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CONSTRAINTS HINDERING OPERATION OF FINANCIAL SERVICES ON BANKING AGENCY IN KENYA: A CASE OF NATIONAL BANK OF KENYA LIMITED

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Abstract: **Agency banking as a replica has been very flourishing in boosting the commercial banks' performance in most developing states more so in Kenya. According to the findings the relationships in the study were positive and significant. The relationship between accessibility of banking services and operation of financial services had a coefficient of 1.251 and a p-value of 0.000. In addition, the relationship between low cost of service and financial services of national bank of Kenya had a coefficient of 0.800 and a p value of 0.000. Further, the relationship between customer and the financial services of national bank of Kenya had a coefficient of 0.311 and a p-value of 0.008.The study concludes that there is a positive and significant relationship between accessibility of banking services, low cost of service and customer transactions as a result of agency banking and financial services of national bank of Kenya in kiambu county. Banking using agents excels in service quality and service delivery. Agency banking has low infrastructural cost and hence reduction in cost. Efficiency and convenience in operation in agency banking have increased the banks customers' transactions. The study recommends that national bank of Kenya in Kiambu County should increase the number of agents in estates and in the rural areas. This study also recommends that national bank of Kenya banks should also lower the charges of making transactions in agency banks. To improve the adoption of agency banking, national bank of Kenya in Kiambu County should improve customer's perception by making more advertisements and increase promotion activities.**

Keywords: **financial services, commercial banks, customer, banking services, making transactions, national bank.**

1. INTRODUCTION

Background of the Study:

Every facet of life has been influenced by the increased developments in information technology. One of those sectors majorly affected is the banking sector. Operations of many banks have been redefined with introduction of electronic banking, with many benefits being realized like flexibility in customers' service and low cost of banking. Agency banking refers to a partnership with non–banks, typically retail commercial outlets to provide distribution outlets for financial services (Kumar et al; 2011). The proprietor/representative leads the exchange and gives customers a chance to store, pull back and exchange reserves, pay their bills, ask around a record adjust or get government benefits or an immediate store from their employer (CBK, 2014).

Agency banking model requires commercial banks to depend on the current framework as far as stores, credit unions, inns and petrol stations to connect with clients. Specialists can be constrained obligation organizations, helpful social orders, parastatals, trusts, associations or people (Kandie, 2013). Any substance which is religious or not-for-benefit, a non-administrative association, an instructive organization, forex department or some other element which, under any relevant law is not permitted to bear on benefit making business might not take part in specialist managing an account business. Agents are chosen in light of their system, administrations to be given, hostile to government evasion methodology procedure and projections imagined from agency business (Mwangi, 2011).

Mwangi (2013) in an evaluation of the role of agency banking in the performance of commercial banks in Kenya concluded that infrastructure cost and security influence the performance of commercial banks attributable to agency banking to a very great extent. Agency banking should be given more attention on security measures including risk based approach and that the banks should find better ways of screening their agents to ensure that the large cash transactions handling is effectively carried out on their behalf. It is also recommended that the banks should explore other services other than money transfer only to improve their performance through agency banking which include: secure operating systems capable of carrying out real time transactions, generating an audit trail and protecting data, confidentiality and integrity.

One of the many reasons that attributed to the low financial inclusion in especially rural areas and especially in Kiambu County is the long distance that people needed to travel to access financial services. Sometimes, the amount of money someone wanted to withdraw from the bank could be equivalent or even less than the transportation cost, while others found the new ultra-modern banking halls intimidating, thus avoided formal financial services and opted for informal financial services that were readily accessible in rural areas (Wainaina, 2011).

Ivatury and Timothy (2006) alluded to the benefits of agency banking which include; lower transaction cost, closer to client's home hence customers are able to withdraw or deposit little amounts without incurring extra costs like transport to a bank branch, longer operating hours, shorter queues and easily accessible for illiterates and the very poor who might feel intimidated in branches. According to Kitaka (2001), agencies help financial institutions to divert existing customers from crowded branches providing a complementary often more convenient channel. Other financial institutions especially in developing markets use agents to reach an additional client segment or geography.

Reaching poor clients in rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost of a branch. In such environments, agents lower set up and running costs and play a vital role in offering many low-income people their first-time access to a range of financial services. Also, low-income clients often feel more comfortable banking at their local agent than walking into a brick and mortar bank (Adera, 2005).

Rutere (2014) noted that non-convectional banking transactions offered through agency banking and alternative business channels have overtaken the transactions done at the brick and mortar banks in Kenya. Brazil has been successful with using agents to expand access to financial services. This has been as a result of many years of experience, evolving from more restricted possibilities to less stringent licensing conditions, without loosening the monitoring capacity of the supervision authority. This important achievement has been possible because of coordination among different stakeholders, such as financial system regulators, private institutions and other governmental entities, which together supported financial inclusion with the overall goal of meeting customer's needs (Fadel & Dias, 2009).

Despite the enormous role played by operation of financial services on banking agency services in Kenya, there are numerous challenges affecting agency banking hindering them from smooth operations; that is capacity of agency in offering the desired services such as inferior network availability, liquidity; that's cash flow management, security, adapting the change of doing business of agents at large, accessibility from the customers point of view, agents business closing down the business amongst others. The latter, is the worst case scenario observed in a number of agencies of National Bank of Kenya Ltd, where agents after a number of months in operation opt to completely close down business.

These issues have constrained the widespread implementing, operations and the success of agency banking making the goal of financial inclusion as envisioned in Kenya's Vision 2030 that agency banking is supposed to address remain elusive. This research sought to examine constraints hindering operation of financial services on banking agency in Kenya, a case of National Bank of Kenya Ltd

2. LITERATURE REVIEW

Intermediation Theory:

The theory regarding financial intermediation was developed in the 60's, the starting point being the work of Gurley and Shaw. Economic role of financial intermediaries which include Investment banks, insurance, commercial banks and agency banking, build on the economics of imperfect information that began to emerge during the 1970s with the seminal contributions of Akerlof (1970), Spence (1973) and Rothschild and Stiglitz (1976).Financial intermediaries exist because they can reduce information and transaction costs that arise from an information asymmetry between borrowers and lenders. Financial intermediaries thus assist the efficient functioning of markets and any factors that affect the amount of credit channeled through financial intermediaries can have significant macroeconomic effects.

There are two strands in literature that formally explain the existence of financial intermediaries. The first strand emphasizes financial intermediaries' provision of liquidity. The second strand focuses on financial intermediaries' ability to transform the risk characteristics of assets. In both cases, financial intermediation can reduce the cost of channeling funds between borrowers and lenders, leading to a more efficient allocation of resources.

Diamond and Dybvig (1983) analyze the provision of liquidity (the transformation of illiquid assets into liquid liabilities) by banks. In Diamond and Dybvig's model, investors (depositors) are risk conscious and uncertain about the timing of their future consumption needs. Without an intermediary, all investors are locked into non-liquid long-term investments that yield high payoffs only to those who consume late. Those who must consume early receive low payoffs because early consumption requires premature liquidation of long-term investments. Banks can improve on a competitive market by providing better risk sharing among agents who need to consume at different and random periods. An intermediary promising investors a higher payoff for early consumption and a lower payoff for late consumption relative to the non-intermediated case enhances risk sharing and welfare.

Agency banking is about bringing technology innovation to the front end of the bank, as a financial intermediary. While this ought to divert much of the transactional volume that is now channeled through bank branches, it does not make bank branches obsolete rather provides synergies that all parties benefit from.

Agency Theory:

During the 1960's and early 1970's economists explored risk sharing among individuals or groups. Agency theory broadened this risk sharing idea. Agency theory is directed at the ubiquitous agency relationship in which one party (The Principal) delegates work to the other party (the Agent) who performs the work. The agency theory shows the contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling resources (Lambert, 2002). Jenses and Meckling (1976) were the first scholars to explicitly model the theory of agency.

Agency theory is based on the premise that agents are more informed than the principals. This information asymmetry affects the ability of the principal to effectively monitor their wealth and this is where the agents came in handy to help. It also assumes that principals and agents act rationally (Brigham & Gapenski, 1993). In the simplest agency models, the organization is reduced to these two contracting characters: the principal and the agent. The principal's roles are to supply capital, to bear risk and to construct incentives, while the role of the agent are to make decisions on the principal's behalf and to also bear risk (Lambert, 2002).

Bank-Focused Theory:

The bank-focused theory arises when a traditional bank uses non-traditional low-cost delivery channels to provide financial services to its existing customers. Examples vary from the use of automatic teller machines (ATMs) to internet banking or mobile phone banking to provide certain limited banking services to clients. This model is additive in nature and may be seen as a modest extension of conventional branch-based banking.

Though the bank-focused model offers advantages such as more control and brand visibility to the financial institutions concerned, it is not free of challenges. The clients' primary concerns regard to the quality of experience, security of identity and transactions, reliability and accessibility of service and the extent of personalization allowed. Banks address these issues by providing a branchless banking service with an easy to use interface, made secure with the help of multi-factor authentication and other technology, capable of running uninterrupted 365 days a year (Mas, 2009).

Task Technology Fit (TTF) Theory:

This theory contends that it is more likely to have a positive impact on individual performance and be used if the capabilities of Information Communication and Technology (ICT) match the tasks that the user must perform (Goodhue and Thompson, 1995). Goodhue and Thompson (1995) mention the factors that measure task-technology fit as; quality, locatability, authorization and compatibility, ease of use/training, production timeliness, systems reliability and relationship with users.

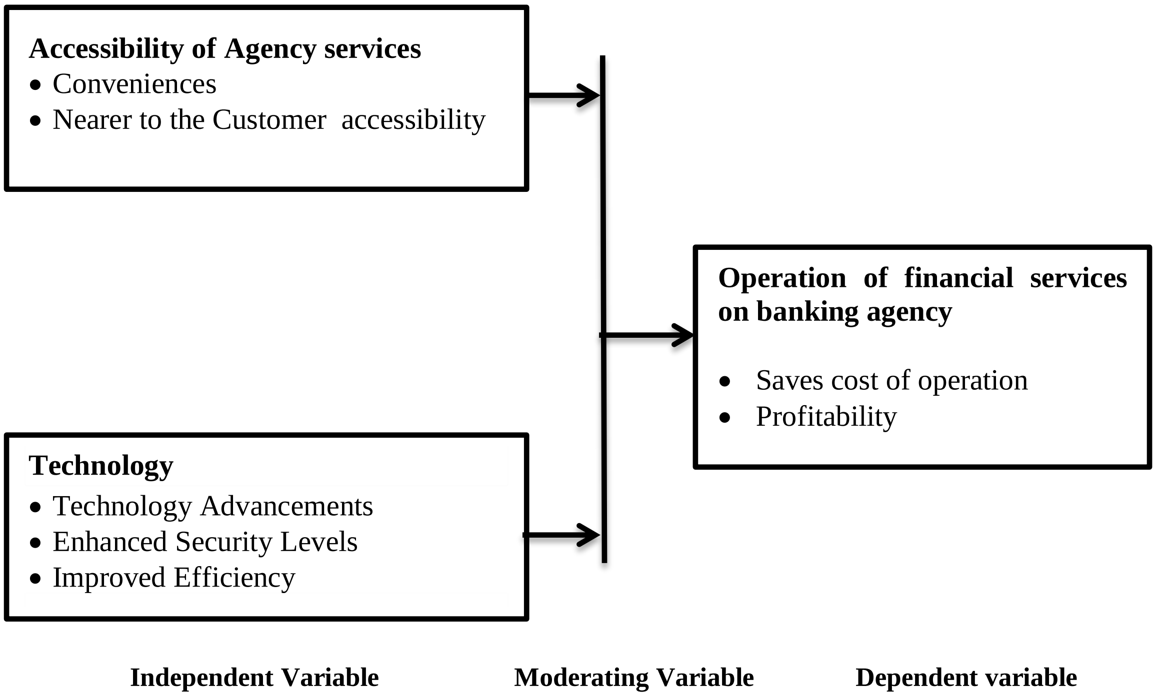
The model is useful in the analysis of various context of a diverse range of information systems including electronic commerce systems combined with or used as an extension of other models related to information systems outcomes. According to the theory of task-technology fit, the success of an information system should be related to the fit between task and technology, whereby success has been related to individual performance (Goodhue and Thompson, 1995) and to group performance (Zigurs and Buckland, 1998). For group support systems, a specific theory of task-technology fit was developed (Zigurs and Buckland, 1998) and later tested by (Zigurs, Buckland, Connolly and Wilson, 1999) and detailed the requirements of group support systems to fit group tasks. For mobile information systems, task-technology fit has been shown to be generally relevant, but more specific questions regarding the applicability of task-technology fit to mobile information systems remain unanswered (Gebauer and Shaw, 2004).The theory of task-technology fit maintains that a match between business tasks and information technology is important to explain and predict the success of information systems (Goodhue and Thompson, 1995; Zigurs and Buckland, 1998).

For various scenarios of task and technology, statistical significance has been established of a positive association between task-technology fit and information system success measures, such as use (Dishaw and Strong, 1999), and impact on individual performance (Goodhue and Thompson, 1995) and on group performance (Zigurs et al., 1999). The concept of task-technology fit promises to help identify aspects that are critical to support a given business task, and can thus, contribute to the success of technology innovations (Junglas and Watson, 2006).

One such innovation is represented by mobile technology to support an increasing mobile workforce (Barnes, 2003). Upon applying the theory of task-technology fit to mobile information systems, however, it becomes apparent that previous studies have focused mainly on the functionality that is provided by the technology and have paid less attention to the context in which the technology is being used (Perry, O'Hara, Sellen, Brown, and Harper, 2001). At the same time, however, usability studies suggest that the use-context may have a non-trivial impact on the conditions of task-technology fit (Perry et al., 2001).

First, it can be observed that non-functional features, such as weight and size, play a more prominent role in mobile than in non-mobile use contexts (Gebauer and Ginsburg, 2006; Turel, 2006). Second, functional requirements may shift as business tasks are often performed differently in mobile versus non-mobile use contexts (Gebauer and Shaw 2004; Perry et al., 2001; Zheng and Yuan, 2007). As a result of the observable changes of business tasks and related technology requirements, it becomes necessary to assess the applicability of the theory of task-technology fit to mobile technologies and mobile use contexts, and to carefully determine the needs for theory adjustments and extensions (Junglas and Watson, 2006; Lyytinen and Yoo, 2002).

Conceptual Framework:



Research Gaps:

A lot of literature on the contribution of agency banking to various levels of economic growth exists. The literature review of this study has highlighted agency banking benefits to include economic growth to the banking industry and enhancing community development especially in the less developed areas of an economy. However, very little has been done to examine constraints hindering operation of financial services on banking agency in Kenya a case of National Bank of Kenya Ltd, hence adding new knowledge and this information shall be used in data collection so as to meet the objective of the study.

3. RESULTS AND FINDINGS

Gender of the Respondents:

The respondents were asked to indicate their gender. The findings are presented in figure below.

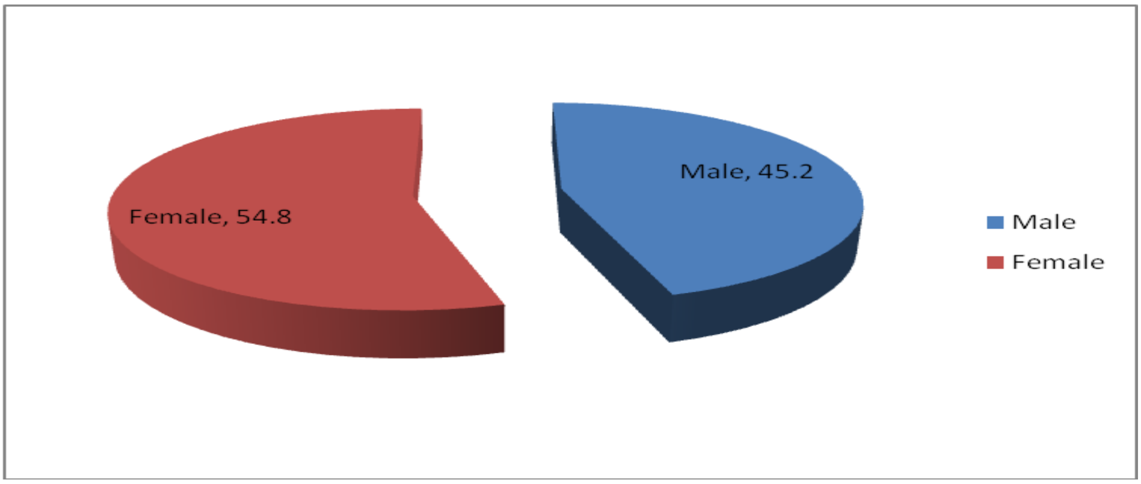


Figure: Gender of the Respondents

From the findings, 54.8% of the respondents indicated that they were female while 45.2% indicated that they were male. This shows that most of the respondents in this study were female.

Age bracket of the Respondents:

The respondents were also asked to indicate their age bracket. The findings are presented in figure below.

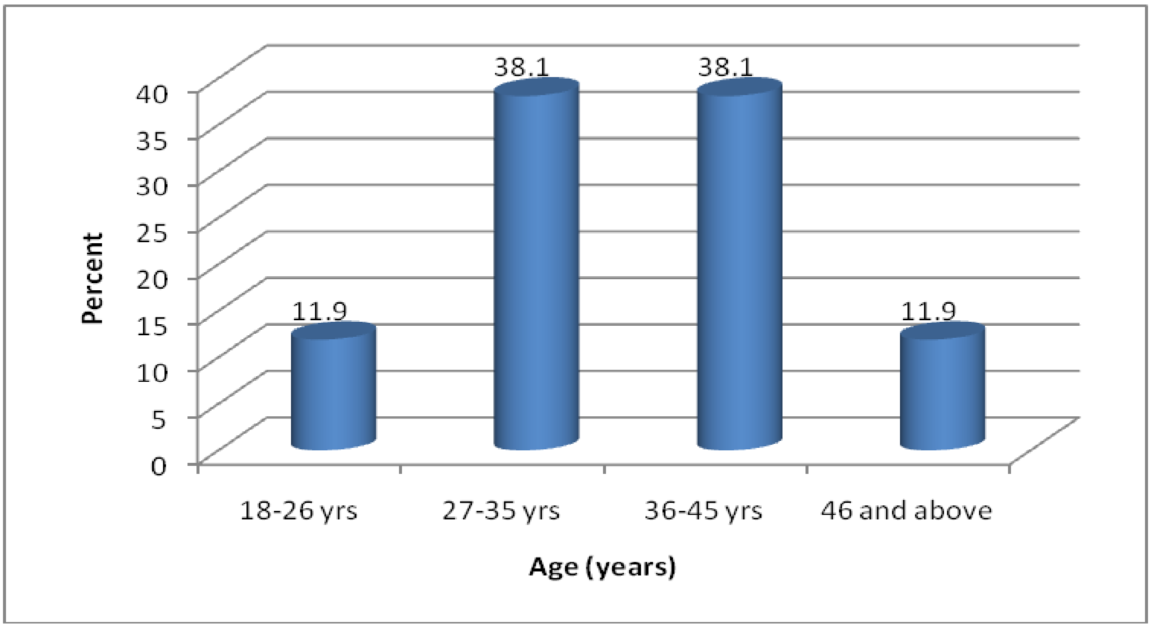


Figure: Age bracket of the Respondents

According to the findings, 38.1% of the respondents indicated that they were aged between 27.35 years, the same percent indicate that they were aged between 36 and 45 years, 11.9% indicated that they were aged between 18 and 26 years and the same percent indicated that they were 46 years and above in age. This show that most of the respondents in this study were above 27 years in age.

Highest Level of Education of the Respondents:

The respondents were requested to indicate their highest level of education. The findings are shown in figure below.

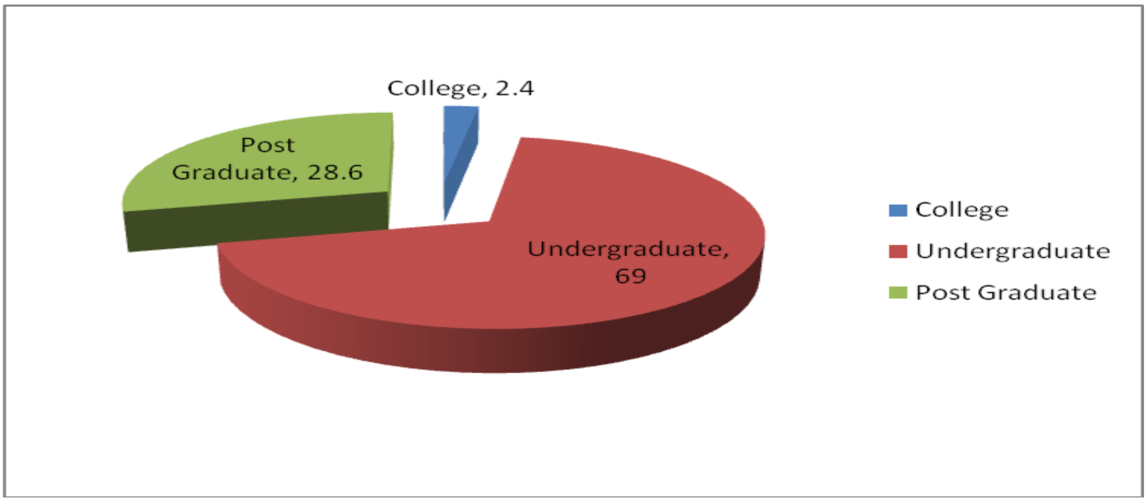


Figure: Highest Level of Education of the Respondents

From the findings, 69% of the respondents indicated that they had undergraduate education, 28.6% indicated that they had post graduate education and 2.4% indicated that they had college education. This shows that most of the respondents in this study had undergraduate education and hence they had the information required in relation to agency banking and financial performance.

Duration of Operating Agency Banking:

The respondents were further asked to indicate for how long their bank had been operating agency banking. The results are presented in figure below.

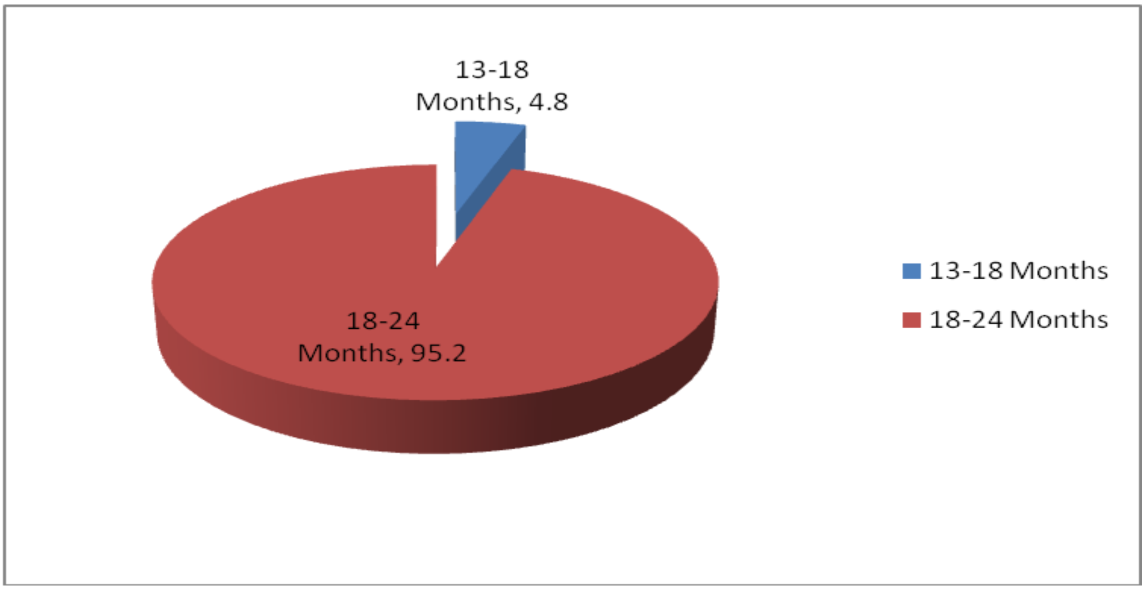


Figure: Duration of Operating Agency Banking

As indicated in figure 4.4 above, 95.2% of the respondents indicated that their premises had being operating agency banking for between 18 and 24 months and 4.8% indicated for between 13 and 18 months. This show us that agents have being operating agency banking services

Accessibility of Banking Services and operation of financial services on banking agency:

The study sought to establish the effect of accessibility of banking services through agency banking.

Accessibility of banking services and operation of financial services on banking agency:

The respondents were asked to indicate whether accessibility of banking services through agency banking affect operation of financial services on banking agency in Kiambu county.

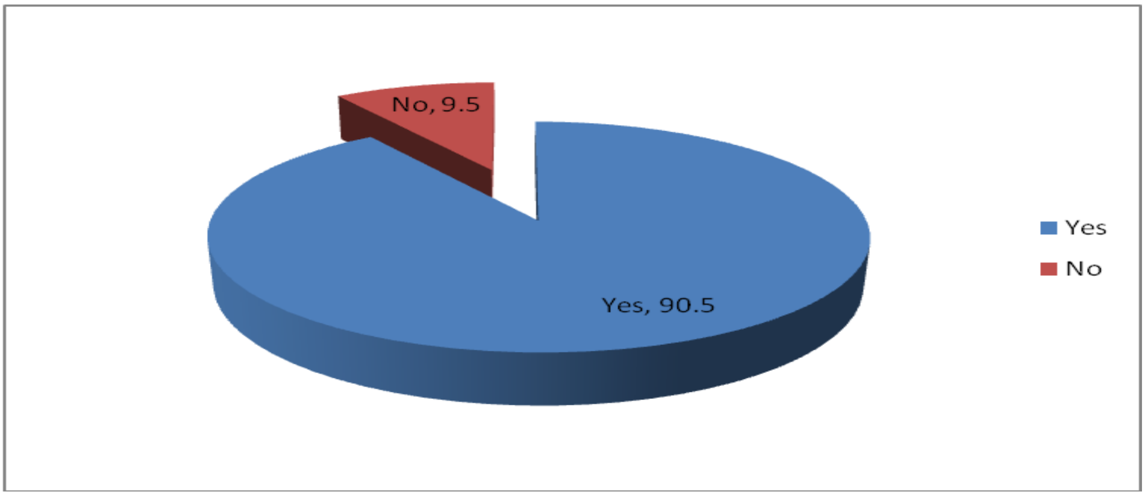


Figure: Low Transaction Cost and Financial services

From the findings, 90.5% of the respondents indicated that accessibility of banking services through agency banking affect the operation of financial services on banking agency in Kiambu County while 9.5% disagreed. From these findings we can deduce that accessibility of banking services through agency banking affects the financial performance of commercial banks in Kenya.

Extent of Accessibility of Banking Services Influence on operation of financial services on banking agency:

The respondents were further asked to indicate the extent to which accessibility of banking services through agency banking affect the operation of financial services on banking agency in Kiambu County

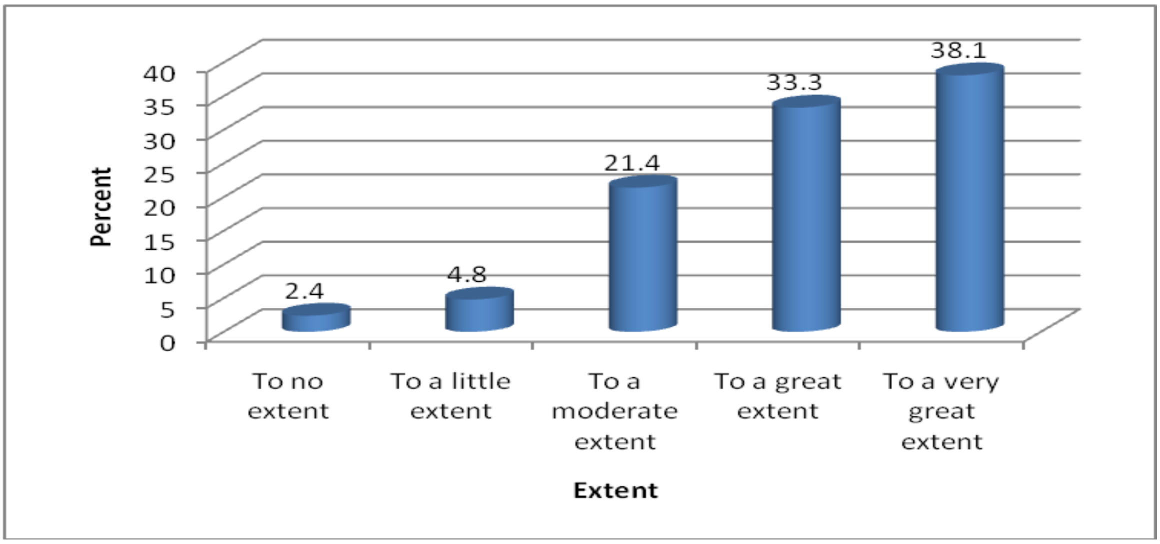


Figure: Accessibility of Banking Services Influence on operation of financial services on banking agency in Kiambu County

From the findings, 38.1% of the respondents indicate that accessibility of banking services through agency banking affects the operation of financial services on banking agency in Kiambu county to a very great extent, 33.3% indicated to a great extent, 21.4% indicated to a moderate extent, 4.8% indicated to a little extent and 2.4% indicated to no extent at all. From these findings we can deduce that accessibility of banking services through agency banking on operation of financial services to a very great extent.

Effect of accessibility of banking services on operation of financial services:

The respondents were further asked to indicate the extent to which they agreed with accessibility as being important in operation of financial services of agency banking where 1 was strongly disagree, 2 was disagree, 3 was neutral, 4 was agree and 5 was strongly agree.

Table: Effect of accessibility of banking services on Financial Performance

	Mean	Std. Deviation
Agency banking is accessible, in terms of agency locations and general national footprint	4.0714	.70772
Agency banking excels in Service delivery	4.1190	.66595
Agency banking excels in Service Quality	4.1667	.61768
Agency banking improves its banking Environment	3.9524	.72652
There is great potential of using this in agent banking for provision of banking services to unbanked community	3.9762	.71095
Agency banking has led to accessibility of financial service to many customer in remote areas	4.0000	.72809
Accessibility of banking service through agency banking has led to profitability of commercial banks	4.0714	.67281
Agency banking increases effectiveness and efficiency of service delivery in commercial banks in Kenya	4.0000	.76047

According to the findings, the respondents agreed with a mean of 4.1667 and a standard deviation of 0.61768 that agency banking excels in service quality. The respondents also agreed with a mean of 4.1190 and a standard deviation of 0.66595 that agency banking excels in Service delivery. Further, the respondents agreed with a mean of 4.0714 and a standard deviation of 0.67281 that accessibility of banking service through agency banking has led to profitability of national bank of Kenya in Kiambu county. In addition, the respondents agreed with a mean of 4.0714 and a standard deviation of 0.70772 that agency banking is accessible, in terms of agency locations and general national footprint.

The respondents also agreed with a mean of 4.0000 and a standard deviation of 0.72809 that agency banking has led to accessibility of financial service to many customer in remote areas. Further, the respondents agreed with a mean of 4.0000 and a standard deviation of 0.76047 that agency banking increases effectiveness and efficiency of service delivery in commercial banks in Kenya. In addition, the respondents agreed with a mean of 3.9762 and a standard deviation of 0.71095 that there is great potential of using this in agent banking for provision of banking services to unbanked community. Lastly, the respondents agreed with a mean of 3.9524 and a standard deviation of 0.72652 that agency banking improves its banking Environment.

Technological Factors That Affect Agency Banking:

The following seek to establish the technological factors that affect agency banking adoption. This section sought to establish the views of the respondent regarding technological factors that affect agency banking adoption. This was divided into four subsections and the first one was Relative Advantage/Perceived Usefulness and adoption of agency banking.

Relative Advantage/Perceived Usefulness and operation of financial services:

Reduction in Operational Costs:

On the statement that Agency banking has led to a reduction in operational costs, results in table revealed that 76.7% of the respondents strongly agreed while 23.3% agreed adding up to a total of 100% who agreed. These findings agreed with those of Watiri (2013) who sought to determine the adoption of agency banking by equity bank in its international business operations. The findings of the study revealed that the main factors influencing the adoption of agent banking on operation of financial services in Kiambu county are, (i) Cost reduction (ii) Enhancement of customer service (iii) Expanded presence by banks particularly in remote areas.

Table: Reduction in Operation Costs

Statement		Frequency	Percent
Agency banking has led to a reduction in operational costs.	Agree	7	23.3
	Strongly Agree	23	76.7
	Total	**30**	**100**

4. DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

Introduction:

This chapter presents the discussion on key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the purpose of the study.

The study established that there is a positive relationship between the accessibility of banking services through agency banking and operation of financial services national bank of Kenya in Kenya (p-value=0.000). In addition, the study found that accessibility of banking service through agency banking has led to profitability of national bank of Kenya Kiambu county (90.5%). Further, the study found that agency banking is accessible, in terms of agency locations and general national footprint (M=4.0714, σ=0.70772). Additionally, agency banking has led to accessibility of financial service to many customer in remote areas and it increases effectiveness and efficiency of service delivery in NBK in Kiambu county (M=4.1190, σ=0.66595).

The study also found that there is a positive relationship between low cost of service through agency banking and the operation of financial services of national bank of Kenya in Kiambu county (pvalue=0.000). The study also established that agency banking has low infrastructural cost and hence reduction in cost (92.9%). Further, the study found that time spent in agency banking is low compared to the normal banking and the presence of agent banking in the sub counties help low income earners to save (M=4.2143, σ=0.67790). Additionally, the study found that agency banking reduces transactional related costs and overheads (M=4.1667, σ=0.69131).

The study further established that there is a positive relationship between increased customer transactions through agency banking on the operation of financial services of national bank of Kenya (p-value = 0.008). The study established that customers can pay their loans through agency banking (M=4.3095, σ=0.60073). Further, the study found that efficiency and convenience in operation in agency banking have increased the banks customers' transactions (M=4.2619, σ=0.58328). In addition, the study established that the number of active agents has been increasing (M=4.2381, σ=0.57286). Additionally, the study revealed that the volume of deposits and withdrawals transactions increases the bank profitability (M=4.1667, σ=0.90292).

Discussion:

Accessibility of Banking Services and Financial services:

The study sought to establish the effect of accessibility of banking services through agency banking on the operation of financial services of national bank of Kenya. The study established that accessibility of banking services through agency banking affects the operation of financial services of national bank of Kenya in Kiambu county to a very great extent (38.1%). These findings agreed with Kirui, Okello and Nyikal (2012) findings that mobile phone money transfer (MMT) systems in increasing accessibility of financial services especially to farmers in rural areas have improved the operation of financial services of national bank of Kenya in Kiambu county.

The study also established that agency banking excels in service quality (M=4.1667, σ=0.61768). The study also established that agency banking excels in Service delivery (M=4.1190, σ=0.66595). These findings agree with Okiro & Ndungu (2013) argument that internet banking, online banking and agency banking lead to a notable increase in effectiveness, efficiency and productivity of national bank of Kenya in Kiambu county. Further, the study revealed that accessibility of banking service through agency banking has led to profitability of national bank of Kenya (M=4.0714, σ=0.67281). In addition, the study found that agency banking is accessible, in terms of agency locations and general national footprint (M=4.0714, σ=0.70772). These findings concur with Kirui, Okello and Nyikal (2012) findings that accessibility to banking services improves the financial performance of banks like profitability and sales.

The study also revealed that agency banking has led to accessibility of financial service to many customer in remote areas (M=4.0000, σ=0.72809). According to Aduda, Kiragu and Ndwiga (2013), customers in rural and remote areas travel long distances to access financial services a fact that makes banking and other financial services unpopular in such areas. This has led to poor performances by some institutions. The study also found that that agency banking increases effectiveness and efficiency of service delivery on national bank of Kenya (M=4.0000, σ=0.76047). In addition, the study established that there is great potential of using this in agent banking for provision of banking services to unbanked community (M=3.9762, σ=0.71095). Lastly, the study revealed that agency banking improves its banking Environment (M=3.9524, σ=0.72652).

Low Cost of Service and operation of financial services:

The study also sought to find out the impact of low cost of service as a result of agency banking on the operation of financial services. The study found that low transaction cost of agency banking affects the operation of financial services to a great extent (40.5%). These findings agree with Calleo (2014) argument that low cost of service in national bank of Kenya in Kiambu county increases the number of transactions and hence improvement of financial services . The study also established that agency banking has low infrastructural cost and hence reduction in cost (M=4.2857, σ=0.66896). The study also found that agents in the county help low income earners to save (M=4.1667, σ=0.72533).

In addition, the study revealed that agents prior experience with the banks customers is positively related to both performance and survival (M=4.2381, σ=.65158). Further, the study found that time spent in agency banking is low compared to the normal banking (M=4.2143, σ=0.67790). These findings agree with Younus (2013) argument that the cost of running a agency banking is low compared to the cost of running a bank branch. The study also established that the presence of Chase Popote help low income earners to save (M=4.1667, σ=0.72533).

Additionally, the study found that agency banking reduces transactional related costs and overheads (M=4.2857, σ=0.66896). These findings concur with Mutua (2012) earlier findings that through agency banking, transactional related costs and overheads are reduced therefore improving operation of financial services. Further, the study found that cost involved in agency banking positively influence financial services of national bank of kenya (M=4.1190, SD=0.66595). In addition, the study established that the cost of setting up the agency is transferred to agents and hence low cost of offering service (M=4.1190, σ=0.85595). The study also established that cost involved in transacting in agency banking is low compared to banking hall (M=4.0476, σ=0.79007).

Conclusions:

What is the effect of accessibility of banking services through agency banking on the operation of financial services in Kenya?

The study concludes that there is a positive and significant relationship between accessibility of banking services as a result of agency banking and operation of financial services of national bank of Kenya in Kiambu county (p-value=0.000). The study, also, concludes that banking excels in service quality and service delivery. In addition, agency banking has led to accessibility of financial service to many customer in remote areas and hence an increase in effectiveness and efficiency in service delivery. Agency banking is accessible in terms of agency locations and general national footprint has led to an increase in profitability of national bank of Kenya in Kiambu county.

What is the effect of low cost of service through agency banking on the operation of financial services?

The study also concludes there is a positive significant relationship between low cost of service as a result of agency banking and operation of financial services of national bank of Kenya (pvalue=0.000). Agency banking has low infrastructural cost and hence reduction in cost. Further, time spent in agency banking is low compared to the normal banking the presence of national bank of Kenya helps low income earners to save. In agency banking, the cost involved in setting up the agency is transferred to agents and hence low cost of offering service.

Recommendations:

What is the effect of accessibility of banking financial services

This can be done by reducing the requirements of becoming a bank agent. The study also recommends that the government of Kenya should improve security in towns, estates and in the rural areas.

What is the effect of low cost of service through agency banking?

By reducing the cost of financial services recommends that NBK in Kiambu county should also lower the charges of making transactions in agency banks. This will help to increase the number of transactions made my customers through agency banking.

Recommendation for further studies:

This study was limited to national bank of Kenya Ltd in Kiambu County. The study therefore recommends that further studies should be conducted on the effect of agency banking on the operation of financial services on national bank of Kenya. The study also recommends further studies on the challenges facing the adoption of agency banking by national bank of Kenya Ltd in Kiambu county. The study further recommends studies on the customer related challenges facing the adoption of agency banking in national bank of Kenya Ltd in Kiambu county.

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