ROLE OF AGENT BANKING SERVICES IN PROMOTING FINANCIAL INCLUSION IN NYERI TOWN, KENYA

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DECLARATION

I declare that this research thesis is my original work and to the best of my knowledge it has not been presented in print, electronic or any other form for the award of a degree in this or any other University.

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This research thesis has been submitted for examination with my approval as University Supervisor.

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ABSTRACT

This study explores the extent to which banks have been able to partner with agents, commercial entities whose primary objective and business is other than the provision of financial services. The study was guided by the following objectives: to evaluate the extent to which geographical coverage, security, cost of financial services and availability of liquidity of agency banking has promoted financial inclusion. For the purpose of this study a descriptive research design was used. Data was collected by use of questionnaires, which were administered to bank branch managers and appointed agents of Equity Bank, Co-operative Bank and Kenya Commercial Bank, which have recently developed extensive networks of such agents, and then analyzed using descriptive and inferential statistics. The findings of the study indicated as follows; customers were willing to forego the extra charges to procure banking services through agent banking outlets. Lack of liquidity and security concerns were found to be low. Regression analysis indicated that the four factors (availability of liquidity, geographical coverage, costs and security of agent banking services) have a positive ($F=19.34$) and significant ($P<0.05$) relationship to financial inclusion. In addition, the regression model revealed that 64.1% of financial inclusion can be explained by availability of liquidity, geographical coverage, costs and security of agent banking services. Geographical coverage ($P<0.05$) had the highest contribution to financial inclusion since a change in 1 unit of geographical coverage accounts for a 12.6% change in financial inclusion. The study concluded that greater geographical coverage brought about by agent banking is the strongest predictor of financial inclusion. This is because services are brought closer to the people and thus saves a lot of time which would have been used to queue in banking halls or Automated Teller Machines. The researcher recommended that more agent banking outlets should be opened to offer more services to increase the geographical coverage and that agents should be fully vetted and monitored to avoid lack of liquidity and security breaches.