to the availability of omen slightly more than women during the study period however it could also mean men accepts the Agency banking model rather faster than men.

In terms of age, the study classified customers into five groups: under 20 years old, 21-30 years old, 31-40 years old, 41-50 years old, and over 51 years old. The results indicate that the majority of respondents were aged between 21 and 30 years old, and 31 to 40 years old, and accounted for 41.6% and 35.1%, respectively. 3.6% of the respondents were under 20 years old, while those who were 41 to 50 years old and over 50 years old constituted 13.3 % and 6.5 % of the population under study. This indicated that majority of the youths are using the agency model for financial transactions.

The study was also interested in capturing the level of education of the customers seeking service in the Commercial bank of Ethiopia agents. The categories of education were secondary, certificate/diploma, degree, Masters and PhD. The findings show that the majority were either degree holders or diploma holders; with 66.6% being the former, and 16.6 % being the later. In the same vein, 13.6 % had Masters and 3.2 % had secondary level of education. The results are presented in Table 4.2.

4.3.   Descriptive Analysis
4.1.1. Service Convenience and Customer Satisfaction

In investigating service convenience, majority of respondents respond that they get agency service located between 250M-500Miles (94 out of 308(30.5%)) and 87 out of 308(28.2 %) indicated that agents located between 1000M-500Miles which implies majority of respondents get agents between 250M-1000Miles which implies that agent's outlets are not easily accessed by the users of the service. Whereas, according to (Mutie 2015), agency banking enables the bank to extend their services not only in areas with poor branch penetration but also up to the doorstep of those who are reluctant or otherwise unable, to make a trip to the nearest branch. Further, the agents were able to complete transactions quickly majority of agent customers wait between 1-20 minutes to get the service (35.7 % agree, 27.6 % strongly agree). The results are presented in table 4.3.

Table 4.3: Service convenience

Description		Percent	Frequency
How far home/office is from the agent or the bank	Less than 250M	17.2	53
	between 250M-500M	30.5	94
	between 500M-1000M	27.6	85
	Over 1000	24.7	76
How many minutes/hours you wait to get agency banking service?	1–10 min	35.7	110
	10-20 min	27.6	85
	20-30 min	29.9	92
	30-40 min	2.3	7
	50-60 min	4.5	14
	More Than one hour	0.0	0

Description	SD	D	N	A	SA	mean	Std. Deviation
			%				
I am able to get to the agent bank quickly and easily	0.3	3.2	1.3	6.5	88,6		
The agent bank is in a convenient location	0.3	4.5	1.3	92.9	1.0	**4.2584**	**0.5387**
The agent bank operates convenient hours	0.0	3.6	1.9	5.5	89.0		
I am able to complete my transactions quickly at the agent bank	0.0	3.6	1.6	92.9	1.9		
Any problems I encounter after the transactions are quickly resolved by the agent bank	0.6	4.9	1.9	92.2	0.3		

Source: Survey data, 2020 SPSS output

The results that presented in table 4.3 demonstrate that there is a high level of agreement with service convenience among the agents. Results for all the dimensions indicate that almost 4 out of 5 customers were satisfied with service convenience.

The above results showed that on service convenience, the customers agreed that the agents delivered the services they needed, quick and easy, and that it possible to locate information and customers found it easy to get to the agent, the agents were conveniently located, and they operated at convenient hours. Further, the agents were able to complete transactions quickly and could also resolve transaction problems quickly. But, majority of respondents respond that they get agency service located between 250M-1000 Miles which implies that agent's outlets are not easily accessed by the users of the service. The results demonstrate that there is a high level of agreement with service convenience among the agents. Results for all the dimensions indicate that almost 4 out of 5 customers were satisfied with service convenience.

There are various studies in extant literature that have reported similar empirical results. Tindi & Bogonko (2017) revealed that convenience of agency banking affects customer satisfaction in commercial banks to a great extent. Different authors identified six major dimensions of service

convenience: access, search, evaluation, transaction, possession, and post-purchase convenience in a study of e-service environments. As to Mburu (2018) the study conducted Diamond bank in Kenya revealed that service convenience, the customers agreed that the agents delivered the services they needed, quick and easy, and that it possible to locate information. The study shows that there is a great relationship between access convenience and benefit convenience, but not with the other service convenience constructs: decision convenience, transaction convenience, and post-benefit convenience. (Mburu, 2018) Owino (2015) concludes that there is a very strong positive correlation between the independent variable convenience and the dependent variable customer satisfaction, this conclusion is supported by the results of the descriptive and correlation analysis statistic showing that there is the strongest uphill (positive) linear relationship in comparison to the variables under study.

4.1.2. Service Quality and Customer Satisfaction

The researcher investigated four dimensions of service quality: tangibles, responsiveness, assurance and empathy. Each dimension was measured based on a 5-point Likert scale (SD = Strongly Disagree D = Disagree U = Neutral A = Agree SA = Strongly Agree). The study sought to determine the extent to which the respondents agreed with a set of questions. Table 4.4 shows the percentages for each of questions, according to the Likert scale, as well as the overall means and deviations for each dimension of service quality.

A majority of the respondents agreed with the dimensions of tangibles, noting that the agent equipment were modern looking (99.7 % agree), the physical facilities were visually appealing (99.7% agree) and that the employees were presentable (6.5 agree, 89.3% strongly agree). On empathy, the agents showed high readiness to solve problems regarding agency banking (57.5 % agree, 16.6 % strongly agree), gave personal attention (68.5 % agree, 10.4 % strongly agree) and showed understanding of customer needs (agree 68.8 %, 10.4 % strongly agree). Regarding Service reliability the agents were also found in keeping promises to do something by a certain time (agree 62.7 %, 16.6 % strongly agree), high interest to solve problems (agree 58.1 %, 23.7 % strongly agree), performs services at the right time(agree 58.4 %, 13.0 % strongly agree), provides its services at the promised time (agree 60.1%, 21.8% strongly agree) and maintains correct/accurate information about the customer(agree 71.4%, 7.8 % strongly agree). On

responsiveness majority of respondents agreed on they always get the detail of transactions through SMS (agree 50.3 %, 26.3 % strongly agree), the helpline service concerning agency banking of the bank is efficient (agree 49.7 %, 16.6% strongly agree), the bank makes accurate promises about its agency banking service (agree 49.7 %, 21.8 % strongly agree).Finally, on assurance majority of respondents they feel safe/assure while making transaction using agency banking service(agree 41.6 %, 27.3% strongly agree), the behavior of agency banking employees instills confidence(agree 52.3 %, 19.2% strongly agree), satisfied with the knowledge of the employees about agent banking services(agree 55.5 %, 18.5% strongly agree), and confident that the bank's agency banking system does not share my personal profile with other websites(agree 46.6 %, 29.9% strongly agree). Overall, at least 4 out of 5 customers were satisfied with the level of service quality provided by the agents as shown by the mean values: tangibles (M=4.6039), empathy (M=4.2143), Service reliability (M=4.5045) responsiveness (M=4.3106) and assurance (M=4.3651). The findings are presented in table 4.4.

Table 4.4: Service quality

Description	SD	D	N	A	SA	Mean	Std. Deviation
	%						
Tangibles							
The agents have modern looking/up to date equipment	0.0	0.0	0.3	99.7	0.0	**4.6039**	**0.6331**
The physical facilities at the agents are visually appealing	0.0	0.0	0.0	99.7	0.3		
The employees at the agent bank are presentable	0.3	3.2	0.6	6.5	89.3		
Empathy							
The bank shows readiness to solve problems regarding agency banking	0.3	4.5	1.0	93.2	1.0	**4.2143**	**0.8063**
The agent bank gives your personal attention	0.0	3.6	1.3	5.5	89.6		
The employees at the bank understand your specific needs	0.0	3.6	1.6	92.9	1.9		
Service reliability							
When the agent bank promises to do something by a certain time, it does so	0.0	0.0	0.0	100	0.0		

When you have a problem, the agent bank shows a sincere interest in solving it	0.0	0.0	0.0	100	0.0	**4.5045**	**0.3462**
The agent bank performs services at the right time	0.3	3.2	0.6	6.5	89.6		
The agent bank provides its services at the promised time	0.3	4.5	1.0	93.2	1.0		
The agent bank maintains correct/accurate information about the customer	0.0	3.6	1.3	5.5	89.6		
Responsiveness						**4.3106**	**0.4177**
I always get the detail of transactions through SMS	0.0	3.6	1.6	92.9	1.9		
The helpline service concerning agency banking of the bank is efficient	0.0	0.0	0.0	100	0.0		
The bank makes accurate promises about its agency banking service.	0.0	0.0	0.0	0.00	100		
Assurance						**4.3651**	**0.5372**
Do you feel safe/assure while making transaction using agency banking service.	0.3	3.2	0.6	6.5	89.3		
The behavior of agency banking employees instills confidence	0.3	4.5	1.0	93.2	1.0		
Do you satisfied with the knowledge of the employees about agent banking services.	0.0	3.6	1.3	5.5	89.6		
Do you confident that the bank's agency banking system does not share my personal profile with other websites.	0.0	3.6	1.6	92.9	1.9		

Source: Survey data, 2020 SPSS output

The descriptive statistics on service quality showed that a majority of customers were satisfied with modern looking/up to date equipment, the physical facilities at the agents, preventability of agent bank employees, readiness to solve problems regarding agency banking, agent bank gives your personal attention, employees at the bank understand your specific needs, agent bank shows a sincere interest in solving a problem, provides its services at the promised time, agent bank maintains correct/accurate information about the customer, getting the detail of transactions through SMS, helpline service, accurate promises, feeling safe using agency banking service, satisfied with the knowledge and behavior of the employees, and confident that the bank's agency banking system. Overall customers are satisfied with all parameters of tangibles, empathy, Service reliability, responsiveness and assurance. Further, the results show that the agents were courteous and knowledgeable, gave personal attention to clients and showed understanding of their needs.

Different studies demonstrated that tangibility, responsiveness, reliability, empathy and assurance are positively related to customer satisfaction in agency banking. As to Mburu(2018) which was conducted in the case of diamond trust bank, Nairobi Kenya, Masila, Bellah & Peter(2015) which was conducted in Kenya and as to Owino(2015) which was verified that there is a positive relationship between service quality(which was measured by tangibility, responsiveness, reliability, empathy and assurance) and customer satisfaction. (Mburu, 2018) (Masila et.al, 2015)

4.1.3. Service value and Customer Satisfaction

The findings presented in table 4.13 Indicate that respondents rated strong for customer service of agents (rated strong 61 %,), agents have strong sense of belongingness (rated strong 69.8% & 17.9 very strong), and also the respondents evaluated there is strong professionalism of agents (rated strong 67.2 % 19.8 very strong).

As showed below overall, at least 4 out of 5 customers were satisfied with the level of service value provided by the agents as shown by the mean value of 3.8690.

Table 4.5: *Service value*

Description	VW	W	N	S	VS	mean	Std. Deviation
	%						
How you rate customer service of agents?	0.0	23.1	1.9	61.0	14.0	**3.8690**	**0.8364**
How you evaluate sense of belongingness of agents?	0.0	8.1	4.2	69.8	17.9		
How you evaluate professionalism of agents	0.3	8.7	3.9	67.2	19.8		

Source: Survey data, 2020 SPSS output

The study show that majority of respondents rated strong customer service of agents, agents have strong sense of belongingness and also indicated there is strong professionalism of agents which at least 4 out of 5 customers were satisfied with the level of service value.

Studies conducted under this study shows that service value is insignificant for customer satisfaction of agent banking customers for example according to Yonas(2018) agency banking customers give priority reliability as a source of satisfaction and convenience, agent quality and safety and affordability respectively. This result is in contradict with the finding of Tindi & Bogonko (2017) concluded that agent quality, reliability and convenience are the source of customer satisfaction.

4.1.4. Agent quality and customer satisfaction

The findings presented in table 4.17 indicate that most customers look (cheek) their balance very often (75.6 % agreed) and rated professional and attractive appearance of the agent outlet employees (93.2% agreed). Overall, at least 4 out of 5 customers were satisfied with the level of agent quality provided by the agents as shown by the mean values 3.6331 and 4.000.

Table 4.6: Agent quality

Description	Very Often	Often	Rarely	Stopped	Mean	Std. Deviation
How often you look at balance inquiry	61.7	14.6	23.6	0.0	**3.6331**	**0.98116**

	SD	D	N	A	SA	Mean	Std. Deviation
	%						
How you rate professional and attractive appearance of the agent outlet employees?	0.3	4.5	4.9	75.3	14.9	**4.000**	**0.64064**

Source: Survey data, 2020 SPSS output

The findings demonstrate general satisfaction with agent quality. The agent customers satisfied with professional and attractive appearance of the agent outlet employees.

According to Tindi & Bogonko (2017) Agent quality related to the agents ability (capacity) to run the agent banking business. It can be measured by agent's employee's education and years of experience. The agents experience with the banks customers will affect positively customer satisfaction and time spent in agency banking as compared to the convictional banking and it also influence positively the cost of transaction. According to them agent quality will affect positively customer satisfaction next to reliability of the agent banking service. (Tindi & Bogonko, 2017)

4.4.   Inferential analysis
4.4.1. Correlation Analysis

Correlation analysis is conducted to analyze the strength of correlation between agent banking service dimensions and customer satisfaction. Pearson correlation coefficient enables to investigate the relationship between agency banking service quality dimensions and customer satisfaction. This coefficient can take on any value between 1 and -1. A value of 1 represents a perfect positive correlation where as a value of -1 represents a perfect negative correlation (Saunders, Lewis and Thornhill, 2009). Furthermore according Rubin (1994) Correlation coefficient value between:

- 0.00- 0.19 - slightly/negligibly correlated
- 0.20 - 0.39 - weakly correlated
- 0.40 - 0.69 - moderately correlated
- 0.70 - 0.89 - highly correlated
- 0.90 - 1.00 - very high correlated
- 1.00- is perfectly and positive correlated

As the table below indicated that customer satisfaction highly correlated with service quality and Convenience which is 0.959 and 0.831.

Table 4.7: *Correlations of variables*

		Convenience	Service Quality	Service value	Agent quality	Customer satisfaction
Correlations						
Convenience	Pearson Correlation	1	.797**	.381**	.374**	.831**
	Sig. (1-tailed)		.000	.000	.000	.000
	N	308	308	308	308	308
Service Quality	Pearson Correlation	.797**	1	.419**	.424**	.959**
	Sig. (1-tailed)	.000		.000	.000	.000
	N	308	308	308	308	308
Service value	Pearson Correlation	.381**	.419**	1	.531**	.427**
	Sig. (1-tailed)	.000	.000		.000	.000
	N	308	308	308	308	308
Agent quality	Pearson Correlation	.374**	.424**	.531**	1	.438**
	Sig. (1-tailed)	.000	.000	.000		.000
	N	308	308	308	308	308
Customer satisfaction	Pearson Correlation	.831**	.959**	.427**	.438**	1
	Sig. (1-tailed)	.000	.000	.000	.000	
	N	308	308	308	308	308

**. Correlation is significant at the 0.01 level (1-tailed).
Source: Survey data, 2020 SPSS output

According to the above correlation table service quality (0.959) has a strong and positive correlation with customer satisfaction followed by Convenience (0.831). Service value (0.427) and Agent quality (0.438) have a moderate correlation with customer satisfaction.

4.4.2. Multiple Regression Analysis

In this section, regression analysis was used to examine the effect of independent variables (service convenience, service quality, service value and agent quality) impact on the dependent variable i.e. customer satisfaction in CBE, branches located in Addis Ababa city.

Assumptions of Regression Analysis

Before running the model, linear regression model assumptions were tested Brooks (2014) suggests that five assumptions were made relating to the classical linear regression model (CLRM). These were required to show that the estimation technique, ordinary least squares (OLS), had a number of desirable properties, and also so that hypothesis tests regarding the coefficient estimates could validly be conducted. The linear regression model assumptions and their diagnostic tests are discussed below. The objective of the model is to predict the strength and direction of association among the dependent and independent variables

1. **Test of Linearity Assumption**

The first assumption of Multiple Regression is that the relationship between the independent variables and dependent variable should be linear. A simple way to check this is by producing scatter plots of the relationship between each of our independent variables and dependent variable. The researcher test the linearity of all independent variable and dependent variable and the assumption of linearity was not violated. The Figure 2 below is an example of the scatter plot one independent variables (service convenience, service quality, service value, and agent quality) and dependent variable (customer satisfaction) produced by SPSS, we can see that the relationship could be modeled by a straight line suggesting that the relationship between these variables is linear.

Figure 2 Test of Linearity

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Customersatisfaction
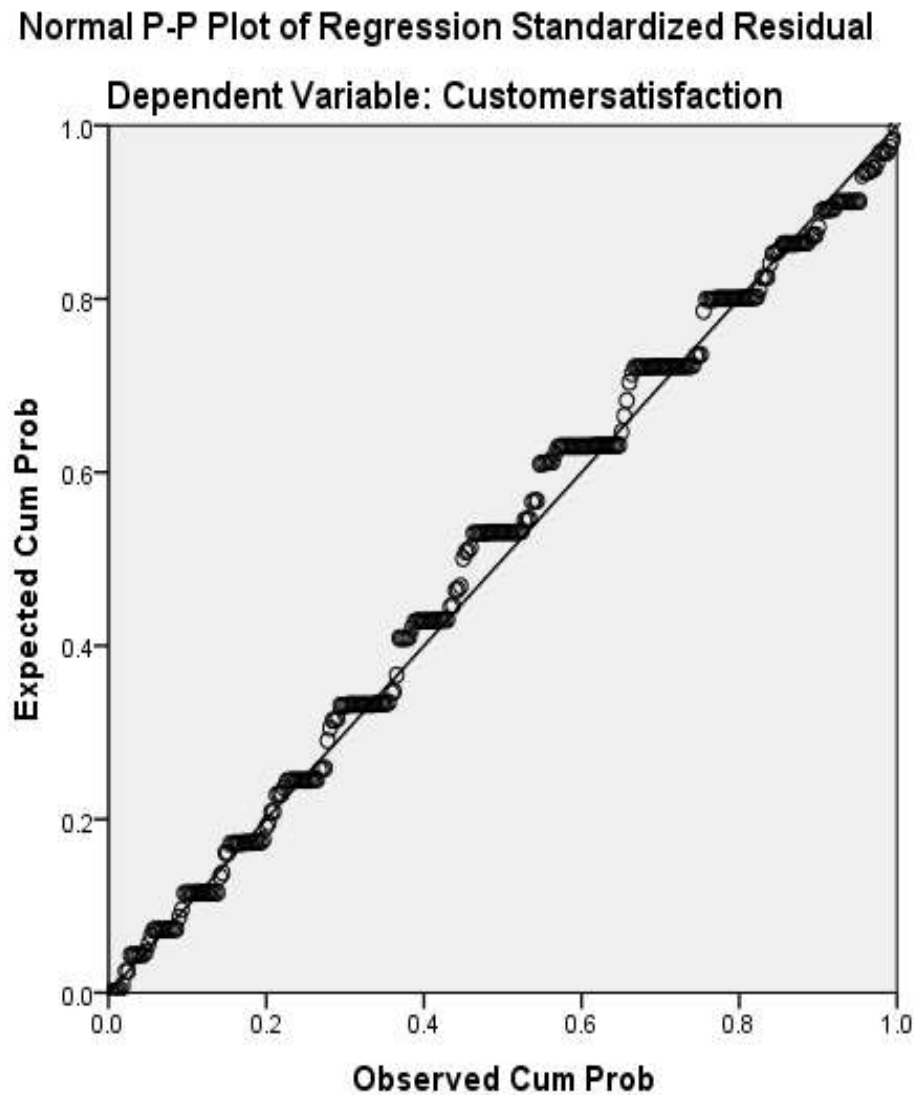
Source: Survey data, 2020 SPSS output

2. The Average Value of the Errors is Zero

The other assumption required is that the average value of the errors is zero. According to Brooks (2014), if a constant term is included in the regression equation this assumption will never be violated. Therefore, since the constant term (i.e. β) was included in the regression equation, the average value of the error term in this study is zero.

3. Test the Assumption of Homoscedasticity

Homoscedasticity has been assumed that the variance of the errors is constant. If the errors do not have a constant variance, they are said to be heteroscedastic. The scatter plot is good way to check whether homoscedasticity. According to Hill, Griffiths and Lim (2011) if the errors are homoscedastic, there should be no patterns of any sort in the residuals. If the errors are heteroscedasticity, they may tend to exhibit greater variation in some systematic way. In this study as shown in figure 3 it is almost appears more random and no pattern, so this assumption is ok.

Figure 3 Test of heteroskedasticity
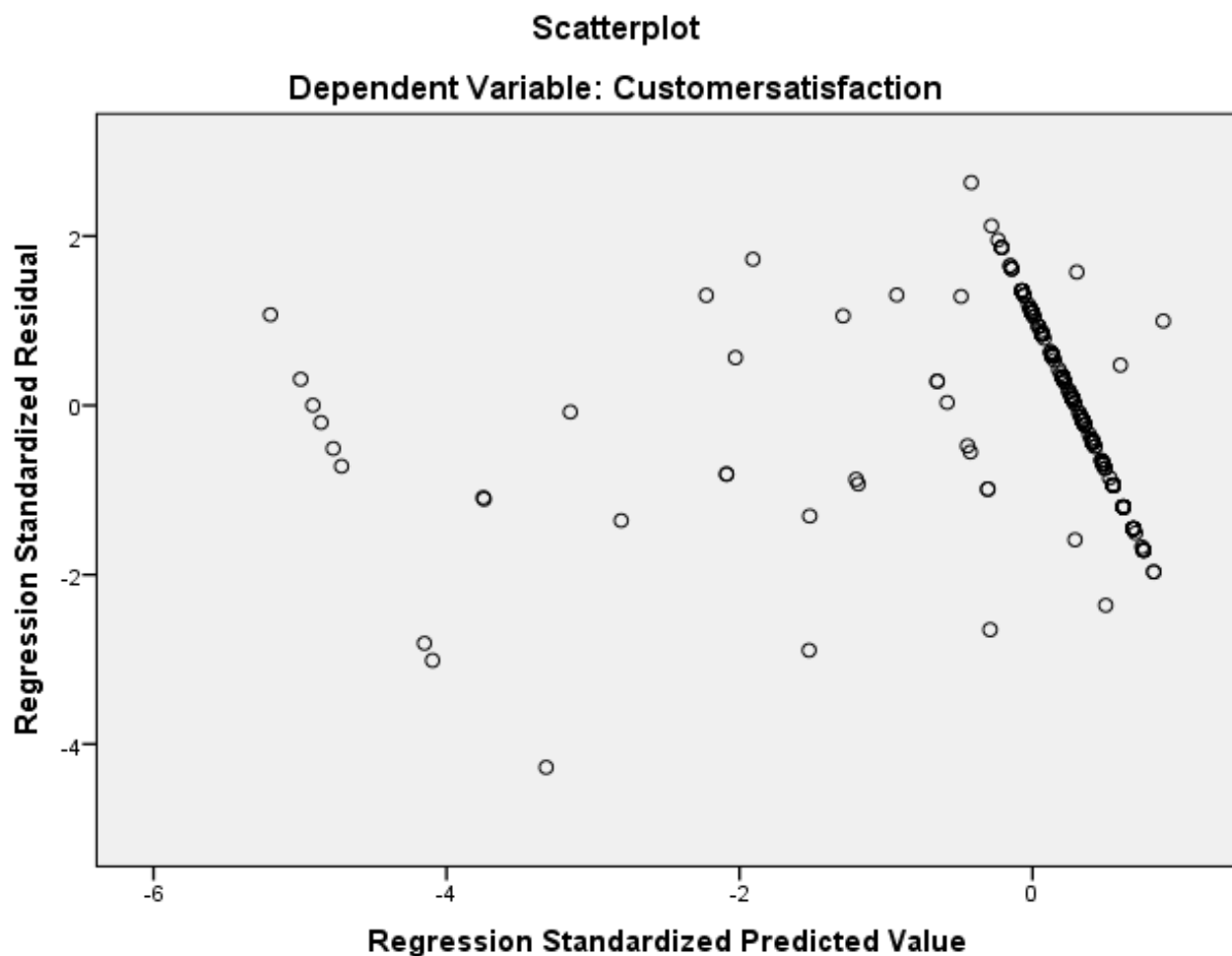
Source: Survey data, 2020 SPSS output

4. Test for Multicolinearity

The term Multicollinearity indicates the existence of exact linear association among some or all explanatory variables in the regression model. When independent variables are multi collinear, there is overlapping or sharing of predictive power. Thus, if multicolinearity is perfect, the regression coefficients of the independent variables are undetermined and their standard errors are immeasurable (Gujarati, 2004)

There are some analyses used to detect multicollinearity, in this study the researcher used the variance inflation factor (VIF) and the tolerance value tests to verify multicollinearity. According to Pallant, (2010) tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model. If this value is less than 0.10, it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity. And VIF values above 10 would be a concern, indicating multicollinearity.

The result indicated in the table 4.8 below shows that the tolerance value for each independent variable is more than 0.1 and VIF value shows less than 10; therefore, multi Collinearity assumption is not violated.

Table 4.8 Test of multi colinearity

Variables statistics	Collinearity statistics	
	Tolerance	VIF
Convenience	.362	2.762
Service quality	.342	2.927
Service value	.669	1.494
Agent quality	.668	1.497

Source: Survey data, 2020 SPSS output

5. **Test of Normality**

According to Brooks (2014) if the residuals are normally distributed, the histogram should be bell-shaped. This assumption also can be tested by looking at the **P-P plot** for the model. The closer the dots lie to the diagonal line, the closer to normal the residuals are distributed.

In this study as shown in figure 4.2 and 4.3 below, the histogram shows a fairly normal distribution and have a bell- shaped. And in P-P plot our data points close and touch the line, indicating that assumption of normality not violated. Thus, based on these results the normality of residuals assumption is satisfied.

Figure 4.3 Test of normality (Histogram)

Histogram

Dependent Variable: Customersatisfaction

Mean = -7.85E-15
Std. Dev. = 0.993
N = 308
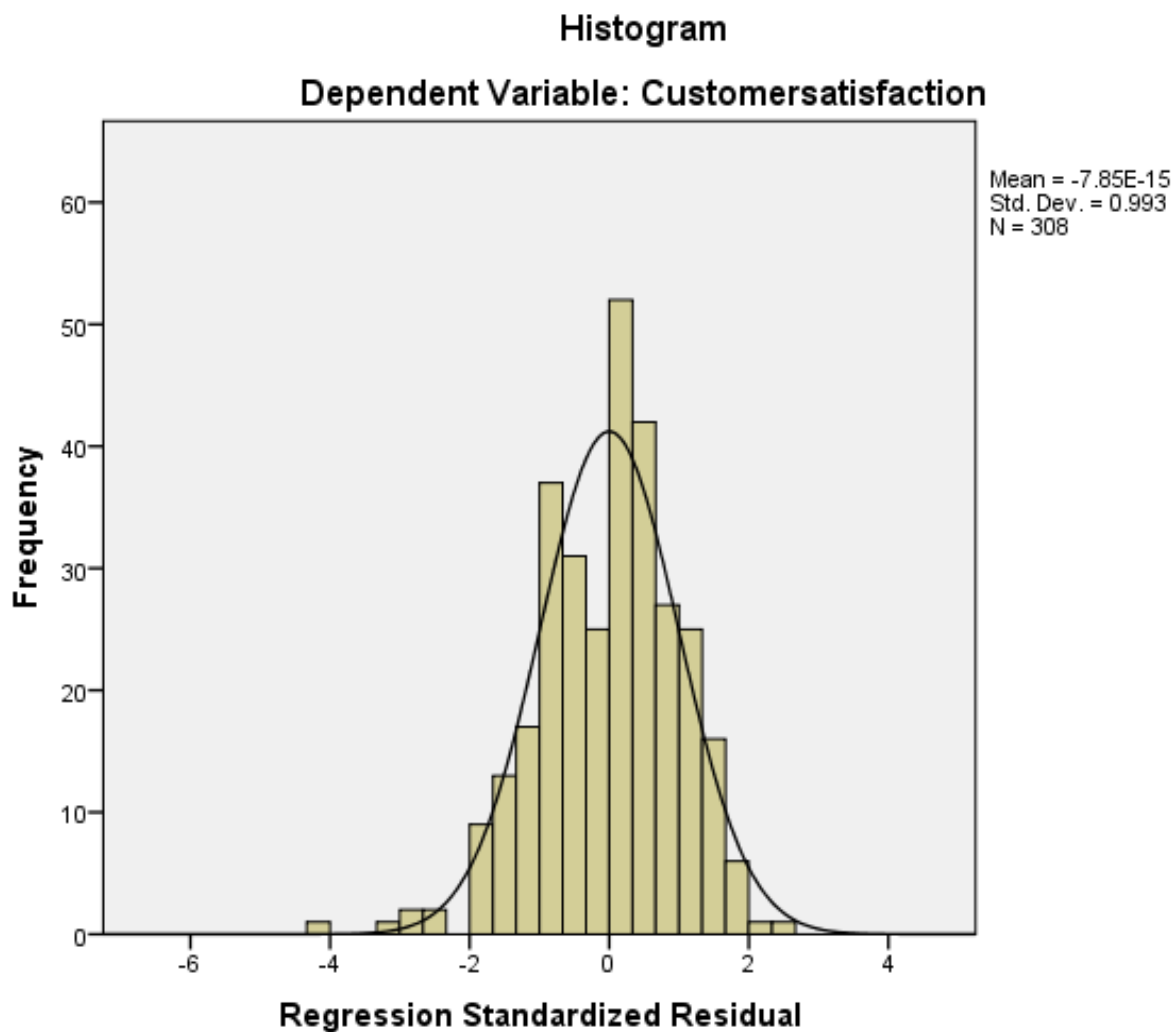
4.4.3. Model summery

In order to establish the relationship between the Agency banking and customer satisfaction in the banking sector in Commercial bank of Ethiopia, the study conducted a multiple regression analysis. The findings were as shown in the table 4.9 below:

Table 4.9: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.959[a]	.920	.919	.68621

a. Predictors: (Constant), Agent quality, Convenience, Service value, Service Quality

Source: Survey data, 2020 SPSS output

Coefficient of determination explains the extent to which changes in the dependent variable (customer satisfaction) can be explained by the Chan in the independent variables or the percentage of variation in the dependent variable (customer satisfaction) that is explained by all the independent variables (Agent quality, Convenience, Service value, Service Quality). The three independent variables except Service value because the significance rate is above 0.05 i.e. .869 that were studied, explain only 92% of the changes in the customer satisfaction as represented by the R^2. The study shows at there is a strong positive significant correlation between agency banking and customer satisfaction.

Table 4.10: ANOVA[a]

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1632.543	4	408.136	866.746	.000[b]
	Residual	142.678	303	.471		
	Total	1775.221	307			

a. Dependent Variable: Customer satisfaction

b. Predictors: (Constant), Agent quality, Convenience, Service value, Service Quality

Source: Survey data, 2020 SPSS output

The probability value of .000[b] which is less than 0.05 ($P<0.05$) with an F value of 866.746 with degree of freedom of 4 indicates that there is a significant relationship between agency banking and customer satisfaction in CBE, this shows that the overall model was is significant.

Table 4.11: *Coefficients of Determination*

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	7.691	.874		8.797	.000
	Convenience	.832	.053	.831	15.833	.000
	Service Quality	.045	.021	.112	2.139	.033
	Service value	.004	.023	.003	.165	.869
	Agent quality	.106	.034	.055	3.093	.002

a. Dependent Variable: Customer satisfaction

The researcher conducted a regression analysis so as to determine the relationship between agency banking and customer satisfaction in CBE. The regression equation (CS = α + $\beta_1 SQ$ + $\beta_2 AQ$ + $\beta_3 SC$ + $\beta_4 SV$ + ε) was:

$Y = 7.691 + 0.8327X_1 + 0.0452X_2 + 0.106X_3$

CS = 7.691 + 0.8327SC + 0.0452 + 0.106AQ---Equation 2

Where:

CS = Customer Satisfaction

SQ = Service Quality

AQ = Agent Quality

SC = Service Convenience

SV= Service Value

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According to the regression equation established, taking all factors (convenience, agent quality and service quality) except service value (because there is no sufficient relationship between service value and customer satisfaction) constant at zero, the customer satisfaction in the banking sector will be 7.691%. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in service convenience of agents will lead to a 0.832 increase in customer satisfaction of the banking sector, a unit increase in service quality agency banking will lead to a 0.045 increase in customer satisfaction in the banking sector and a unit increase in the agency quality of bank agents will lead to a 0.106 increase in customer satisfaction. This notwithstanding, the study shows that there is a significant correlation between agency banking and customer satisfaction given that all the variables had P-values less than 0.05.

4.5.   Hypothesis testing

The result of this study indicates that all variables i.e. service convenience, service quality, service value and agent quality have a positive and significant effect on customer satisfaction.

Hypothesis testing was based on standardized coefficients beta with 95% confidence level to test whether the hypotheses are rejected or not.

H_1 Service convenience of agency banking has a positive and significant effect on customer satisfaction.

H_2 Service quality has a positive and significant effect on customer satisfaction.

H_3 Service value of agents has a positive and significant effect on customer satisfaction.

H_4 Agent quality a positive and significant effect on customer satisfaction

Hypothesis 1

Ho1: Service convenience of agency banking has a positive and significant effect on customer satisfaction.

Ha1: Convenience has no positive and significant effect on customer satisfaction.

The results of multiple regressions, as presented in table 4.10 above, revealed that service convenience has a positive and significant effect on customer satisfaction with a beta value (beta =.831), at 95% confidence level ($p > 0.05$). This implies that, a unit increase in convenience would lead to increase customer satisfaction by a factor of 0.831 convenience increases by 1 percent, customer satisfaction will increase by 0.831.

Therefore, the researcher may accept the null hypothesis (Ho1) which means there is a significant positive relation between convenience of agency banking service and customer satisfaction. This result is in contradict with the finding of Tindi & Bogonko (2017) and Mburu (2018) showed that convenience is an important ingredient in agency banking service. The main reason for the contradicted result comparing of the previous studies can due to the nature of the study and the target area too.

Hypothesis 2

Ho2: Service quality has a positive and significant effect on customer satisfaction.

Ha2: Service quality has no positive and significant effect on customer satisfaction.

The results of multiple regressions, as presented in table 4.10.above, revealed that service quality has a positive and significant effect on customer satisfaction with a standardize coefficient beta value, (0.112), at 95% confidence level. This implies that, a unit increase in service quality would lead to increase customer satisfaction by a factor of 0.112 convenience increases by 1 percent, bank performance will increase by 0.112.

Therefore, the researcher may accept the null hypothesis (Ho2). Since, agent service quality has a positive and significant effect on customer satisfaction. This result is in contradict with the finding of Masila, Bellah & Peter(2015) which was conducted in Kenya and as to Owino(2015) which was verified that there is a positive relationship between service quality(which was measured by tangibility, responsiveness, reliability, empathy and assurance) and customer satisfaction.

Hypothesis 3

Ho3: Service value of agents has a positive and significant effect on customer satisfaction.
Ha3: Service value of agents has no positive and significant effect on customer satisfaction.

The results of multiple regressions, as presented in table 4.10.above, revealed that Service value of agents has no positive and significant effect on customer satisfaction. The standardize coefficient beta value, (0.003) but the significance level is more than 0.05 which is 0.869. Therefore, the researcher may reject the null hypothesis (Ho3). Since, Service value of agents has positive and insignificant effect on customer satisfaction. Studies conducted under this study shows that service value is insignificant for customer satisfaction of agent banking customers for

example according to Yonas(2018) agency banking customers give priority reliability as a source of satisfaction and convenience, agent quality and safety and affordability respectively. This result is in contradict with the finding of Tindi & Bogonko (2017) concluded that agent quality, reliability and convenience are the source of customer satisfaction.

Hypothesis 4

Ho$_4$ Agent quality has positive and significant effect on customer satisfaction

Ha$_4$ Agent quality has no positive and significant effect on customer satisfaction

The results of multiple regressions, as presented in table 4.10 above, revealed that agent quality have a positive and significant effect on customer satisfaction with a standardize coefficient beta value, (0.055), at 95% confidence level. Therefore, the researcher may accept the null hypothesis. Since, Agent quality has a positive and significant effect on customer satisfaction. This result is in contradict with the finding of Tindi & Bogonko (2017) concluded that agent quality will affect positively customer satisfaction next to reliability of the agent banking service.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

This section presents a summary of the findings, discussion, conclusions and recommendations of the study. The presentation in each of these sections deals with each of the research questions.

5.1.   Major findings

As a result of the analysis and interpretation, the following are the summary of the findings:

- The aggregate mean and standard deviation of the response on each dimension shows that ranging between 3.6331-4.6039 and 0.6331-0.98116 respectively. This implies that customers are satisfied with agent banking service of CBE. But, majority of respondents respond that they get agency service located between 250M-1000 Miles which implies that agent's outlets are not easily accessed by the users of the service.

- The overall mean score on Service Convenience CBE Birr agent banking service was 4.2584 which is customers were importantly satisfied with reliability of the CBE Birr agent banking service

- By and large, overall mean values for service quality 4.3996 indicating that service quality dimensions contributed to customer satisfaction in agent banking service of Commercial bank of Ethiopia.

- Largely the agreement level of towards service value and agent quality dimensions is very good (with mean value of 3.8690 and 3.81655 respectively) customers of CBE-Birr banking services were satisfied by service value and agent's quality items.

- There is positive significant relationship between service convenience and customer satisfaction in CBE agent banking services at 5% significant level.

- The study also revealed that service quality has a positive and significant effect on customer satisfaction in CBE agent banking services at 5% significant level.

- There is positive and significant relationship between agent quality and customer satisfaction in CBE agent banking services at 5% significant level.

- Service value of agents has positive but, insignificant effect on customer satisfaction in CBE agent banking services at 5% significant level.

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- Furthermore, the correlation result showed that service quality has a strong and positive correlation with customer satisfaction followed by Convenience. Service value and agent quality have a moderate correlation with customer satisfaction.

5.2. Conclusions

On service convenience, the customers agreed that the agents delivered the services they needed, quick and easy, and that it possible to locate information and customers found it easy to get to the agent, the agents were conveniently located, and they operated at convenient hours. Further, the agents were able to complete transactions quickly and could also resolve transaction problems quickly. But, majority of respondents respond that they get agency service located between 250M-1000 Miles which implies that agent's outlets are not easily accessed by the users of the service. The results demonstrate that there is a high level of agreement with service convenience among the agents. Results for all the dimensions indicate that almost 4 out of 5 customers were satisfied with service convenience. The regression results showed that a statistically strong significant relationship exists between service convenience and customer satisfaction and also the correlation result indicated that customer satisfaction highly correlated service convenience.

On service quality, the descriptive statistics showed that a majority of customers were satisfied with modern looking/up to date equipment, the physical facilities at the agents, preventability of agent bank employees, readiness to solve problems regarding agency banking, agent bank gives your personal attention, employees at the bank understand your specific needs, agent bank shows a sincere interest in solving a problem, provides its services at the promised time, agent bank maintains correct/accurate information about the customer, getting the detail of transactions through SMS, helpline service, accurate promises, feeling safe using agency banking service, satisfied with the knowledge and behavior of the employees, and confident that the bank's agency banking system. Overall customers are satisfied with all parameters of tangibles, empathy, Service reliability, responsiveness and assurance. Further, the results show that the agents were courteous and knowledgeable, gave personal attention to clients and showed understanding of their needs. The regression coefficients indicate a statistically significant relationship between service quality dimensions and customer satisfaction. The correlation result also indicated service quality has a strong and positive correlation with customer satisfaction.

On service value, the study show that majority of respondents rated strong customer service of agents, agents have strong sense of belongingness and also indicated there is strong professionalism of agents. The regression results showed that a statistically a positive and insignificant relationship exists between service value and customer satisfaction. The correlation result also indicated service value has a moderate and positive correlation with customer satisfaction.

The findings demonstrate general satisfaction with agent quality. The agent customers satisfied with professional and attractive appearance of the agent outlet employees. The regression statistics demonstrated a positive and significant relationship between agent quality and customer satisfaction. The correlation result also indicated agent quality has a moderate and positive correlation with customer satisfaction.

From the study findings, the researcher concludes that there is a very strong positive correlation between the independent variables service quality, convenience and the dependent variable customer satisfaction, this conclusion is supported by the results of the descriptive and correlation analysis statistic showing that there is the strongest uphill (positive) linear relationship in comparison to the variables under study.

The researcher can conclude that there is a moderate (positive) linear relationship between customer satisfaction and the independent variables i.e. service value and agent quality.

5.3. Recommendations

The study reported that service convenience had a positive and significant relationship with customer satisfaction. There need to improve service convenience majority of respondents get agency service located between 250M-1000 Miles which implies that agent's outlets are not easily accessed by the users of the service. This study recommends that the bank should improve agents convenience parameters to keep the satisfaction level of customers by ensuring that customers to get the service near to their residence. Further, the agents should also improve the speed of service delivery and resolve transaction problems quickly, and without the need for customers to travel back to the points of service.

There is need to improve the performance of service quality dimensions. The effect of service quality on customer satisfaction was positive and significant this means that there was need for agents to additionally invest in the service equipment and improve the visual appearance of the points of service.

On service value and agent quality despite the high level of satisfaction, service delivery demands continuous improvement to maintain superior customer satisfaction. As a result, the agents must continually improve service delivery by reducing the time customers wait to be served, by improving professionalism, sense of belongingness, attractiveness and eliminating errors in financial transactions through adequate controls.

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Appendices

ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

MASTERS OF BUSINESS ADMINSTRATION (MBA) PROGRAM
QUESTIONNAIRE TO BE FILLED BY AGENT BANKING CUSTOMERS

Dear respondents,

This questionnaire is prepared for research purpose entitled the effect of Agency banking service on customer satisfaction. This study is conducted for the partial fulfillment of MBA in general management from St. Mary's University.

This questionnaire consists of six sections: Section I deals with the general profile of the respondent, Section II is about Convenience of agency banking service, Section III deals with agent service quality, section IV covers Service value of agency banking, section V deals agent quality and Section VI covers customer satisfaction service.

The information you provide in this study will be used for the academic purpose and it will be held strictly confidential. I appreciate your voluntary and valuable participation in this study. I thank you in advance for sharing your valuable experience and time by completing the questionnaire and assist me in my educational endeavors. Please do not write your name on the questionnaire.

Yared Melese

Thank you very much in advance for your cooperation

Section I – General Information

Please put a tick "√ "mark for those questions that are followed by choices

1. Gender: Male [ ] Female [ ]

2. In which age group are you?

   Under 20 years old [ ]   21- 30 years old [ ]   31-40 years old [ ]
   41-50 years old [ ]   Over 51 years old [ ]
3. What is your highest and recent educational status?

   Secondary [ ]   Certificate/Diploma [ ]   Degree [ ]
   Masters [ ]   PhD [ ]

Section II–Convenience of agents

To what extent do you agree with the following statements on service convenience?

4. How far home/office is from the agent or the bank?

Less than 250M [ ]   between 250M-500M [ ]   between 500M-1000M [ ]
Over 1000[ ]

5. How many minutes/hours you wait to get agency banking service?

1–10 min [ ]   10–20 min [ ]   20-30 min [ ]
30-40 min [ ]   40-50 min [ ]   50-60 min [ ]
More than one hour [ ]

Direction: Please indicate your degree of agreement/disagreement with the following statements related to your perception ticking in the appropriate spaces. (1=strongly disagree (SDA); 2=Disagree (DA); 3= neither agree nor disagree (N); 4=Agree (A); and 5=strongly agree (SA).

S. No	Description	1	2	3	4	5
6.	I am able to get to the agent bank quickly and easily					
7.	The agent bank is in a convenient location					
8.	The agent bank operates convenient hours					
9.	I am able to complete my transactions quickly at the agent bank					
10.	Any problems I encounter after the transactions are quickly resolved by the agent bank					

Section III– Agent Service Quality

To what extent do you agree with the following statements on service quality?

11. From whom you heard about agent banking?

Media [ ]   Bank [ ]   through a friend [ ]   through an agent [ ]

12. Have you attend a meeting or awareness campaign organized by the bank?
    Yes   [ ]   No [ ]

13. Which service you used so far? (You can select more than one service)

Cash In [ ]   Cash Out [ ]   Bill payment [ ]   Fund Transfer [ ]
any other……………………

14. How often you use the service?
    Very Often [ ]   Often [ ]   Rarely [ ]   Stopped [ ]

15. Do you recommend non users of the service to use it?
    Yes [ ]   No [ ]

Direction: Please indicate your degree of agreement/disagreement with the following statements related to your perception ticking in the appropriate spaces. (1=strongly disagree (SDA); 2=Disagree (DA); 3= neither agree nor disagree (N); 4=Agree (A); and 5=strongly agree (SA).

S. No	Description	1	2	3	4	5
Tangibles						
	The agents have modern looking/up to date equipment					
	The physical facilities at the agents are visually appealing					
16.	The employees at the agent bank are presentable					
Empathy						
17.	The bank shows readiness to solve problems regarding agency banking					
	The agent bank gives your personal attention					
	The employees at the bank understand your specific needs					
Service reliability						
18.	When the agent bank promises to do something by a certain time, it does so					
19.	When you have a problem, the agent bank shows a sincere interest in solving it					
	The agent bank performs services at the right time					
20.	The agent bank provides its services at the promised time					
	The agent bank maintains correct/accurate information about the customer					
Responsiveness						
21.	I always get the detail of transactions through SMS					
22.	The helpline service concerning agency banking of the bank is efficient					
23.	The bank makes accurate promises about its agency banking service.					
Assurance						
24.	Do you feel safe/assure while making transaction using agency banking service.					
25.	The behavior of agency banking employees instills confidence					
26.	Do you satisfied with the knowledge of the employees about agent banking services.					
27.	Do you confident that the bank's agency banking system does not share my personal profile with other websites.					

Section IV: Service value of agency banking

To what extent do you agree with the following statements on service value of agents?

28. How you rate customer service of agents?

Very weak [ ]   Weak [ ]   Neutral [ ]
Strong [ ]   Very strong [ ]

29. How you evaluate sense of belongingness of agents?
Very weak [ ]   Weak [ ]   Neutral [ ]
Strong [ ]   Very strong [ ]

30. How you evaluate professionalism of agents?
Very weak [ ]   Weak [ ]   Neutral [ ]
Strong [ ]   Very strong [ ]

Section V: Agent quality

31. How often you look at balance inquiry?

Very Often [ ]   Often [ ]   Rarely [ ]   Stopped [ ]

32. How you rate professional and attractive appearance of the agent outlet employees?

Very Satisfied [ ]   Satisfied [ ]   Neutral [ ]
Unsatisfied   [ ]   Very Unsatisfied   [ ]

Section VI: Customer satisfaction

To what extent do you agree with the following statements on customer satisfaction?

Direction: Please indicate your degree of agreement/disagreement with the following statements related to your perception ticking in the appropriate spaces. (1=strongly disagree (SDA); 2=Disagree (DA); 3= neither agree nor disagree (N); 4=Agree (A); and 5=strongly agree (SA).

S. No	Description	1	2	3	4	5
33.	The staff have the knowledge and skills necessary for the job					
34.	The staff are responsive to the needs of the customers					
35.	I'm satisfied with the appearance of the agent offices					
36.	I spend less time waiting before I am served					
37.	The behavior of agency banking employees instills confidence					
38.	The location of the agents is convenient					
39.	The system functions at all times without fail.					

Thanks again!