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EFFECT OF AGENCY BANKING ON PERFORMANCE OF MICROFINANCE BANKS IN KENYA

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Effect of Agency Banking on Performance of Microfinance Banks in Kenya

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Abstract

Purpose: The purpose of this study was to establish the effect of agency banking on performance of microfinance banks in Kenya

Methodology: The study adopted positivism philosophy approach and descriptive research design was used. The study also used census survey. The target population was the thirteen Microfinance Banks regulated by the Central Bank of Kenya. The questionnaires were self-administered and primary data was collected from the thirteen regulated microfinance banks. The data was analyzed using the Statistical Package for Social Science. Descriptive and inferential statistics were used for preliminary analysis. Factor analysis was conducted to reduce the number of factors and Kaiser Mayer Olkin and Barlett's test of Sphericity were tested and total variance explained, scree plot and rotated component matrix were drawn.

Findings: The descriptive statistics findings disclosed that agency banking has a positive effect on performance of MFBs. This was shown by 71.7% of the respondents were in agreement that agency banking influence the performance of MFBs. The findings showed that the relationship between agency and performance was p value was 0.018 and F test of 5.908 showing that the model was statistically significant for the data set. The coefficient table showed that the equation was Y = 2.680 + 0.355AGB. The findings denoted that agency banking has a moderate relationship with performance of MFBs. The MFBs are using agency banking to grow their businesses thus generating profits and capital gain.

Unique Contribution to Theory, Practice and Policy: The study recommends that MFBs should open more agents especially in the rural areas to facilitate population access near services. In addition, the management team and the policy makers should ensure that policies are elaborated to protect the customers from fraud and also exploitation by the business owners due to higher transaction cost and the business operating the agents should be trained on fraud policies because it is affecting many customers. The government and the MFBs should ensure all those operating the agents are well trained on record keeping, managing of funds, and customer care.

Keywords: *Agency Banking, Performance, Microfinance Banks*

INTRODUCTION

Agency banking involves engagement of a third party to provide banking services on behalf of a mainstream bank. In a study carried out by Mwangi & Mwangi (2014), it was noted that agency banking was instrumental in enhancing service delivery in Kenya. The main focus of this study was of the extent to which the liquidity of agencies, availability and security application had an impact on banking. The theory of diffusion of innovation and security were harnessed in facilitating this study. The study involved the use of descriptive research, with a survey technique being applied on 497 respondents. The level of contribution of agency banking on the satisfaction level of customers was determined through probit, in addition to both descriptive and inferential analyses to test the relationship between agency banking and customer services. The highlighted variables, namely availability, platform security and were found to be having a strong influence the uptake of agency banking on the customers.

A study similar to the above was done in Nigeria by Nezianya and Izuchuchu (2014), to establish whether agency banking had an influence on performance. The institutions under study were deposit taking microfinances. The study utilized the technology acceptance model and diffusion of technology to accomplish its objectives. The methodology that was involved included a descriptive survey and content analysis. The result indicated that agency banking had a significant impact on the improvement of customer satisfaction levels within the study area, with the authors proposing that the findings could be generalized.

Kingori & Gekara (2015), examined how the performance of commercial banking was affected by the agent banking. The sample involved 32 commercial banks with a descriptive design being used to carry out the analyses. The authors used a linear regression model to determine how the variables related, settling on the conclusion that difficulties that were characterized by inadequate e-money float and cash were a discouraging factor in the utilization of this kind of business model.

Mwenda & Ngahu (2016), focused on the improvement and progress of Commercial Banks when backed up with agency banking as a strategy. The intermediation and social cognitive theories were utilized in this research. A sample of 66 respondents was used. Inferential and descriptive analyses were carried out with the help of SPSS. In their findings, there was a relative reduction in costs together with an increase in accessibility to financial services which in turn positively influenced the banks’ development.

Ndambuki (2016), conducted a study on how agency banking affects the profitability of the commercial banks. Theories used were non-bank led model and bank focused theory. The targeted population was the 43 commercial banks. The study concluded that the expansion of agency banking has negatively influenced the profitability of the banking sector especially the withdrawal and payment of bills.

Shoko, Gumbo & Magweva (2017), did a research on agency banking as a driving element of inclusivity in the financial arena within Zimbamwe. The Theories that the authors deemed relevant for this study were agency and marketing theory. The conclusion that was arrived at was agency banking was indeed a driver of financial inclusivity, cost effectiveness and client convenience.

A different study was done by Mbugua & Omagwa (2017), with an aim of finding out how commercial banks' performance was affected by agency banking. The study's main aim was to determine the how earned commissions and agent banking flexibility and effectiveness banking agencies. The authors found the agency theory and the bank led theory useful for this study. The study made use of questionnaires to collect data from 69 officials in the top management category from the banks that were involved. Agency banking was found to have been instrumental in bringing down the cost of banking.

The studies done by Mwangi & Mwangi (2014), Nezianya & Izichuchu (2014), King'ori & Gekara (2015), Mwenda & Ngahu (2016), Ndambuki (2016), Shoko et al. (2017) and Mbugua & Omagwa (2017), raised various influential factors on commercial banks performance and profitability. The current study will determine the impact of MFBs agency banking, mobile banking, online and ATM banking and performance. It will examine more variables that were not discussed in any of the studies above on agency banking such as cash deposit, cash withdrawal, payment of bills, fund transfer and loan application and their relationship to performance in MFBs.

Statement of the Problem

Microfinance banks financial creativities has taken an important part in improving the performance and in creating of services that help the paucity to become economically active. This supports SDGs, Kenya vision 2030, and big four agenda aim of reducing different forms of paucity by 2030 and tries to find ways for protecting social welfare of the poor and the left behind. Despite the efforts made to reduce scarceness the population of people living in extreme poverty globally remain unacceptably high. The latest global estimate showed that above 10% of the world population or 800 million people lived below the extreme paucity verge in 2013. In Sub Saharan Africa an estimated 415 million or 35% of the population is under standards of living and is the only region where the overall number of extremely poor people is increasing rather than decreasing (WB, 2017 & UNEP, 2018)

In Kenya nearly half of the population 45.2% is living in poverty. Poverty increment is attributed to lack of microcredit for the poor due to high cost of dealing with the poor and unlimited resources by MFBs. As MFBs continue to improve financial innovation and reduce poverty and providing the poor access financial services, these innovations continue to create debate over whether they really benefit the poor (Sara & Shahidur, 2016). Asante, Ofori & Kojo (2015), study examined ATM in furnishing services and disclosed that technology has resulted in new delivery channels for banking products and services. The study shows that ATM banking has contributed positively to the banking industry. Chigada & Hirschfelder (2017), on operating mobile banking in South Africa, the study disclosed that the transnational application of mobile money service systems is difficult to implement. Nezianya & Izuchuchu (2014), in Nigeria the branchless outlets on

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performance of deposit money banks in Nigeria. The result findings were the agent services offered have increased customer and are cost-effectiveness.

METHODOLOGY

The study adopted positivism philosophy approach and descriptive research design was used. The study focused on all the thirteen (13) MFBs regulated by the CBK. The research used purposive sampling and the sampling techniques were chosen because of the characteristic of the population and the study requires the senior managers who are experts in the work they are doing. The respondents were the five managers from each MFB totaling to 65 these are the Chief Executive Officer, finance managers, Business development manager, credit officers and operations manager. Data collection was done by acquiring data from primary sources and for this study data was collected from the microfinance banks institutions. The raw data was acquired from the issuing of the questionnaires. Primary data was collected using questionnaire and a Statistical Package for Social Sciences (SPSS) software was used to analyze data. Data was coded before being used by SPSS. Descriptive statistics (frequencies, mean scores, and standard deviations) were used to describe the characteristics of the variables. Descriptive statistics provide the basic features of the data collected. Inferential statistics was used to conclude the findings of test done on a population by taking a sample of an information from the large population. The inferential statistic techniques were used to measure the significance of the relationship while the bivariate regression was employed to find out whether agency banking had a positive correlation with performance of the MFBs. The results of the study were presented using tables, cross tabulation, frequency and percentage.

RESULTS

Demographic Data of Respondents

Distribution of Respondents by Positions

The Figure 1 presents the distribution of the respondents in the MFBs. The findings in Figure 1 indicate that the different posts were represented as follows business development manager's 30%, operations manager 23%, credit managers 23%, finance managers 19%, chief executive officers 5%. The finding indicates that the banks were fairly represented as the sample was taken from all the departments involved in decision making.

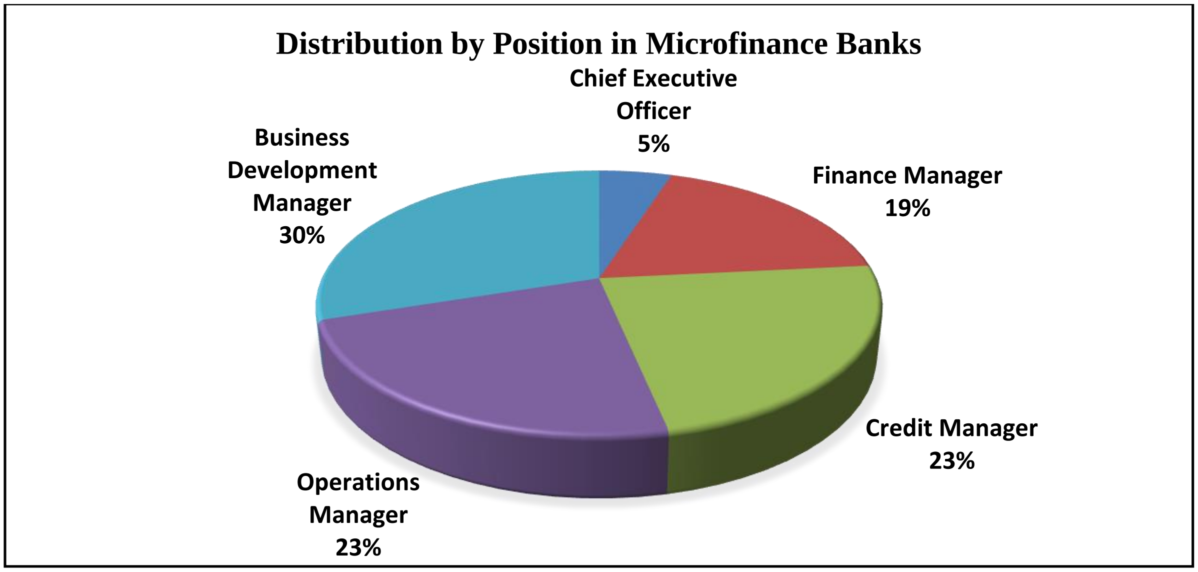

Figure 1: Distribution by Position in Microfinance Banks

Distribution by Education Level

Figure 2 presents the level of education of the respondents from the microfinance banks. The findings show that the respondents had the required level of education. 68% of the respondents had bachelor degree, 28% had a post graduate degree and 5% had diploma from different institutions of higher learning. The level of education can help the employees to acquire knowledge and skills to improve the performance by being more innovative. In addition, financial education can help the employees of the MFBs to upgrade the perception of financial products and services and build customers trust. This concurs with Nazari (2014), that the technical knowledge, attitude, practice and self-efficacy assist in collecting reliable and accurate data in the research. The respondents had enough knowledge and skills on the financial innovations developed by the MFBs and as such provided reliable information on how the agency banking is improving the performance the institutions.

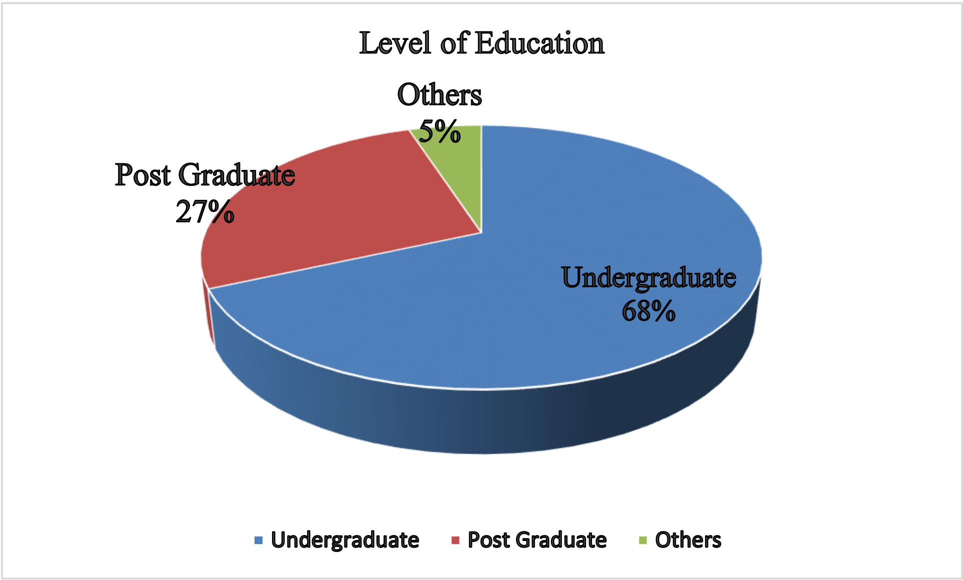

Figure 2: Level of Education

Descriptive Analysis

Descriptive Analysis for Agency Banking

The study evaluated the effect of agency banking on performance of microfinance banks. The objective was evaluated by the use of the statements on the questionnaire. The statements were on whether the customers were able to deposit cash, withdraw cash, pay bills, transfer funds, enquire balance and loan application. The respondents were asked to indicate whether they agree or disagree with the statements. After, data collection the questionnaires were coded and analyzed using SPSS. Frequencies of the various outcomes were drawn in percentages from the sample and then presented in Table 1 below.

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Table 1: Descriptive Analysis for Agency Banking

Statement	SD %	D %	NS %	A %	SA %	Mean	Std Dev
Customers are able to deposit cash in the agents	8.3	15	5	17	55	3.95	1.407
Customers are able to withdraw cash in the agents	6.7	18	3.3	20	52	3.92	1.381
Customers can pay bills easily in the branches		5	17	22	57	4.3	0.926
The customers can transfer funds between accounts	1.7	1.7	6.7	67	23	4.52	0.833
Customers can enquire their balances in the agents	8.3	17	8.3	43	23	3.77	1.382
Customers can apply for loans in any agent	40	22	12	6.7	20	2.45	1.556
Overall						**3.81**	**1.276**

The Table 1 presents the descriptive analysis for agency banking. The results in Table 2 shows that 55% of the respondents strongly agreed that the customers are able to deposit cash while 16.7% agreed, 15% disagreed and 8.3% strongly disagreed with the statement and 5% were not sure whether customers easily access the agents to deposit money. This reveals that the majority of the respondents admitted that customers are able to deposit money in the agents. This indicates that agency banking has enabled the underserved to conveniently save and invest their money. It also informs that there is need for the MFBs to increase the outlets to include those yet to access the financial service. This is in line with the study by Mwangi (2014), that indicated that agents are authorized to draw deposits and carry out diverse activities and the increased number of deposits has helped the agents to earn transaction fee which in turn permits the actor to increase the sale of products and services. The customers are able to save time, transportation costs and also get cheap services near their reach.

The statement on whether customers are able to withdraw cash at the agents shows that 51.7% agreed and 20% strongly agreed, 18.3% disagreed while 6.7% strongly disagreed and only 3.3% were not sure. The findings indicated that majority of the respondents stressed that customers are able to withdraw cash from the agents. This implies that there is need for the agents to have enough cash to allow the customers to continue withdrawing money to procure their needs. These findings are in tandem with the study by Shoko, Gumbo and Magweva (2017), who noted that the customers are able to withdraw cash in the shops, pharmacies, petrol stations and supermarkets and pay for the goods and services for personal satisfaction. Mwangi (2014), confirmed that outlets have facilitated customers who need to withdraw cash from their accounts to go to the near retail agents for cash. These findings are inconsistent with the study by Mwenda and Ngahu (2016), which indicated that in the outlets the customers withdraw less amount of cash and deposit large amount of money.

The customers can pay bills easily in the branches presumption shows that 56.7% agreed and 21.7% strongly agreed while 16.7% were not sure and 5% disagreed. This implies that the customers are able to pay utilities in the agents and this has reduced the cue at the paying points. The paying of bills in the agents have facilitated the customers to reduce the transport costs and time wasting. These findings are in line with the study by Mwenda and Ngahu (2016), which confirmed that most of the consumers are making payments through bank agents.

The agency banking has helped customers to transfer funds from one account to the other 66.7% agreed and 23.3% strongly agreed, 6.7% were not sure and consequently 1.7% strongly disagreed and 1.7% disagreed. This indicates that 90% of the respondents agreed that agents have facilitated the transferring of cash from one account to the other making the payment of goods and services easier especially for the business firms and education institutions. These findings are consistent with the study by King'ori and Gekara (2015), which stated that the agency banking has made easier the transfer of money from one account to the other increasing the sale of goods and services.

The customers can easily enquire their balances in the agents, this is shown by 43.3% were in agreement with the statement and 23.3% strongly agreed. The least percentages 16.7 and 8.3 strongly disagreed and another 8.3 were not sure. This implies that most of the respondents agreed that customers are able to enquire account balances. This has facilitated the customers to enquire balances and to control all the transactions on the bank account. This is in line with the study by Ndambuki (2016), who stated most of the individuals do not prefer applying for loan in agents due to insecurity. This is consistent with the study by Nezianya and Izuchukwu (2014), who opined that the enquiring of account balances helps in monitoring and controlling of the account transaction. On whether customers can apply for loan in any agents 43.3% strongly disagreed and 21.7% disagreed, 15% strongly agreed, 11.7% were not sure and 8.3% agreed. This shows that the customers do not have enough information on loan application thus there is need for the MFBs to educate and sensitize customers to embrace loan application in the agents because the highest percentage disagreed with the supposition. The mean of the agency banking = 3.79 and the average standard deviation = 1.276. This shows that most of the respondents agreed with the statements on agency banking.

The findings of the study portrayed that agency banking has improved the performance of the MFBs by providing near access to financial services to the customers. These results are consistent with the study carried by Nezianya and Izuchukwu (2014), which inferred that agency banking is a method aimed at enhancing customer satisfaction by reaching out to millions of people in need of financial services and create employment to the young people by providing income to those working in the agents thus enhancing performance. Shoko, Gumbo and Magweva (2017), concluded that the growth of banking sector has experienced continuous growth and reduced the cost due to introduction of agency banking thus improving the performance. Mwangi (2014), concluded that agency banking has reduced the cost of transactions by enhancing service delivery and influenced strongly the performance of commercial banks. These findings also correspond to the study by Mwenda and Ngahu (2016), that concluded that customers enjoy access to banking services in the agents and better business terms at lower cost, reliable quality products and time saving services which leads to their satisfaction. This study is inconsistent with the study conducted by Ndumbuki (2016), which concluded that banks has enlarged its outlets which has increased operation costs.

These results showed that MFBs in Kenya has continued to invest in agency banking for more financial inclusion by increasing the number of deposits and withdrawals hence increasing the number of customers. The increased number of banking services such as bills payments, fund transfer from one account to the other, balance enquiry and loan application has reduced the transaction cost and travelling cost by bringing those financial services near to the reach of their customers. On the other hand, it has increased financial deepening and creation of employment for those working in the agents. Agency banking has increased the security of the customers because of the near access to banking services.

Factor Analysis

Drivers for Agency Banking

Test Sampling Adequacy for Agency Banking

The construct validity of agency banking was tested using Kaiser-Meyer-Olkin (KMO) test of sampling adequacy. The findings in Table 2 presents the test of sampling adequacy with KMO for agency banking. The results in Table 2 shows that the KMO = 0.531, p value = 0.000. Ideally, this indicated that the data was appropriate for regression analysis.

Table 2: KMO and Bartlett's Test for Agency Banking

KMO and Bartlett's Test for Agency Banking		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.531
Bartlett's Test of Sphericity	Approx. Chi-Square	119.299
	Df	15
	Sig.	.000

Total Variance Explained for Agency Banking

The Table 3 presents the total variance explained for agency banking. The results Table 3 shows the total variance explained for agency banking after the extraction of squared loadings and rotation sums of squared loadings. After conducting the extraction method of principal component analysis (PCA) three components were retained with eigenvalues greater than 1. Component 1 had a total of 2.482 and an initial Eigenvalues of 41.37% of variance. Component 2 accounted for a total of 1.137 and a 18.95% of variance, component 3 had a total of 1.046 and 17.43% of variance.

The total variance explained showed that the three factors retained explain a 77.744% of the total variance. This supported the study by Hair et. al, (2012), that in factor analysis a total of 60% of the components retained in the total variance explained is acceptable. In this study total variance explained was 77.7% meaning that the data is acceptable for regression analysis.

Table 3: Total Variance Explained of Agency Banking

	Initial Eigenvalues			Rotation Sums of Squared Loadings		
Component	**Total**	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
1	2.482	41.367	41.367	2.238	37.305	37.305
2	1.137	18.950	60.318	1.279	21.309	58.614
3	1.046	17.426	77.744	1.148	19.130	77.744
4	.829	13.818	91.562			
5	.376	6.274	97.837			
6	.130	2.163	100.000			

Scree Plot for Agency Banking

The figure 3 presents the scree plot for agency banking. The results in Figure 3 shows the extraction of eigenvalues on the y axis and the number of factors on the x axis. The downward curve shows the three factors which had eigenvalues greater than 1. The curve shows the variance explained with a break point of three factors with eigenvalue and all the six parameters in the variable were included for the regression analysis.

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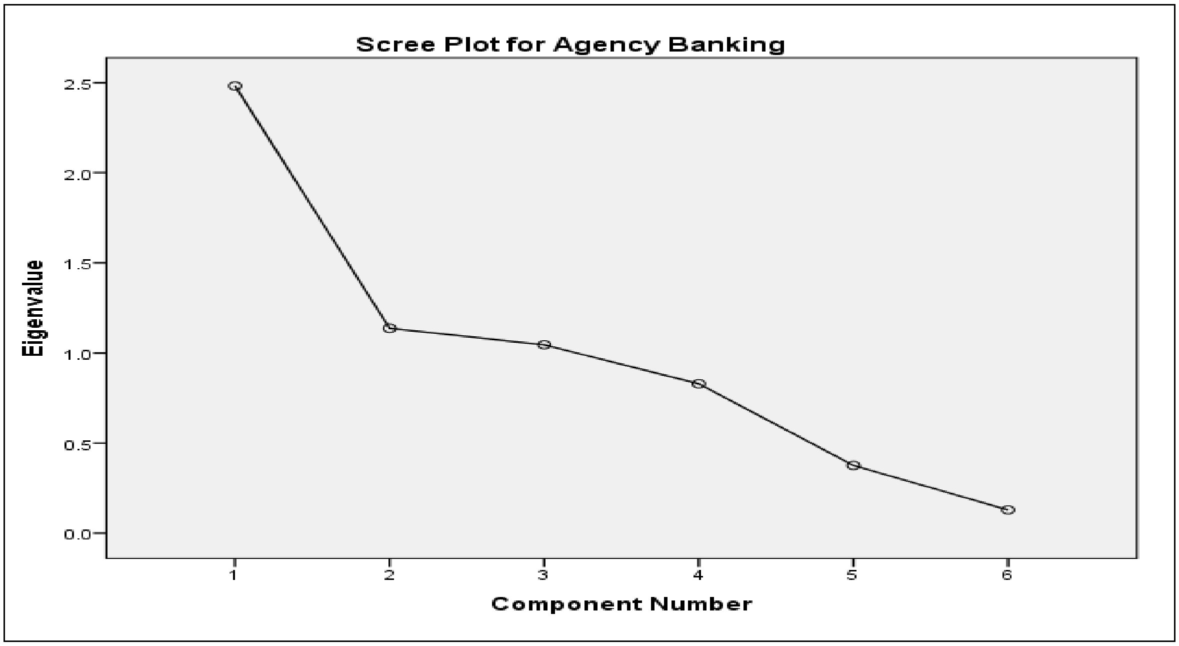

Figure 3: Scree Plot for Agency Banking

Rotated Component Matrix for Agency Banking

The Table 4 presents the rotated component matrix for agency banking. The findings in Table 4 shows that after the extraction method of PCA using rotation method of Varimax with Kaiser normalization three components were retained and sorted according to the relationship of the items: component one had three items which includes cash withdrawal, cash deposit and balance enquiry. This shows that the first component was the transaction which are regularly carried by the customer. Component two contained two items which are loan application and paying of bills are requests written by the customer to the bank to transact on his behalf. Component three had one item for transfer of funds from one account to the other. This item was removed because it was only one and a component should have at least two items.

Table 4: Rotated Component Matrix for Agency Banking

Statements	Component		
	1	2	3
The customers are able to withdraw cash in the agents	.940		
The customers are able to deposit cash in the agents	.927		
Customers can enquire their balances in the agents	.690		
Customers can apply for loans in any agent		.788	
The customers can pay bills easily in the branches		.651	
The customers can transfer funds between accounts			.928

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Inferential Analysis of Financial Innovation on Performance

Effect of Agency Banking on Performance of Microfinance Banks

The study sought to evaluate the effect of agency banking on performance of MFBs in Kenya. To evaluate the effect of agency banking (cash deposit, cash withdrawal, bill payment, balance enquiry and loan application) on performance the study tested the following null hypothesis:

H_o1: Agency banking has no significant effect on performance of Microfinance Banks in Kenya

To test this hypothesis, the mean measures of agency banking was regressed on the weighted score of performance. The Table 5 presents the model summary on Agency banking on performance. The result in Table 5 for bivariate linear regression model fitness shows that agency banking has a weak correlation with performance R= 0.304. R square was 0.92. This indicates that agency banking explains 9.2% of the variation in performance. This shows that there are other factors that contribute to the performance of MFBs.

Table 5: Model Summary for Agency Banking

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.304	.092	.077	.66883

The Analysis of Variance (ANOVA) was generated to assess the significance of the summary model in Table 6. The ANOVA Table 6 results shows that agency banking is a good predictor. The result indicates that agency banking have a statistically significant effect on performance of MFBs in Kenya at a p value of 0.18 with an F statistic of 5.908 which supports the alternative hypothesis that agency banking has an effect on performance of MFBs in Kenya. After the ANOVA the regression of coefficient results of agency banking and performance was presented in Table 6 below.

Table 6: ANOVA for Agency Banking

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	2.643	1	2.643	5.908	.018
1	Residual	25.945	58	.447		
	Total	28.588	59			

The study assessed the significance of the bivariate model between agency banking and performance of MFBs. The results in Table 7 indicates that the p-value was 0.018 which is less than 0.05 and thus the study is in favor of alternative hypothesis that agency banking has significant effect on performance of Microfinance Banks in Kenya. The findings indicate that there is a relationship between agency banking and performance of MFBs in Kenya. This supports the study by Mwenda (2016), who concluded that agency banking has changed the financial environment by creating easy access of financial services at a reduced cost of operation and transaction. This study was inconsistent with King'ori and Gekara (2015), which concluded that agents most of the times lack float and this has discouraged the customers affecting the performance of the agents negatively. This supports the study by Nezianya and Izuchuchu (2014), that confirmed agency banking has a positive effect on the performance of deposit taking microfinances in Nigeria that the adoption of agency banking has improved financial inclusion in the banking industry. The results indicate that the MFBs needs to open more outlets to reach more customers and this will contribute to the SDGs, Kenya Vision 2030, and Big Four Agenda of financial inclusion of the household left behind.

Table 8: Regression Coefficients for Agency Banking

		Unstandardized Coefficients		Standardized Coefficients		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	2.680	0.510		5.252	0.000
	Agency Banking	0.355	0.146	0.304	2.431	0.018

The model generated $Y = \beta 0 + \beta 1X1 + \varepsilon$ was given by the model

$Y = 2.680 + 0.355*AGB$.

The residuals of the regression between agency banking and performance was evaluated for homoscedasticity using normal P P plot. The Figure 4.11 presents the test of homoscedasticity of agency banking and performance of MFBs in Kenya. The Figure 4.11 show the findings of a P P plot output and the residual plot is close to diagonal line. This portrays that there is normal distribution and there is no heteroscedasticity in the data hence regression analysis was conducted because the regression bivariate model chosen was fit for the data. Shevlins and Miles (2010) argued that if the regression model chosen for the data is fit the heteroscedasticity does not occur.

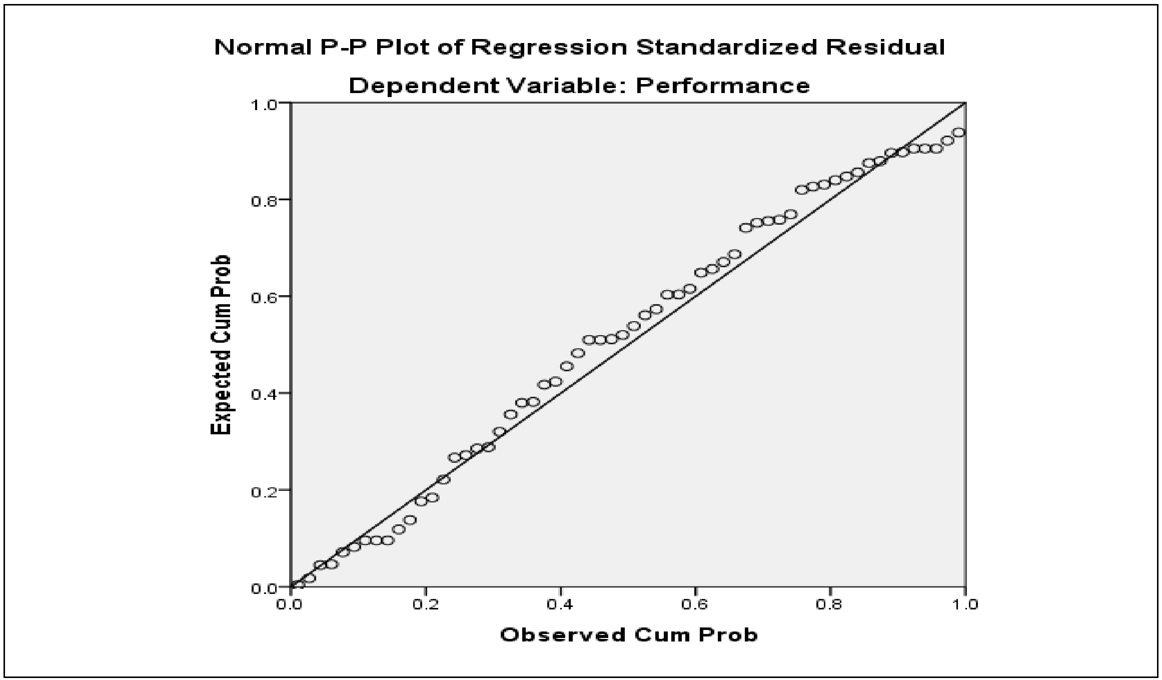

Figure 4: Homoscedasticity Test for Agency Banking and Performance

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

The descriptive statistics findings disclosed that agency banking has a positive effect on performance of MFBs. This was shown by 71.7% of the respondents were in agreement that agency banking influence the performance of MFBs. The null hypothesis that agency banking has no significant effect on performance of Microfinance Banks in Kenya was tested and the results showed that agency banking has a positive relationship on performance. The model summary showed that R square was 9.2% of variation which explained the strength of the association between agency banking and performance hence the alternative hypothesis was accepted. The findings showed that the relationship between agency and performance was p value was 0.018 and F test of 5.908 showing that the model was statistically significant for the data set. The coefficient table showed that the equation was Y = 2.680 + 0.355AGB. The findings denoted that agency banking has a moderate relationship with performance of MFBs. The MFBs are using agency banking to grow their businesses thus generating profits and capital gain.

Conclusion

The study evaluated the effect of agency banking on performance of MFBs in Kenya. The study concluded that the adoption of agency banking has enhanced performance of MFBs by increasing the number of cash deposit, cash withdrawal, money transfer, loan application and paying of bills. Agency banking was found to be positively and statistically significant. The implication of the results was found to generate profits due to increased productivity hence the customers and banks are able to increase their capital gain. The MFBs are able to provide quality services on time at a reduced cost making the customers to be satisfied with the services. The banks have reduced operation cost such as no need of opening branches or employing staff in the agents eventually increasing performance. The accounting opening duration have been reduced due to increased outlets as no going to banking hall for opening accounts.

The findings of this study will help the MFBs managers and those involved in policy making with a deep understanding on agency banking and design policies to enable accountability, transparency, effectiveness and efficiency in improving financial services and to protect the customers' interest. Policy makers will deepen microfinance regulations by the CBK and AMFI to make credit policies that will enable MFBs to safe guard bank confidentiality in credit allocations.

This study will make significant contribution to the understanding of the Schumpeter theory of innovation as the theory posits that innovation in the business is the major reason for increased investment and MFBs have invested in opening outlets everywhere increasing access to financial services. The outreach of the unbanked has created new ideas of saving and borrowing of funds to increase productivity. This have affected the performance of MFBs by providing improved service delivery and enabled easy and affordable access to banking services at reduced transaction and operation costs. This theory will increase understanding on MFBs investment in new products and services which will creates new ideas and taste to the customers thus creating new institutions and markets.

The findings of the study showed that financial innovation is among the important management practices that are contributing to the performance of the banks. The management should have knowledge and skills to improve the effectiveness of working systems and this will enhance the performance. MFBs should ensure that agents are well equipped with new technology to improve the quality of services. The management team should introduce training and recognition schemes to empower the employees. This will help in improving the performance and build the loyalty of the MFBs.

Recommendations

The study recommends that MFBs should open more agents especially in the rural areas to facilitate population access near services. In addition, the management team and the policy makers should ensure that policies are elaborated to protect the customers from fraud and also exploitation by the business owners due to higher transaction cost and the business operating the agents should be trained on fraud policies because it is affecting many customers. The government and the MFBs should ensure all those operating the agents are well trained on record keeping, managing of funds, and customer care.

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