Barriers to Uptake and Use of Mobile Banking Products: A Case of Agency Banking in Kenya

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Introduction

- In February 2011, the Central Bank of Kenya (CBK) released regulations allowing banks to recruit third party agents to offer limited banking services on their behalf. Though this seemed a welcome move because the agency banking promised to provide an extension of traditional banking services to the un-banked, a study on the stabilization of agency banking products in Kenya found out that these models were experiencing difficulties in rollout, uptake and use by the poor and marginalized populations.
Justification

- A GSMA (2011) report further indicated that M-PESA in Kenya was the only mobile money product world over that had experienced significant uptake and use.

- It was therefore prudent to dissect all contextual factors surrounding the execution process of mobile banking products in order to unearth whatever it is that constitutes an impediment to the successful uptake and use.
Context of use

Context of use has been defined as the actual conditions under which a given artifact/software product is used, or will be used in a normal day to day working situation (Encyclopedia Britannica), these situational factors that influence the use and usability of a system. They include: Technical or system, Social, Environmental and organizational factors.
Literature Review

- Agency banking as an innovation suggests that both technology and social be accorded implied equal status as none of the two words i.e. mobile-technical and banking – social determine the other; there is no boundary in the constitution of the product
Theoretical framework: The Actor Network Theory (ANT)

- The theory's aim is to describe a society of humans and non-humans as equal actors tied together into networks built and maintained in order to achieve a particular goal (Callon and Latour 1991). This theory stresses the fact that these networks do not act in isolation but are built in and have to be maintained in order for goals to be achieved. There is effective cognizance of the role of each actor in the execution of defined mandates in the network.
In order to address the objective of financial inclusion through agency banking, it is important to understand what elements are involved and how these elements map out their coexistence. In ANT the actor identities and qualities are defined during negotiations between the representatives of human and non-human actants.

At the initial stage the focal actor representing the innovation has to identify crucial associates in order to execute the product.
The representation by these players involves delegation which involves:

- Construction of common definitions and meanings
- Define the representativities
- Co-opt each other in the pursuit of individual and collective objectives-
Networks are put into place by actors. Since there is no actor without a network, new actors emerge from existing ones. The attempt of an existing actor to grow and include new domains is the starting point in the emergence of a network. Networks allow actors to translate their objectives, be it conscious human choice of prescription of an object, into actors and adding the other actors’ power to their own. Through negotiations, intrigues, calculations, acts of persuasion and violence an actor is conferred authority by the actors to act or speak on behalf of others (Callon, Latour, 1981).
Translation

Translation is the creation of actors and the process consists of four major stages (Callon, 1986):

1. Problematisation: This is the first moment of translation during which the focal actor defines identities and interests of other actors that are consistent with its own interests and establishes itself as an obligatory passage point, thus rendering itself indispensable. It is the stage and process where the focal actor sets to recruit others to partner in offering the product.
Translation contd

- **Interessment** - this is the process of convincing other actors to accept definition of the focal actor. It involves the recruitment of actors. Key actors build interest and lock key allies in by finding ways to formulate the problem or solution in such a way that key allies will associate with their own interest with the formulation.

- **Enrollment** - this is the moment that actors accept the interests defined by the focal actor. Problem or solution is enacted as an accepted fact. The problem or solution is legitimized by controlling or influencing the production of facts by using allies and spokespersons and by inscribing problems or solutions in the organizational memory.
Mobilization – At this stage the actors are already enrolled and the solution gets wider acceptance. Compliance is ensured by monitoring the network and addressing descent as and when it arises. The key actors use the stability in the network to enact solutions.

Methodology

This was a multi-case study of three mobile banking products of the transformational nature rolled out in Kenya. Data was collected through questionnaires, FGD’s with agents and users. In-depth interviews was used with key informants.
Methodology continued

• The ANT interpretivist ontological foundation was used to follow actors while ANT distinct ontology was used to study actors (animate and inanimate) in the network formation and consequently the analysis of the study findings.

• Data sources were purposive dictated by the ontology of following actors. Key informants constituted actors involved in the rollout (Bank officials and regulators).

• An agents list was obtained from participating banks while users were identified at the outlets.
Theoretical framework
Results & discussions

Following the context of use trajectory used, barriers to uptake and use were identified as follows:
Environmental factors

- Although agency banking was independent of physical infrastructures like elaborate banks, roads or water,
- the service was depended on electricity to charge the phones and lighting,
- secure shops as well as proximity to main banks for liquidity balancing.
- As a result of poor roads and lack of electricity efficiency in the execution process was hampered to a great extend.
Challenges in Agency business
Social factors

• Fear of system based products
• Minimal transactions cited by agents were attributed to lack of understanding of how banking was beneficial to their lives
• well as little awareness creation by the innovating firms.
• users were skeptical of the functionality of agents
• It is also important to establish their source of income in order to serve them accordingly.
• burdensome requirements of identification
Technological factors

- The study revealed that agents and users used mobile phones or POS to transact which proved adequate in providing access. However the devices came with use implications. The phones required network connection, airtime (which came as an additional cost) and charge to operate, understanding, system related failure of the transaction devices.

- Services were also network based and most of the respondents cited the network as ineffective slowing down uptake and use. Confirmation messages not forthcoming
- System based fraud was also cited by the key informants. – Lack of firewalls to detect fraud
- banks and the MNOs have clauses which leave the risk to the user be it the customer or the agent and most of the times advise victims to seek police assistance.
- The effect of the limited network coverage in Kenya (34%) of the land mass had a negative effect on actual use of products as not all areas were covered and sometimes users were unable to use their mobile phones in their localities.
Organizational factors

- Powerful organizations are able to scale products through a large customer base.
- A strong personality
- The type of relationship between the key personality and the organization is also important.
- A strong brand name.
- None of the CEOs in charge of products studied was actively involved in the negotiations that describe the current structure of the mobile banking products.
- It was also evident that organizations under study were busy launching product after product, albeit with slightly similar alterations yet predecessor products continued to struggle in their takeoffs.
Regulatory factors

- To the users the KYC rules are burdensome
- The agents have also cried of the same stringent requirements
- The strict rules governing sub-agent recruitment.
- A threat voiced by the banks was the exclusivity requirement
- Agents in Kenya were only allowed to initiate registration of customers and submit the documentation to the bank for vetting.
Security factors

• Starting from the stringent measures imposed on the agent bank guidelines and also by the International Financial Action Task Force (FATF) (FTFT, 2010).
• usage related insecurity
• Apparently also the safety requirement in the structure of agent banking is that the customer and the agent are on their own and the MNOs and banks are supposedly not investigating firms.
• Theft - burglary.
• Theft by servant
Interventions

- Product design interventions
- Tariffs charged
- Survivability.
- Targeting specific populations.
- Simple operation menu.
- Dynamism
Product roll out

- Mobile coverage. Mobile phone access
- Financial sustainability

Actual use

In order for the poor in rural areas to participate effectively in the use of agency services, various interventions designed particularly to increase usage are necessary.
Ways to increase uptake and use

- It should be made cheap/same as in the bank (2.7%)
- Should have enough shops to support each other (13.6%)
- Network should be efficient (15.5%)
- Agent support from banks in terms of loans (12.7%)
- Professional services (24.6%)
- Customer education (13.6%)
- Awareness campaigns (17.3%)
• **Product awareness campaigns. Customer education.**
• **Professionalism. Agent support**

**LIMITATIONS**

• The study targeted agency banking products rolled out by retail banks in Kenya

**SCOPE FOR FURTHER RESEARCH**

• Interventions suggested need to be implemented and a study done to establish whether these interventions increase uptake and use among the poor and marginalized.
THANK YOU