EXTENDING FINANCIAL SERVICES TO THE POOR AND MARGINALIZED: A CASE STUDY OF AGENCY BANKING IN KENYA

ABSTRACT

A large number of the poor and economically disadvantaged and other vulnerable groups continue to remain excluded from the mainstream society devoid of necessary services among them formal financial services. These populations have henceforth become vulnerable and continue to suffer in the hands of alternative exploitative financial service providers. Mainstream financial access promises the poor of independence, freedom and quality life. Agency banking, an ICT based innovation introduced in Kenya in 2010, demonstrates ability to conger societal, supply and demand barriers to financial inclusion. This study sought to explore the initial user experiences in order to determine whether the product was addressing the financial needs of the target populations. A multi-case study of three availed products was conducted where quantitative data of user experiences was obtained and triangulated with a Focus Group Discussion with users and agents. In-depth interviews were also conducted with bank officials to inform on strategies used in the implementation of the product. Findings confirm that agency banking has actually conquered the access barrier but still remains unprofitable because majority of the rural populations have not taken up the product. This paper discusses some of the use experiences, challenges faced by users and agents and their opinions on possible interventions to increase uptake and use of agency banking products availed to them.

Key words: Agency banking, financial inclusion, uptake and use.

INTRODUCTION

Financial access studies (2009) put the bankable population outside the traditional financial access bracket in Kenya at 32.7%. Various models have been proposed to reduce this gap topping the list being Micro Finance Institutions (MFIs). However the solution through MFIs has been elusive, as the models come with logistical and managerial challenges, from setting up offices to attending meetings of groups that form membership. As a result these segments remain vulnerable to alternative financial services that remain unfriendly in terms of exorbitant interest rates as well as punitive repayment regimes aimed at mitigating these institutions against the perceived high risks associated with extending credit services to low and irregular income earners.

One of the Vision 2030 goals in Kenya is to provide financial services to majority of the poor. Though this may have been a long stretch, a ray of hope lies in the Information Communication Technology (ICT) based mobile banking models. The promise is reliant on the three basic characteristics of ICTs, self expansion, flexibility and recombination (Castells, 2004). Banking on the wide mobile phone access as indicated in figure 1: where 89.10 percentage of the Kenyan population had access to mobile services as of March 2012 and the increasing mobile network coverage by the four Kenyan Mobile Network Operators (MNO) where the land mass coverage rose to 34.45 from 32.12, this communication infrastructure may as well leapfrog the traditional bank branch model and provide a solution to the long sought solution for financial exclusion. Mobile communication is consistently praised as having had a bigger impact on humankind that any other intervention in human history (World Bank, 2012).

Figure1: Mobile coverage

Mobile Coverage	January- March 2012	January – March2011	Variation in percentage
Population coverage in percentage	89.10	84.0	6.1
Land coverage in percentage	34.45	32.12	7.3

Source CCK, Operators Returns 2012.

Agency banking is an innovation in particular reference to financial services offered through alternative banking channels by the traditional bank branches, delivered via mobile networks and performed on either the mobile phone or a Point of Sale (PoS) device in Kenya. The model is emerging as a preferred channel for banking and financial services because of the ubiquitous nature of mobile devices and services, and the ability of mobile banking services to reduce overall operational costs, streamline operations, and expand customer base through flexibility. This promises to leapfrog the bank branch which has remained elusive to rural populations by tapping into these markets through the wireless communication technology. Various transformational products have been rolled out in Kenya particularly targeting the un-banked in rural and remote areas, but studies done indicate that these populations have not yet embraced the technology based products though rolled out in most rural markets.

Despite the fact that the agency banking innovation is a promising model for providing access, uptake and use of the products by the poor populations is minimal. It is the purpose of this paper therefore to establish the conditions that facilitate take up of technology based products by the poor populations as well as the product design that would address their financial needs.

The ultimate goal for various interest groups in the resolve to tackle financial exclusion has been to provide mainstream financial services to excluded vulnerable populations. The predicament now is the fact that although the logistics of access seems to have been resolved through the ICT based agency banking models, the status quo has persisted. So why is there insignificant enthusiasm in the uptake and use of mobile banking services providing mainstream financial services amongst poor and marginalized populations, what conditions must inform deployment of products targeting poor and marginalized populations in Kenya and what trajectory would best address financial inclusion of the poor and marginalized?

The objectives of the study were therefore to:

- Ascertain factors that influence uptake and use for technology based financial services
- Explore use experiences with the aim of establishing challenges faced and opinions on effective mitigating strategies
- Recommend intervention strategies aimed at increasing uptake and use of mobile banking products on offer.

LITERATURE REVIEW

Mobile banking is a model this study proposes as a trajectory for financial inclusion of the poor and marginalized. The poor are the least connected to financial services due to their economic viability and also their effective incorporation requires specific interventions informed by context studies (World Bank, 2012). Besides the interests of this study, various institutions have actively sought to ensure that the gap between financial inclusion and exclusion is reduced or eliminated altogether.

Financial inclusion of the unbanked in Africa has been addressed from various perspectives. Some of the interventions have been on security of systems put in place to mitigate the poor against loses and strict regulation on both customer and agent due diligence with the aim of combating terrorism financing. However for these interventions to be of significant impact, the service should first be availed, with significant effort channeled towards access, uptake and use in order for the suitable and befitting model to be informed by feedback from emergent use experiences.

Mentioned as the main reason for exclusion in most of the African countries is the fact that rural areas lack basic infrastructure such as roads, basic necessities like clean water and electricity to support the establishment of bank branches. Besides, these populations are sparsely populated and of meager incomes rendering them an unattractive segment for channeling investor resources in terms of viability and access.

As captured in Kenya's Vision 2030 millennium goals, financial exclusion is a current policy concern in Kenya. Some of the problems associated with the exclusion include:

Exclusion from affordable loans leaves people who need to borrow money with no option but to use alternative sources which charge high interests and have punitive repayment regimes. Access to loans and other credit facilities are necessary for investments and economic growth. There is need for a safe secure saving mechanism for money held either to avoid overspending or theft. A lack of insurance and savings makes families vulnerable to financial crises following unexpected events. A lack of savings can also lead to poverty in old age. Many employers will only pay wages into a bank account, without convenient access of the service, getting ones salary becomes burdensome. Cheque cashing agencies may charge a percentage of the value of the cheque plus a fee for the transaction and this leads to added and unnecessary costs. Most educational institutions require that School fees is paid in form of bankers cheques which without bank accounts becomes more expensive to acquire.

Financial exclusion reinforces social exclusion. It is not just an individual problem: a whole community can suffer from under-investment in financial services. Conversely, financial inclusion significantly contributes to a route out of poverty. A range of different models exist to classify causes of financial exclusion and a study commissioned by the European Union (2010) on financial exclusion categorizes the barriers into three groups: societal, supply and demand factors.

Societal factors

- most of those in rural areas have limited income and mostly live on less than a dollar a day and have nothing to save
- They also have difficulty in catching up with all the new ways of dealing with money and would prefer cash to other methods
- Consequently most of the young people are jobless and more often also stay longer with their families and therefore find it less useful to open a bank account
- Older people mostly live in rural areas and depend on their relatives for upkeep and have no money of their own.

Demand factors

- Belief that bank accounts are not for poor people or low self esteem
- potential clients fear costs might be too high or lack information
- bank account feels intangible compared to cold cash, also some means are seen as "unsure" i.e. Internet hacking

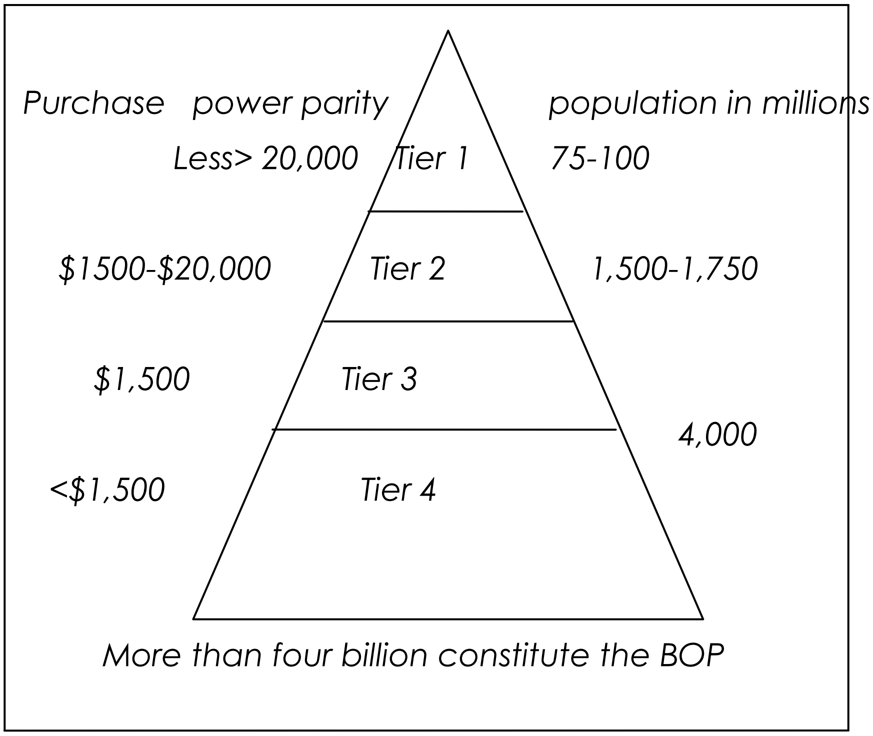
- Fear of bankruptcy or lack of confidence with financial institutions. Some people might be afraid that creditors will seize their minimal guaranteed income

Supply factors

- Risk assessment procedures which require credit histories or collateral in order to access credit facilities. Many poor people in Kenya do not have credit histories because they have never held a bank account and because of limited resources they lack tangible items that can be used as collateral. It therefore becomes difficult to assess the risk involved hence they get excluded
- Marketing methods can be unclear and lead potential clients to abandon the request or to mistrust financial institutions and look for other alternatives (a mobile money conference in Ghana in March 2013, revealed that while marketers were pushing users to take up money transfer services, the actual need was actual banking services).
- Geographical access, financial services tend to cluster around urban areas excluding potential clients who reside in rural and remote areas
- Product designs are not specific for target populations. Most of the times it is an extension of the product availed to well to do populations in urban areas which does not address the needs for poor populations.
- Service delivery may not be pleasant or adequate. For example Micro Finance Institutions which target un banked populations demand that members form groups in order to guarantee one another. This strategy embarrasses those who are un able to pay as well as forcing group members to pay premiums on behalf of defaulters which is punitive and many people pull out of such initiatives hence remain excluded. Financial services may also be delivered by inadequate means for the target public, e.g. Internet for older people
- Complexity of choice can be an education issue, too many products proposed and the target public has trouble to choose.

Despite these justifications for exclusion, these populations constitute a viable business volume if tapped as a whole. According to Prahalad (2006), the distribution of wealth in the world can be captured in the form of an economic pyramid. At the top are the wealthy, who have the opportunities for generating high levels of income. At the bottom of the pyramid (BOP) are about 4 billion people living on less than a dollar a day. Even if every individual's wealth in this group is marginal, added together the total purchasing power for this market is estimated to be 5 trillion dollars (Richardson, 2008). However for companies to convert the 4 billion people into a consumer market, they have to create the capacity to consume because they are cash poor and have a low level of income. Companies have to devise specific techniques that target value from these mass markets. According to Prahalad (2006), the capacity to consume is based on three principles: Affordability, Accessibility and availability.

Figure 2: The economic pyramid.



Source: a simplified model of Prahalad, 2006.

In Figure 2, the pyramid portrays four levels of the consumer market. The BOP model is a demonstration of the huge potential vested in the poor masses that more often than not are left out of planning by investors.

At the top are few but rich clients whose purchasing power is viable per individual. At the bottom are many customers whose individual purchasing power is minimal constituting a viable business opportunity in aggregate. This is the population that has been excluded from traditional banking services and as a result constitutes the un-banked.

By focusing on the consumer's capacity to consume, private sector businesses can create new markets. What is critical is the ability to invent ways that can take into account the variability in the cash flows of these consumers that makes it difficult for them to access the traditional market oriented toward the top of the pyramid (Prahalad, 2006)

Innovations are increasingly making it possible to reach out to those who have traditionally been excluded from mainstream services due to barriers to access (Borg, F. and Persson, M. 2009). However the product consumer specific factors that influence adoption for BOP populations must be in place for diffusion to emerge.

When the poor are converted to consumers for the first time they do not only get access to products and services, but also acquire dignity, attention and choices from the private sector previously a reserve for consumer's further up the pyramid. In acquisition of the poor as consumers, companies have also to take care of mistrust stemming from stereotypes from both sides. The poor tend to believe that the firms only want to exploit then as cheap labor without regarding them as worthy consumers and firms see the poor as consumers likely to default on payments. Means of diffusing this tension is therefore crucial for a working relationship (Prahalad 2006).

The basic economics of the BOP market dramatically differ from those of the consumers higher in the pyramid. Instead of high margins, small volumes and reasonable return on capital employed, the approach towards the poor must be based on low margins per unit, high volumes and high return on capital employed. Infrastructure in the developed markets exist or can be made economically viable which is not the case with poor markets and advanced technology solutions must be used to exist with poor infrastructure. A new philosophy of product development and innovation that really reflects the realities of Bop markets is needed.

THEORETICAL FRAMEWORK

In an attempt to ascertain factors influencing the adoption of technology based innovations, the paper is informed by two theories i.e. The Diffusion of Innovations and the Theory of Planned Behavior and in extension the Theory of Reasoned Action. Various technology adoption models are also explored

The Theory of Planned Behavior

The Theory of Planned Behavior (TPB) by Martin Fishbein together with Icek Ajzen in 1975, propose that if people evaluated a suggested behavior as positive (attitude), and if they thought their significant others wanted them to perform the behavior (subjective norm), this resulted in a higher intention (motivation) and they were more likely to do so. In addition to attitudes and subjective norms (which make the Theory of Reasoned Action), the additional concept of the Theory of Planned Behavior is perceived behavioral control, which originates from Self Efficacy Theory (SET). Self efficacy as proposed by Bandura in 1977, suggests that expectations such as motivation, performance, and feelings of frustration associated with repeated failures determine and affect behavioral reactions. Bandura (1986) separated expectations into two distinct types: self-efficacy and outcome expectancy. He defined self-efficacy as the conviction that one can successfully execute the behavior required to produce the outcomes. The outcome expectancy refers to a person's estimation that a given behavior will lead to certain outcomes. He states that self-efficacy is the most important precondition for behavioral change, since it determines the initiation of coping behavior.

Factors influencing diffusion and adoption of innovations

In his Diffusion of Innovations Theory (DIT), Rogers (2003) defines diffusion as the process by which an innovation is communicated through certain channels overtime among the members of a social system and identifies four main elements in the diffusion of new ideas are the innovation, communication channels, time, and the social system.

The characteristics of an innovation, as perceived by the members of a social system, determine its rate of adoption and explain why certain innovations spread more quickly than others. The characteristics which determine an innovation's rate of adoption are: relative advantage, compatibility, complexity, trialability, and observability (Rogers 2003).

The second main element in the diffusion of new ideas is the communication channel. Communication in this context is the process by which participants create and share information with one another in order to reach a mutual understanding (Rogers 2003). Rogers (2003) affirms that mass media channels are more effective in creating knowledge of innovations, whereas interpersonal channels are more effective in informing and changing attitudes toward a new idea, and thus in influencing the decision to adopt or reject a new idea.

The third main element in the diffusion of new ideas is time. Rogers (2003) identifies three ways in which the time dimension is involved in diffusion. First, it is involved in the innovation-decision process. The innovation-decision process is the mental process through which an individual (or other decision-making unit) passes from first knowledge of an innovation to forming an attitude toward the innovation, to a decision to adopt or reject, to implementation of the new idea, and to confirmation of this decision. The second way in which time is involved in diffusion is in the innovativeness of an individual or other unit of adoption. Rogers (2003) defines innovativeness as the degree to which an individual or other unit of adoption is relatively earlier in adopting new ideas than other members of a social system. Rogers (2003) further identified five adopter categories, or classifications of the members of a social system on the basis on their innovativeness. These are: innovators, early adopters, early majority, late majority, and laggards. The rate of adoption is the third way in which time is involved in diffusion. Rogers (2003 defines it as the relative speed with which an innovation is adopted by members of a social system. The rate of adoption is usually measured as the number of members of the system that adopt the innovation in a given time period. An innovation's rate of adoption is influenced by the five perceived attributes of an innovation (relative advantage, compatibility, triability, complexity and observability). The fourth main element in the diffusion of new ideas is the social system. A social system is a set of interrelated units that are engaged in joint problem-solving to accomplish a common goal (Rogers 2003). The members or units of a social system may be individuals, informal groups, organizations, and/or subsystems. The social system constitutes a boundary within which an innovation diffuses.

INNOVATION ADOPTION MODELS

Several communication models explain the adoption of technological innovations. Some are discussed below:

The Lazy User Model (LUM)

The Lazy User Model (LUM) or Solution Selection model (2007) tries to explain how an individual selects a solution to fulfill a need from a set of possible solution alternatives. According to Terald and Collan (2009), users will most likely choose the solution that will fulfill a need with the least effort. Lazy user model posits that a solution is selected from a set of available solutions based on the amount of effort the solutions require from the user - the user is supposed to select the solution that carries the least effort. The model draws from earlier works on how least effort affects human behavior in information seeking and in scaling of language.

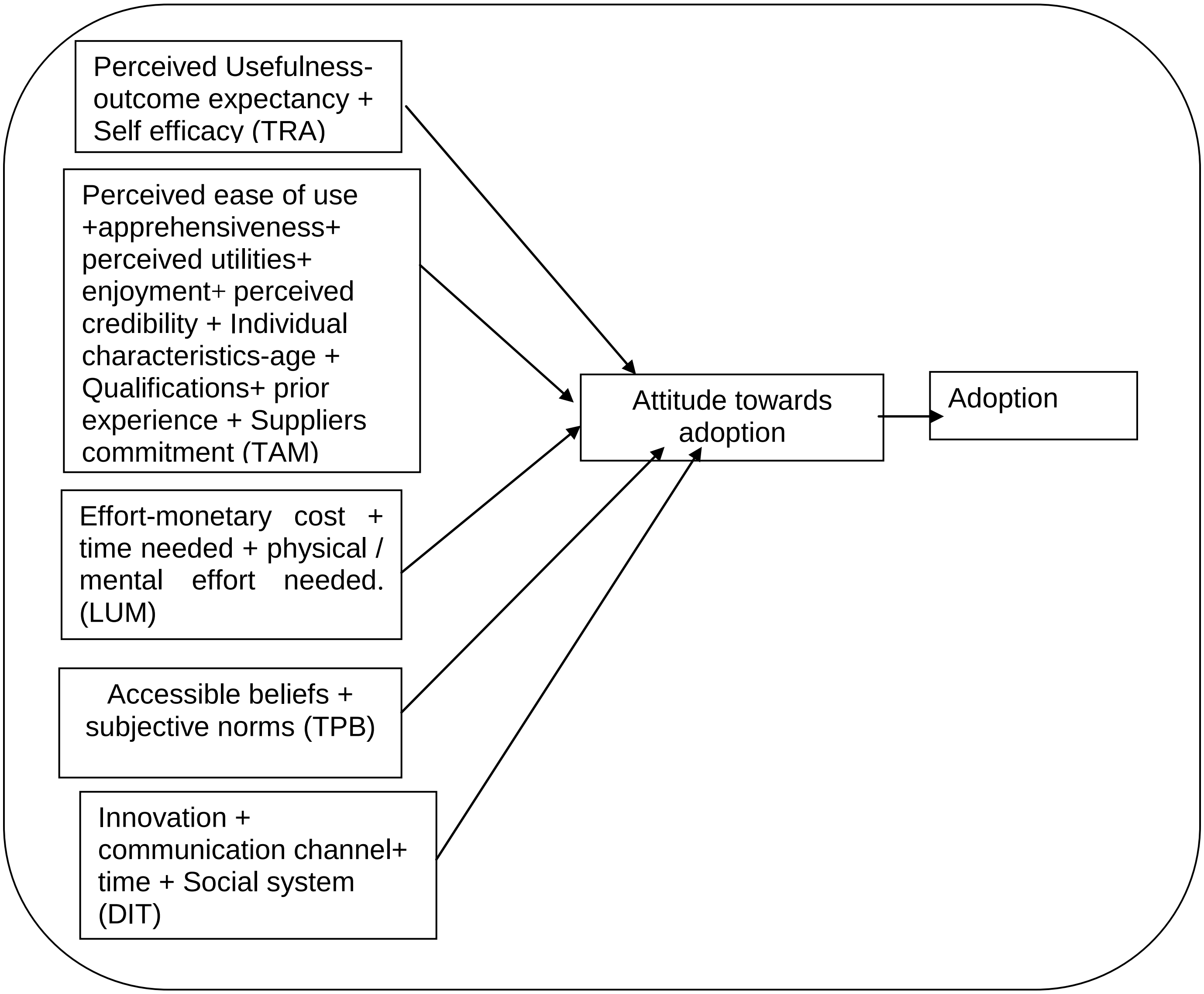
The model starts from the observation that there is a user need, i.e. it is expected that there is a “clearly definable, fully satisfiable want” that the user want’s satisfied (it can also be said that the user has a problem and he/she wants the problem solved). So there is a place for a solution / product / service. The user need defines the set of possible solutions (products, service etc.) that fulfill the user need, therefore only the solutions that solve the problem are relevant. This logically means that the need defines the possible satisfying solutions - a set of solutions (many different products / services) that all can fulfill the user need. LUM is not limited to looking at one solution separately. The user state includes, age, wealth, location etc; everything that determines the state of the user in relation with the solutions in the set of the possible solutions to fulfill the user need. The Lazy User Model assumes that the user will make the selection from the limited set based on the lowest level of effort. Effort is understood as the combination of monetary cost + time needed + physical / mental effort needed.

Technology Acceptance Model (TAM)

Technology Acceptance Model (TAM) proposed by Davis (1989) is an information systems theory that explains how users come to accept and use a technology. It suggests that, when users are presented with a new technology, a number of factors influence their decision about how and when they will use it. Understanding the user's behaviour towards a new innovation is key in the technology adoption process. TAM consists of two beliefs, *perceived utilities* and *perceived ease of application*, which determine attitudes to adopt a new technology (Davis 1989). The attitude towards adoption depicts the prospective adopter's positive or negative orientation/ behavior about adopting a new technology. According to Davis (1989) attitudes towards adoption are determined by relevant internal beliefs and are influenced by factors such as; 1) perceived ease of adoption; 2) apprehensiveness; 3) perceived credibility; 4) perceived utilities of technology (extrinsic motivation); 5) enjoyment (intrinsic motivation). In addition, individual characteristics like age, qualification, their prior experiences in adopting technology; technology suppliers' commitment; compatibility with existing technology and enhanced value are important factors. Social pressure is also another important factor.

A combination of TPB, TRA, DIT, TAM and the LUM are crucial in understanding what influences people's behavior towards adoption of technology based innovations. Figure 3 is a conceptualization of the adoption process informed by the constructs highlighted in the models and theories.

Figure 3: Proposed Adoption Model



RESEARCH METHODOLOGY

The case study method was used as it adopts both the qualitative and quantitative research designs. The researchers were interested in establishing whether the constructs suggested through the model were influencing factors of product take up. Use experiences provided these facts.

The sampling of the study area was occasioned by the demographics as well as the nature of the study. The population of the sampled County constituted the second largest number of poor people in the country at 619, 148, and over 70% of the total population was poor (Kenya Bureau of Statistics, 2009) and apart from two considerably large markets which hosted three bank branches, over 40 markets lacked bank branches. The populations were underserved and therefore considered appropriate for the study. Data sources were purposive dictated by the ontology of following actual users. An agents list was obtained from participating banks while users were identified at the outlets. Besides the quantitative data collected to measure user experiences, responses were further triangulated with Focus Group Discussions with agents and users. Guided by the theoretical model, our aim was to explore the user experiences in order to recommend effective interventions for models on offer to fulfill the financial needs of the target population. For this reason people who had not taken up the product were not in a position to give any useful feedback on the design of the product or implementation strategies and were therefore excluded. Only participating actors were subjects.

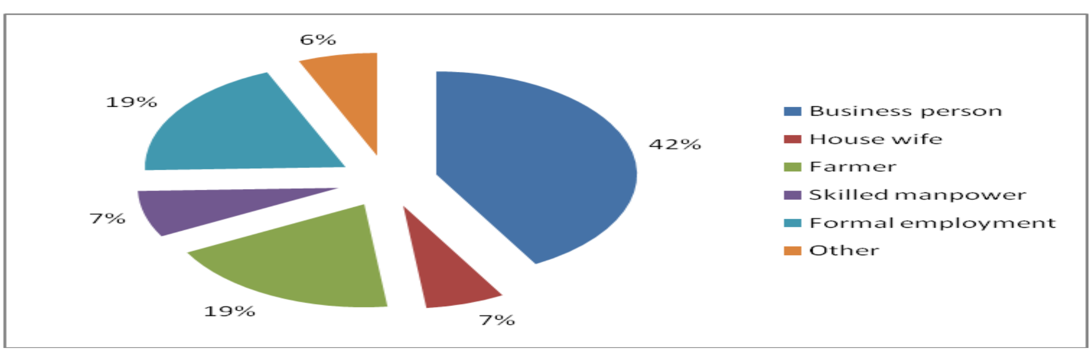
Data from the interviews and the questionnaire was analyzed qualitatively and using the computer data analysis program SPSS respectively. An interpretation of the findings was done in respect to questions of the research tools with specific emphasis on those directly addressing the constructs of the research model.

RESULTS, ANALYSIS AND DISCUSSION OF FINDINGS

This paper sought to single out how agency banking services availed to people was able to address their specific financial needs. This entailed facts from actual use by the users themselves, the agents offering the services, devices used to perform transactions, diffusion of innovation and information strategies together with peculiarities of usage in the context of every actor. As a prerequisite to an effective strategy, this section therefore sought to identify the needs of the users, actual use by those in remote areas, challenges and the way forward as experienced by the people.

Findings of the study confirmed that, despite a lot of optimism surrounding the agency model breakthrough, actual use by the actual rural dweller was minimal as indicated in

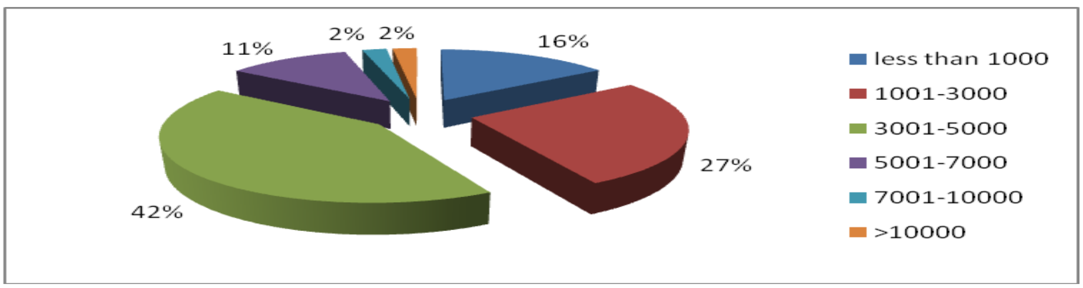
Figure 4: ***Occupation***



Majority of the respondents were business people at 42%, with farmers and those in formal employment sharing at 19%. Others included housewives as well as those offering skilled services at 7%. This constitutes a significant finding and implication for this study. Only 19% of the population was a representation of the common rural folk. This means that although financial services have been availed to rural poor populations, they are yet to rip the benefits associates with mainstream banking.

Transactions recorded by the agents reflected in commissions earned further confirmed that agents were not making any profits as yet as they recorded very few transactions per day.

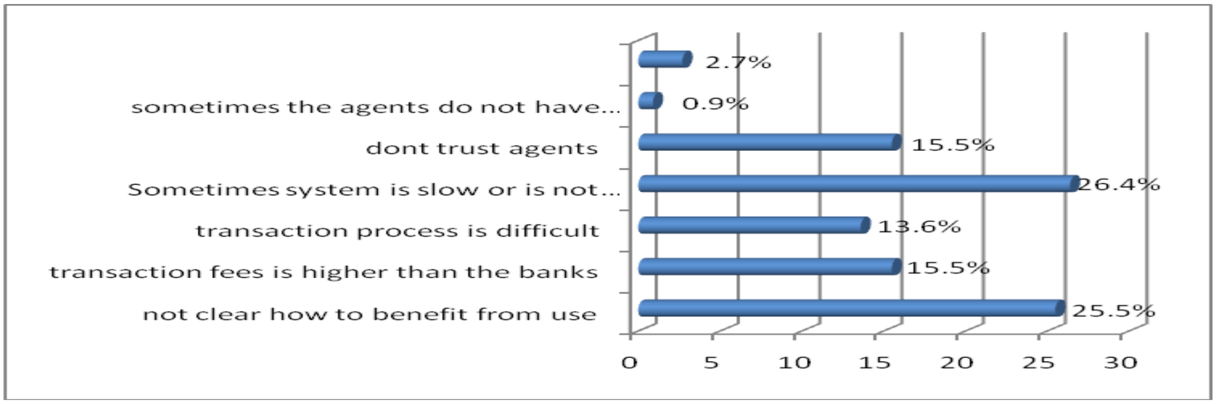
Figure 5: Approximate commission per month in Kenya shillings



In regard to profitability, agents made little commisssion per month. 42% got between 3000 and 5000 as commission per month. 2% got less than1000 while 27% got between 2000 and 3000. 11% got between 5000 and 7000. Only 2% got more than 10000 per month. A point to note is that close to 2/3 of the agents made less than 5000 per month. This translated to less than 10 transactions a day cutting across all tariff guides provided by the different banks. The little commission called for perserverance on the part of the agent as pulling out would jeorpardise the initiative and limit access to the service for those who occassionally used it. Asked about the implications of low commissions by agents, bank officials were optimistic that the products would pick up with time. Slow take up was attributed to a unreliable network as well as registration requirements which made take up complex for new account holders.

The study then sought to establish what challenges users faced at the agency as well as the opinion of agents on how to improve the banking experience.

Figure 6: Challenges of transacting at the agency



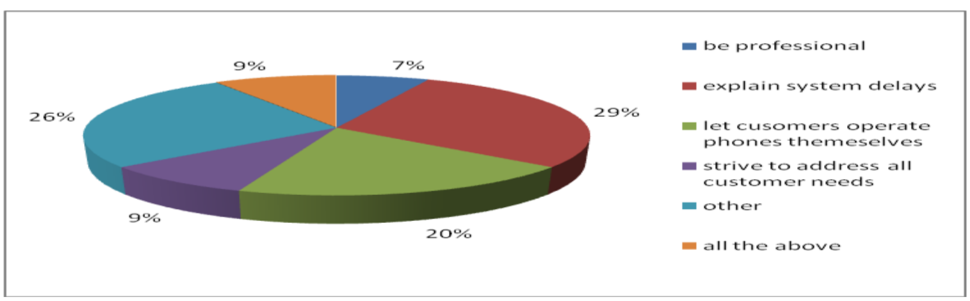
Some of the challenges users had included that they sometimes did not get messages after initiating transactions at 26.4% followed by that they needed to be clear of what benefits they could accrue from actively operating their accounts at 25.5%. Other challenges included that they felt the transaction procedure was difficult at 13.6%. Those who felt that transaction fees were high as well as those who did not trust agents shared at 15.5%. Agents sometimes disappointed them as they did not have enough money to transact at 0.9%. Discussions revealed that the price of the product incorporated both airtime charges for MNOs as well as the charges for the product by the banks, which called for further negotiations for both sectors in order to make the product affordable. These challenges therefore called for interventions to increase trust, create value for use, and simplify the operation process as well as reducing tariffs to accommodate the target population's income capabilities.

Table 1: Rating of services at the agency

	Very good	Good	Moderate	Bad	Very bad
Customer service	32.4%	34.3%	18.5%	14.8%	0
Time taken to transact	18.5%	43.5%	31.5%	6.5%	0
Quality of Service	56.5%	22.2%	14.8%	6.5%	0
Availability of float	17.6%	31.5%	32.4%	18.5%	0
Trust	42.6%	28.7%	14.8%	11.1%	2.8%

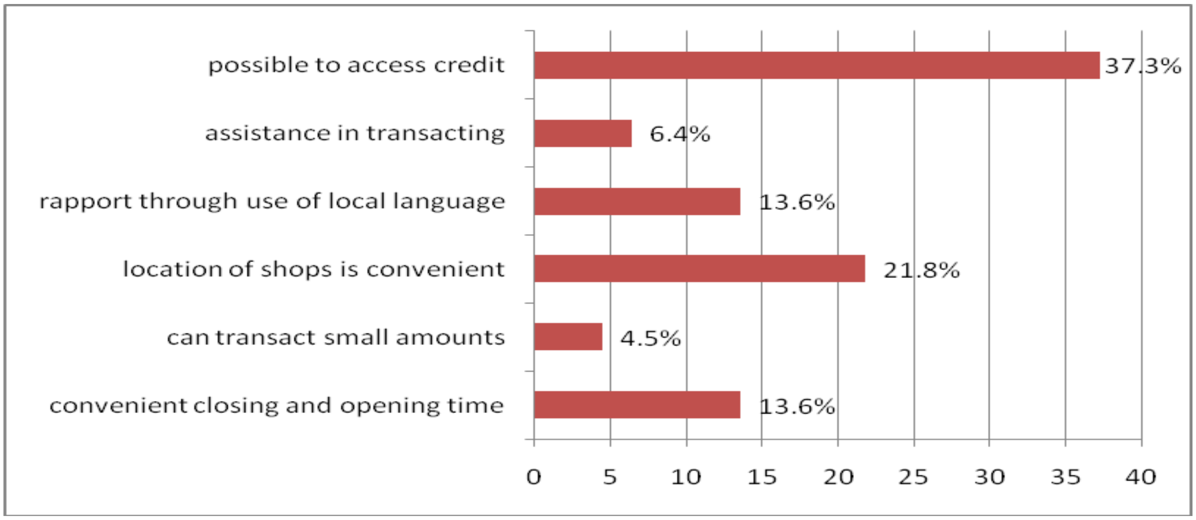
The general rating for the experience in the agency outlets was promising and despite some few negative ratings of float and trust, customers were pleased with the agency experience. Rating of the banking experience indicates that quality of service was most appreciated with over 2/3 of respondents very happy about how they were treated. This entailed convenience; interaction with assistants and general feeling of operating at the agency, customer service was also favorably rated with over 50% of respondents appreciating the responses they got for questions and clarification to various issues. The users also trusted the service at 42.6% though some users did not trust the services at 11.1 % for bad and 2.8% at very bad. The extreme rating was as a result of the fact that some employees at the agencies were people known to customers and associated them with informal jobs and had reservations over their ability to hold customer information in confidence as well as be accurate in performing transactions. Availability of float in the shop was moderately rated with only 17.6% stating that the float levels were very good, then majority at 31.5% for good and 32.4% at moderate. Further discussions revealed that with occasionally one outlet in a market centre, if the agent did not have either cash or float to transact it meant that the clients would not be served until the agent either went to the bank to buy either cash or float. Other agents operated with little capital and were not able to meet the needs of their clients. The latter scenario called for financing of the agents in order to be effective. The time taken to transact at the agency was also moderately rated with the highest number voting 43.5% for good and 31.5% for moderate. The users were comparing the agency with queues at the bank. The delays were mainly system based sometimes messages not forthcoming totally even for a day or two.

Figure 7: Creating trust in customers



From the study with users , trust was a crucial issue in agency transactuions and the study sought to find out what agents did to ensure that users had faith in their services. 29% explained to customers why messages confirming transactions were not forth coming, 20% let customers operate phones themselves, 9% adressed customer needs effectivley while 9 % combined all the strategies. The study however gathered that the nework problem was a complex one as the banks did not have networks of their own and relied on the MNOs to offer the services.

Figure 8: Product description making it likeable

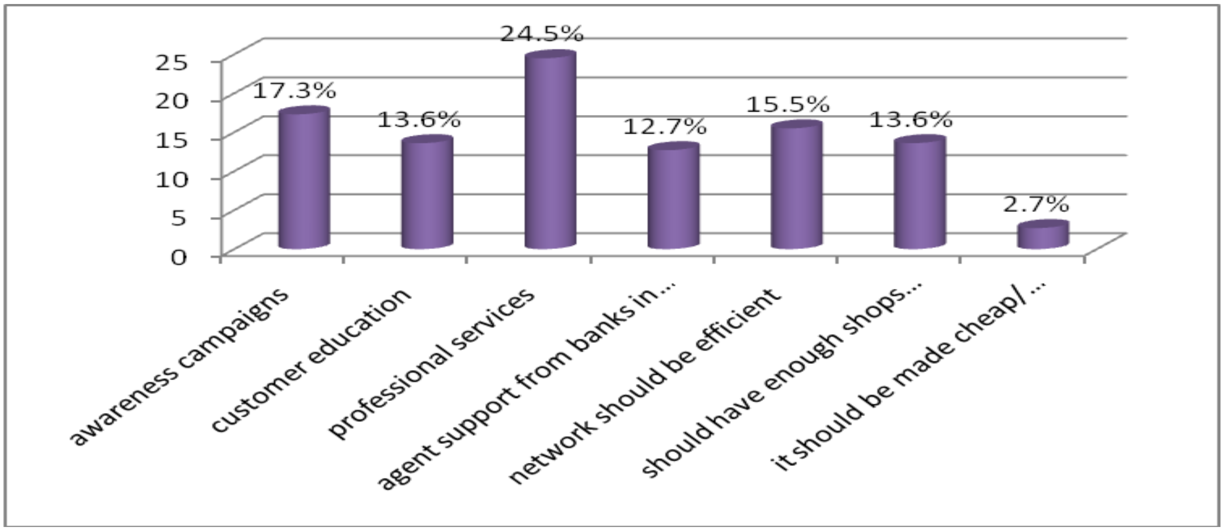


Respondents felt that although the use of the product had not adequately addressed their needs, it was a welcome undertaking as there had never been a banking facility in the locality before. Asked what they felt made the product likeable, 37.3% felt that they were in a position to access credit on account of their transaction history which was in line with their outcome expectancy. It was further revealed in the discussions that the product came with a relief as users were slowly getting an alternative for shylocks who lent money at exorbitant interest rates as well as punitive repayment terms. 21.6% said it was because the shops were near their homes, another 13.6% said that the shops opened early and closed late as well as those who felt that they communicated conveniently with the assistant using the local language. Other descriptions included that they were assisted when they had problems transacting and also they could deposit and withdraw small amounts of money. The conveniences exhibited in use of the products resonated with the freedoms associated with the use of the products as explained in the network society (Castells, 2004). The FGD further confirmed that the assistants could open the shop to transact for clients even when the opening or closing period was not applicable; this sounded more of a communal responsibility. In fact one agent had this to say about her operations,

> *'My shop is not making enough money to pay rent and the assistant and I have Ksh 24,000/- unaccounted for, but I cannot close because this is the only shop here and if I do, people will suffer'*

Though this implied that there was no added value to the agent's investment citing both few clients and theft, the fact that she was part of the solution to a community's problems was enough motivation to stay in the business. The convenience of both location and access led to gratification associated with use of the product.

Figure 8: Opinion on what should be done to increase uptake and use of agency bank services



24.5% of respondents were of the opinion that agents needed to employ professionally trained assistants followed by need for awareness campaigns to sensitize users on the importance of using services at 17.3%. 15.5% felt that a reliable network needed to be sought and 13,6% were of the opinion that customer education on how best to operate accounts was necessary while another 13.6% were of the opinion that banks needed to support agency operations financially. Another 12.7% felt that enough shops could escalate use of services. 2.7% thought that the services should be cheaper. The bank officials cited the stringent regulations required in the recruitment of agents as the reason for few shops saying that although many entrepreneurs were willing to try the business, they lacked the legal as well as other documents required for recruitment (Agency banking regulations, 2010).The suggestions pointed to the weak translation effort and limited resources availed by the focal actors in the implementation process.

Though agency banking was a step towards the right direction, there was need for the model to consider the actual needs of the people as gathered from the use experience. Apart from Equity Bank which had been conducting Financial Literacy seminars for SMES through the FIKA Initiative (a partnership between Equity bank and Master Card), and also the "*Equity iko hapa*' country awareness campaign in conjunction with the Royal Media Services of Kenya, most of the other awareness programs were mass mediated and did not reach the rural populations. More interpersonal awareness programs were needed. At the time of the study, customer education had not been done sufficiently and awareness campaigns had not registered significant impact.

SUMMARY

The findings point to initial implementation challenges which impact negatively on crucial indicators of attitude change towards new technological applications.

Poor network, lack of professionalism and limited floats did little to build confidence in the services. The fact that the services were not effective limited the intrinsic value out of the use experience. The cost of the services was punitive as it was pegged on amount transacted which was not the case at the bank branch; this did not satisfy the user's outcome expectancy as well as least effort. Few transactions recorded coupled with the user's claims that they did not know how banking was important to their lives signaled unmet perceived usefulness in the product. Few shops that sometimes were un able to address user needs led to lack of access and consequent use of the money for other competing uses. This initial experience was therefore an impediment to the uptake and use of the products by the targeted populations. Interventions were therefore necessary if the products rolled out were to experience any significant uptake and use by the targeted populations.

INTERVENTIONS NECESSARY FOR UPTAKE AND USE

The findings clearly indicate that the targeted populations have not realized full potential for services availed to them for various reasons as mentioned. A summary of key interventions for the gainful use of agency banking services particularly by those that do not have a prior banking experience include:

1. **Product design interventions**

Specific design of products for target populations – the study has revealed that the product is more expensive than the same at the bank branch. It is argued that incorporating agents in the channel comes with a cost as tariffs are based on amounts transacted in order to factor in commensurate commission for the agent. This consideration makes the product more expensive and punitive to poor users. Considering that the channel excludes many other costs incurred by the banks at the bank branches, the structure of the product should exclude such costs while designing the cost of the product as the bank incurs no costs at all in the offer of the product. It is the agent who foots salary, rent as well as advertisement costs.

Affordable price – most of the times the poor and marginalized live from hand to mouth and usually they have nothing to safe, the structure should be enticing in terms of affordability. Banking for these people should not make them poorer.

Scalable designs – as much as banks would like to ascertain exactly where the agent shop is, it should be possible for agents to serve users in their entire locality, sometimes establishing temporary service points especially during pay days. This may entail transaction devices that share the same float account as the main outlet should never miss out on serving customers (Safaricom M-PESA has parallel lines for the same outlet which are issued upon request)

Convenient in design – rural and remote areas have a variety of challenges and dependency on external interventions may not be possible. The product should be in a position to sustain itself at all times. For example there should be no time that customers miss out services because there is no cash to give or float. Mobile devices must have long battery life or may be solar powered etc.

Targeting specific populations – characteristic of rural populations is that they are likely to be illiterate and without prior banking experience. Product menu and instructions must be as simple as possible. Users should be able to operate phones on their own after initial assistance.

Dynamic structures - technology keeps on changing and developers must not lock themselves in rigid consumer structures that do not allow for fast changes or modifications. Instead they should focus on the platforms of the system so that new features can easily be incorporated when demanded. This is necessary to avoid incompatibility as cited by Rogers (2003) which may constitute an impediment.

2. **Roll out Model**

Besides the actual use, affective agency modeling is reliant on a consolidated effort from various partners to ensure that the service is availed efficiently. Among actors involved are network operators, regulatory bodies, banks, users and agents.

***Mobile coverage* and access** - Mobile banking relies on effective use of mobile phones, for these reason users need to have ample network coverage to ensure that they enjoy these service. As of now the network coverage is still below half of the land mass (Table 1). Though many Kenyans have access to mobile phones, the network coverage is limited meaning that efficient use of mobile based services is still far from being realized. Poor network coverage means that there are areas where users will have limited access to mobile use and for this reason unable to effectively use the services

Accommodative regulation - Agency banking model uses existing entrepreneurs to offer banking services together with other lines of businesses. It is therefore crucial that regulation governing recruitment of agents is considerate of the fact that rolling out of many agents is key to providing access of the service to people in their localities and in effect scaling of the product. Stringent regulation that may bar shopkeepers from participating may serve as a hindrance to eradicating financial exclusion.

Reinter mediation – the rural poor could be classified as laggards in the diffusion of innovation adopter categories of Everret Rogers, some of the characteristics describing these populations are illiteracy, low levels of education and gender complexes which are all powerful obstacles to the use computers and other ICT tools. It follows that, in most cases, poor people have to rely on a human intermediary between them and ICT. The profile of the intermediaries who add human skills and knowledge to the presence of ICT is thus critical for the uptake and use of agency banking services. At the initial adoption stage, assistance in understanding the menu that guides usage, value of the product in their lives and rapport that creates trust is necessary if the poor have to be enticed into using these products.

Local frontiers – the agency banking model is in such a manner that local business people are recruited into the agency business. They offer banking services together with other existing business lines. This model is appropriate for local conditions because there is continuous involvement and feedback from the community. Local ownership fosters the success and resilience of ICT initiatives targeting the rural populations. This is because the local entrepreneurs are used to the business trends and will be willing to soldier on even when times are hard. This resilience is necessary for sustainability of products targeting the poor in rural areas.

Context studies - There is need for a thorough assessment of the information needs of the target population before launching the products. The banking model should address the specific needs of the target population as communicated by the users themselves. Universal models do not address concerns of poor populations and fail most of the times. As seen models on offer are a modification of what is offered at the bank branch, this makes the product expensive. Specific products for the agency model will cut costs as the distribution channel is shortened.

Financial sustainability - the agency banking model is an expensive undertaking and a rigorous monitoring and evaluation (M&E) of the social and economic benefits is needed in order to measure performance, identify and correct potential problems, and improve the understanding of the relationships of usage, execution strategies and product design. It is also a complex undertaking because scaling the product is cross-sectoral meaning that attaining critical mass may take time. Continued investment which is an indication of the commitment by the innovators is therefore necessary.

3. Actual use

In order for the poor in rural areas to participate effectively in the use of agency sevices, various interventions designed particularly to increase usage are necessary. The major interventions informed by the study include:

Customer education – banking is a new service to most of the rural populations and for this reason they are not in a position to use the product constructively as they lack finacial literacy and do not understand the benefits of banking and also the best way to use the services. Financial literacy for these populations is essential if the services are to change their lives and in effect fulfill their outcomeme expectancy.

Professionalism- the poor in rural areas are a delicate lot and skeptical of new interventions targeting their change of behavior, they have lived in finacial exclusion as long as they can remember, the way they are treated at the agency shops may determine if they adopt, continue to use the services or not. Any assistance, explanations and understanding of these populations will go along way in creating trust in the products and the people that offer them. Uptake is a crucial factor for the sustainability of products targetting the poor otherwise if they reject the service then the benefits of the provison will not be realised

Diffusion strategies – evident from the findings is that users are not aware of products and those using them are not utilizing the services fully indicated by the minimal commissions earned by agents. Product awareness campaigns are necessary. Availing information again should be targeted at persuasion at the grass root level, for this reason mass media communication may not yield much. Interpersonal communication channels coupled with product demonstrations may be effective. Besides awareness the users get to know how the product works as well as how to transact on their own. This builds confidence in the product.

LIMITATIONS OF THE STUDY

The study was done in a rural setting with the second largest poor population in Kenya, where prior banking experience was only available at the main market centers occasionally concentrated on the main road, meaning that populations in the interior had difficulties accessing the service or had no banking experience at all. The study only focused on user experiences to inform the product design as well as an effective implementation strategy. The findings of the study could provide lessons to similar populations. However context specific studies are necessary for every target population

SCOPE FOR FURTHER RESEARCH

There is also need to establish if the challenges cited by agents and users in regard to the product design and implementation strategy constituted a hindrance to uptake and use by populations who had not tried using the products.

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