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ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
MASTER PROGRAM IN BUSINESS ADMINISTRATION (MBA)

**CHALLENGES AND PROSPECTS OF AGENT-BANKING IN
ETHIOPIAN BANKING INDUSTRY: THE CASE OF SELECTED
PRIVATE BANKS IN ADDIS ABABA, ETHIOPIA**

**“A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR MASTER OF BUSINESS ADMINISTRATION (MBA)
DEGREE”**

BY: YOHANNES AMSALU MENBERU
ADVISOR: HABTAMU BERHANU (PhD.)

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Addis Ababa, Ethiopia

DECLARATION

I hereby declare that this thesis entitled “*Challenges and Prospects of Agent-Banking in Ethiopian Banking Industry: The Case of Selected Private Banks in Addis Ababa, Ethiopia*” has been carried out by me under the guidance and supervision of my advisor Mr. **Habtamu Berehanu (PhD)**.

The thesis is original and has not been submitted for the award of any degree or diploma to any university or institutions.

Researcher name

Date

Signature

Yohannes Amsalu Menberu

Advisor name

Date

Signature

Habtamu Berehanu (PhD)

CERTIFICATION

As member of the examining board, we certify that we have evaluated and accepted the Thesis entitled “*Challenge and Prospect of Agent-Banking in Ethiopian Banking Industry in case of Selected Private Banks of Addis Ababa, Ethiopia*”, in fulfilling for a thesis requirement for the Degree of Master in business administration.

Prepared By: **Yohannes Amsalu Menberu**

Certified By: The Board of Examiners

Abebaw Gualu (PhD)

Internal Examiner

Signature

Date

Lemessa Bayissa (PhD)

External Examiner

Signature

Date

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ACRONYMS

- NBE- National Bank of Ethiopia
- CBB-Cooperative Bank of Oromia
- AB- Agent Banking
- LIB -Lion International Bank
- POS –Point of Sale
- BOA-Bank of Abyssinia

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Abstract

This study aims to examine Challenges and Prospects of Agent-Banking in Ethiopian Banking Industry: the case of Selected Private Banks in Addis Ababa, Ethiopia. In order to achieve the objective of this study the researcher has adopted qualitative research approach by distributing questionnaires to four commercial banks. Those are selected based on their history to agent banking operation and participation on the system. The study indicates that the major Challenges of Agent-Banking in Ethiopian Banking Industry in case of Selected Private Banks of Addis Ababa, Ethiopia is lack of customer awareness, limitation in network infrastructure, Resistance to changes to the technology, lack of sufficient motivational support, availability of substitutable service by banks in the city and lack of trust on system. This desires include to improve organizational performance and productivity, Desire to cover wide geographical area, desire to improve the relationship with customers and Desire to reduce branch transaction cost are among leading forces. The study has also indicated the major opportunities that will help the system to enhance its operational capabilities such as; increasing number of mobile holder and high number of unbanked populations could be seen as big opportunity. Finally, study recommended that the banks may have to aware their customer to use the system and facilitate proper and continuous training for their employees and agents, increasing the security of the system, the government need to support banking sector by facilitating sufficient infrastructural development as the system is helpful to enhance the country economical follow.

Keywords: *Ethiopian Banking industry, agent banking, Adoption and development of Agent-Banking system.*

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In any given country's economy commercial banks are the life line of modern trade and commerce by providing the major source of finance and by making available the funds for investors to borrow as well as for financial deepening of the country. But with the expansion of many branches and the minimization of foreign currency now a day's Banks are largely getting into competitive marketing strategy that determines their success and growth in mobilizing, allocating and investing the greatest part of the economic agent's "savings "accounts. Accordingly, their performance has substantial consequences on capital allocation, firm expansion, industrial growth and economic development of the country. In order to outperform in this competition different banks are adapting different kind of methodology to address their different customers need by minimizing their cost (Atandi, 2013).

As every aspect of life has been affected and yet still being changing with the increasing development of information technology and globalization, The banking sector is also been redefining its day to day operation with introduction of different electronic banking mechanisms such as ATM, mobile banking, internet banking, and POS and also now a day's able to develop and introduce branchless banking known as "agency banking" Ndungu C. (2014). As it is recently introduced to the market this study sought to find out "the challenge and prospect of the system while adapting to banking industries.

As it is known the main objective of all commercial firms is making profit similar to that commercial banks also strive to increase their profitability by minimizing their cost so that the their shareholders could still earn higher dividends while the firm possess grater market share. As a matter of fact all banks need to answer about the amount of finance they would lend and means of achieving them before being profitable so as lending is their major operation and means of income. In order to do this banks must try to accumulate there loan power by increasing a number of depositors through different mechanisms form

this expansion of branch is the major one. But this old way of getting customer at one place is becoming too much competitive and costly eventually when the number of bank and their branch increases as a result of these banks are trying to change their means of finding new customers. In addition to that the other obstacles to financial exclusion is cost, most banks are not willing to open a branch in rural areas due to cost which includes the service charge (salary, utility expense etc.) in servicing low value accounts (accounts that has minimum balance) and extending physical infrastructure to remote rural areas. This huge cost by the bank on top to a low number business transaction has led the rural people to be non-banked citizen of the country by lacking bank at nearby. But with the introduction of “agency banking” the above mentioned gap will be minimized for the future as it is shown in different country experience (fortune magazine May31, 2016).

The term “Agent banking” refers to a partnership of banks and non –bank parties typically retail commercial outlets ranging from small shops, pharmacies, post office, construction good stores and so forth to provide nearly similar services of the bank as distribution outlets for financial services” (Kumar, Nair, Persons &Urdapilleta, 2006).

This means the agent is not an employee of the banks rather it is the owner of the retail outlet who facilitates the transaction and the agent can open an account, accept deposits, withdrawals, and transfer of funds and also inquire about an account balance. Agency banking model requires commercial banks to rely on the existing infrastructure without experiencing higher cost in terms of supermarkets, credit unions, hotels and petrol stations to reach out to customers. In other word agent banking system is a system in which the banks provide banking service by non-bank staff by getting in to agreement with the customer (which latter will be called agent).

For the agent, agency banking system is a source of income as it works on commission basis per transaction he made. And also it enables the agents to have some preferential right like credit and foreign currencies.

The system “agent banking” was first developed in “BRAZIL” in the year of 1999. “BRAZIL” was an early adopter of the model and has greatly matured over the years

covering more than 99% of the countries municipality (Kumar, Nair, Persons &Urdapilleta, 2006).

In addition to “BRAZIL” Other countries around the world (including “KENYA” and “South Africa”) have also utilized the “agency banking” model and has benefited in expanding their financial services. One of the major benefits of Agency banking is it increase the number of saving or client by reaching for customer with little banks expenses due to the existing infrastructure (CGAP, 2010). In addition agents can be savings advocates, with key functions designed to be played by agents as everybody needs a safe place to save rather than saving using old method.

With real-time authorization of transactions structures, the banks check whether there are enough funds in the agent’s account or the client’s account before authorizing a cash transaction. Banking agents, thus, enforce liquidity management structures to ensure they have enough money for daily transactions. At best, banks generate automatic receipts from a printer integrated into the POS terminal, or as a storable text message sent to the customer’s mobile phone, in the bank’s name - since it represents a claim against a bank transaction. A complaints and claims structure is also necessary for customers who believe the process has not worked fairly for them and that requires records.

1.2 STATEMENT OF THE PROBLEM

According to Findex Global Survey of 2014, Kenya is leading Sub-Saharan African countries having more than 75% inclusion level that has mainly been supported by the high mobile service penetration and usage for financial transactions. Rwanda, Tanzania and Zambia are in the line, having 42%, 40% and 36% respectively. The average inclusion level of Sub-Saharan Africa (SSA) stood at 34%. Ethiopia is lagging behind its peers and even below the average having only 22% inclusion ((FIS), 2018).

As a nature Ethiopian banking system is mostly concentrated to the urban population only. This is because rural areas branches would not cover their expenses due to low incomes and deposit while comparing to high cost of utility expense to the bank and the living condition of the people where (remote and sparsely populated areas with poor infrastructure, lack of awareness, social exclusion and low literacy levels, distance

from bank branch). Mostly the banking environment and rural population has been separated mostly because of the Lack of stable and efficient banking system that enables banks and customers to interact remotely without incurring higher cost to the banks. But with the introduction of agent banking there is some gap to be filled for the bank industry in addressing this wide customer need and answering how to deal with it. As the result of this Considerable efforts have been made to address this problems that impacts directly on the livelihoods of the people as well as economic growth. One of these efforts, was the legislation of agency banking model introduced in 2014 to expand access of financial services, in a case of rural areas where it has been expensive to have branches and also it faces difficulties of infrastructures. Agency banking has come up with benefits which include reduction in cost, gives financial services at much lower cost to the consumers, it enables the financial sectors to become efficient and increasing the ease of banks' expansion hence outreach to remote areas (Mwangi, 2011). Thus, agency banking can act as a great channel for financial deepening.

Despite the great benefit that has been achieved in other country, there is shortage of studies made at the adoption of agency banking also referred to as branchless banking and its contribution to our country Ethiopia. As the result of this it has been remained as a huge gap to know about benefit and challenge of agent banking in case of our capital Addis Ababa. So as to minimize this gap and provide some information regarding to agent banking system this study has essential in accruing some knowledgeable information about the challenge and prospect of agent banking.

1.3 RESEARCH QUESTIONS

The purpose of this research is to provide answers to the broad research objectives that are described above by answering the following research questions:-

- i. What are the challenges and attitude of the customer towards the adoption of agent banking services?
- ii. What are the driving forces to adopt agent banking services in the bank industry of Ethiopia?
- iii. What are the major benefits that will be achieved from agent banking system with respect to the bank?

- iv. What are the existing opportunities in the country that initiates the adoption of agent banking?

1.4 OBJECTIVES OF THE STUDY

1.4.1 GENERAL OBJECTIVE

The general objective of this research is to study Challenge and Prospect of Agent-Banking in Ethiopian Banking Industry in case of Selected Private Banks of Addis Ababa, Ethiopia.

1.4.2. Specific objectives

1. To identify the challenges of the customer towards the adoption of agent banking services.
2. To identify the major challenges for implementation of agency banking in the financial institutions.
3. To identify the driving forces for the adoption of agent banking services in the bank industry of Ethiopia.
4. To identify the existing opportunities for agency banking.
5. To identify the attitude of the customer towards the adoption of agent banking services.

1.5 SIGNIFICANCE OF THE STUDY

The research finding is beneficial to a variety of people.

First, current existing commercial banks will use the study to educate themselves on the many paths and platforms of developing agency banking as a competitive advantage strategy. Second, the findings of this study could be used by commercial banks And MFIs to improve or expand services in a way to empower all stakeholders thus Agency banking is one of such avenues of expanding their service access networks cheaply.

For the commercial banks who have not embraced agency banking can use this study as a gateway to embracing the technology. The study could also be important to the public as the findings would contribute towards the strengthening the agency banking business. This would promote customer loyalty and widen financial services. Also this study could also be useful to motivate other researchers to perform study on the so far untouched areas of agent banking and so as to make a better understanding.

1.6 SCOPE OF THE STUDY

To make this study manageable the researcher has been forced to delimit the study to lion international bank, United Bank, cooperative bank of Oromia and Abyssinia bank. The researcher chooses to take this sample private commercial banks due there high market coverage and commenced the delivery of the Agency Banking services. Also from the total population based on their familiarity to the system of agent banking operations i.e. long year's services in providing products to public and large activities on the market. Hence, the purposive or judgmental sampling procedure decreases the general ability of findings and this study might not be used to generalize to all banks existed in Ethiopia.

Besides, the study will only to identify the challenges and prospects of agent banking system in the banking industry of Ethiopia with respect to the bank perspective.

1.7 LIMITATIONS OF THE STUDY

Due to lack of sufficient researches and/or articles in the area in the country, this study tries to formulate the literatures by relying on other countries contexts and studies. Furthermore, the study does not include all banks. The researcher also faced some sort of limitation such as sufficient time, the spread of pandemic disease (covid-19) that limits normal efficiency, up-to-date information, reference materials, finance, and the like, especially, while looking for information from the commercial banks, the officials of some of the banks were not willing to provide with the necessary information as they thought that it is confidential data.

Due to the above all facts the researcher user purposive sampling method to get the result obtained from the study.

1.8 ORGANIZATION OF THE STUDY

This study is organized into five chapters. Chapter one is already presented in the current section; Chapter two provides an overview of the state of analysis of the existing literature.

Chapter three presents the methodology used in this thesis. The chapter includes the research approach as well as describes the data collecting and analysis methods used. Chapter four analyses and presents the research findings obtained through the thesis methodology by showing how each of the research questions has been answered and how these findings together contribute to the main purpose of the study. Finally, Chapter five ends the thesis with conclusions and a set of recommendations derived from the research findings.

CHAPTER TWO:

REVIEW OF RELATED LITERATURE

2.1 INTRODUCTION

As agent-banking is relatively new concept to country like Ethiopia this chapter reviews an empirical search on past studies that has been done to guide the research gaps. In this study literatures from past studies, internet, text books and published articles has been reviewed.

2.1.1 THEORETICAL REVIEW

The theory regarding financial intermediation was developed starting with the 60's, the starting point being the work of Gurley and Shaw (1960). 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).

As per Rothschild and Stieglitz 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 the literature that formally explain the existence of financial intermediaries. The first strand emphasizes financial intermediaries' provision of liquidity and 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 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.

Theories of agency banking can be classified into broad categories: these are Bank Focused theory and bank-led (agency theory).

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 (Mass, 2009).

BANK-LED THEORY (AGENCY THEORY)

The Bank-Led Model is the one which Banks are granted vested right to run the Mobile and Agent Banking business by the National Bank. The Regulation of Mobile and Agent Banking Services Directive No. FIS/01/2012 issued by National Bank of Ethiopia (NBE) clearly stated that Ethiopia has adopted the Bank Led Model. Accordingly, only commercial banks are allowed to provide the service in Ethiopia with prudent supervision by the National Bank of Ethiopia.

The other Model is the Telco-Led Model which is implemented by most successful countries in Mobile and Agent Banking business. However, the issue of fund protection is one of the most challenging in the non-bank led model: Non-bank issuers are taking funds from the public, MNOs are not regulated/ supervised prudentially and what if the m-banking provider goes bankrupt, to whom claim presented. Unlike the Bank-Led model, the loose established mechanisms to protect users' funds make the risk of the Telco-Led model higher than the Bank-Led Model (Laurent, 2011).

Bank-led theory offers a distinct alternative to conventional branch-based banking in that customer conducts financial transactions at a whole range of retail agents instead of at bank branches or through bank employees (Lyman, Ivatury and Staschen, 2006).

This model promises the potential to substantially increase the financial services outreach by using a different delivery channel (retailers/ mobile phones), a different trade partner (Chain Store) having experience and target market distinct from traditional banks, and may be significantly cheaper than the bank based alternatives. In this model customer account relationship rests with the bank (Tomášková, H. 2010). Retail agents have face-to-face interaction with customers and perform cash -in/cash-out functions, Much as a branch-based teller would take deposits and process withdrawals (Owens, J. 2006)

In bank-led model the technological/physical infrastructure of a retailer is used to provide some basic banking services like balance enquiry, account to account fund transfer, payments for goods/services at merchant outlets using their mobile number as account. Most of these services are already being provided by banks and are covered under existing regulations; hence, the model poses no specific regulatory issues. Besides, it lowers the cost of delivery to banks, including costs of building and maintaining a delivery channel and to customers of accessing services (Lyman, Pickens and Porteous, 2008). Agents Related Risks arise from substantial outsourcing of customer contact to retail agents. From a typical banking regulator's perspective, entrusting retail customer contact to the types of retail agents used in both the bank-led and nonbank-led models would seem riskier than these same functions in the hands of bank tellers in a conventional bank branch. These retail agents may operate in hard-to reach or dangerous areas and lack physical security systems and specially trained personnel. The lack of expert training may seem a particular problem if retail agents' functions range beyond the cash-in/cash-out transactions of typical bank tellers to include a role in credit decisions (State Bank of Pakistan, 2011).

2.1.2 THEORY OF AGENCY

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.

Agency theory is a theory that shows the contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling those resources. Jensen 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 informative 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 hand 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).

Though commercial banks continues to invest in rolling out brick and mortar branches that are complimented by various delivery channels, the challenge of access to formal financial services remains a big impediment to financial performance.

Customers are forced to travel long distances and spend huge amounts of money on transport in order to access a branch. In addition to the cost of transport is the time spent commuting to and from that could have been spent more productively.

To curb these challenges, a number of central banks around the world have released legislation that allows commercial banks to contract third party retail networks as agents (Lyman, Victory and Staschen, 2006).

2.1.3 AGENT BANKING

Agent banking is a kind of branch less banking which is significantly cheaper alternative to conventional branch-based banking that allows financial institutions and other commercial players to offer financial services outside traditional bank premises (Hassen, et al, 2011).

It was introduce in Brazil for the first time and was very successful even in different country (including our best example Kenya and Uganda). In this system there will be three participants the principal or the bank, the agent and the customer. In which the bank will make an agreement with the agent to serve the customer through the agent on commission base transaction. For poor people who live in with less infrastructure place (i.e. Africa and Latin-American,) "branchless banking" through retail agents may be far more convenient and efficient than going to a bank branch (Lyman, Ivatury and Staschen, 2006).

To enhance financial inclusion (market access), Banking Act of Ethiopia was amended in 2014 to pave way for agency banking. This has led to increased profitability of banks Even though still there is some undressed place. Increased number of transactions

facilitated by bank agents largely attribute to increases in transactions relating to payment of bills, mini statement requests, cash withdrawals and cash deposits which in turn improves profitability of commercial banks (CBK, 2014). The number of transaction made in each year in agent banking is increasing from year to year for example up to April 2016 there had been 364 agents and nearly 3.3 million transactions and 4.2 deposits in united bank.

2.1.4 AGENCY BANKING IN ETHIOPIA AND ITS MODE OF CONDUCT

Even though for countries like Ethiopia, where financial accessibility is very low where 78% of the population being unbanked (addisfortune.net/columns/powers-of-agent-banking) agent banking is still has to be worked a lot. Most financial institution has not yet starts giving agent banking services due to money reason but above all the low level concern and awareness of the media and stakeholders has led the system to not grow.

Before October 2015, where the National Bank of Ethiopia (NBE) came up with a new regulation to make agent banking as a mandatory operation so that let financial industry sound. Agent banking has started in 2014 by Dashen Bank having the first place but its United Bank was with deep engagement to the market.

But within recent year and the NBE regulation the term agent banking has been new thing even for most banks. As the result looking at banners and posters posted on the entrance of small shops, internet café, beauty salon, bars and gas station around Addis Ababa any person would learn there is something new happening with the financial environment.

2.1.4.1 MODES OF BUSINESS CONDUCT

As per the NBE Directives the following are the main point to be followed.

Only financial institutions that are licensed by the national bank of Ethiopia are allowed to engage in agent banking services. Agent banking service shall be carried out only within the geographical boundary of Ethiopia and with only Ethiopian Birr. Financial institutions can carry out mobile banking through their agents as specified in these directives. Where financial institutions carryout mobile banking services through agents. The financial institution shall be fully responsible and liable for all actions and omissions of its agent

and this responsibility shall extend to actions of the agent. All transactions involving deposit, withdrawal, payment or transfer of cash from or to an account shall be made on real time basis and financial institutions shall ensure that agents are able to carry out real time transactions. Agents shall not under any circumstance accept funds from customers that exceed their prepaid balance with financial institutions. Financial institutions shall debit or credit the account of the agent or customer upon conduct of any transaction that necessitates reduction or increase of the account balance of the agent or customer.

2.2 ATTITUDE AND AWARENESS OF THE CUSTOMER TOWARD AGENT BANKING SYSTEM

Even though it has been popular in most countries the term agent banking is new issues to our country but now days the term agent banking has got wide recognition at some part of Addis Ababa. as per nov16,2015 Addis fortune report shows even some private banks has shown this system as disaster at the primary stage but within recent years every bank are trying to enter into this new system. As this service is at an introduction sage there are many ups and downs in finding the trust of the client. Most of the customer of every bank has no understanding the benefit and service agent banking except if they are not close to the financial industry (Fortune, A. (2016).

2.2.1 BENEFITS OF AGENT BANKING TO AGENTS (RETAIL OUTLETS)

Bank agents are usually awarded commissions whenever they perform transactions on behalf of the bank. Increased customer traffic brings additional benefits to the agent; the increased traffic brought about by customers performing banking activities also translates to more people getting to know your business hence more sales, the question comes at the initial stage there might not be sufficient number of customer who frequently visit the agent premises (Chiteli, 2013).

2.2.2 BENEFITS OF AGENT BANKING FOR CUSTOMER

Customers are also one of the drivers of Mobile and Agent Banking business. Most financial institution closes their doors early, but with agents, for as long as the business premise remains

open, you can do your transactions, and this gives flexible hours. This has proven to be very convenient especially for people who are busy during the day. The other benefits to customers are financial institution agents have proven to be cost-effective especially to people who live in rural areas that are far away from banks (Veniard & Melinda Gates Foundation, 2010).

Agent banking as already stated has greatly serviced both the public and the banking industry. This has resulted in creation of a better enabling environment that supports Growth, productivity and prosperity. Besides many tangible benefits in the form of reduction of cost, reduced delivery time, increased efficiency, reduced wastage, agent banking Controlled and thoroughly monitored environment and discourage many illegal and illegitimate practices associated with banking industry like money laundering, frauds and embezzlements. Further agent banking has helped banks in better monitoring of their customer base. This is a useful tool in the hand of the bank to device suitable commercial packages that are in conformity with customer needs.

2.2.3 BENEFIT OF AGENT BANKING FOR BANKS

Success of agency banking can be attributed to technological advancement. The technology adapted is mainly a point of sale (POS) and a phone. Clients that transact at the agent use a chip bank card or their mobile phone to access their bank account (Yobes et.al. 2012).

Identification of customers is normally done through a PIN, but could and personal documents. With regard to the transaction verification, authorization, and settlement platform, banking agents are similar to any other remote bank channel. Agency banking has enabled bank customer to access the banking services within the comfort of their neighborhood. Agency banking can dramatically reduce the cost of delivering financial services to unreachd people (Yobes et.al. 2012).

Agency Banking has a huge safe and sounded mechanism when most banks are working towards cost management. Huge savings on cost of construction of bank premises and leasing costs when banks are using the Agency premises, reduction of human resource expenses (the banks do not have to employ new staff to manage the agency and the cost of training if any is to the bare minimum), savings on equipment like furniture and computers, additional delivery channels hence easier to tap more deposits and transaction best income, and finally agent cost will most certainly be passed to consumers (Robert J Waller 2010).

Banking agents help financial institutions to divert existing customers from crowded branches providing a “complementary”, often more convenient channel. especially in developing markets, use agents to reach an “additional” client segment or geography. Reaching rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost. In such environments banking agents that piggy back on existing retail infrastructure and lower set up and running cost play a vital role in offering low-income people. Also, low-income clients often feel more comfortable banking at their local store than walking into a marble branch (Siedek, 2008).

Wendel and Williams (2001) mentioned that Agent businesses are more profitable and produce higher revenues, than commercial banks that use only branch networks. Banks can benefit from lower transaction costs as agent banking requires less paper work, less staffs and physical branches (Cheng et al, 2006).

2.2.4 CHALLENGES OF AGENCY BANKING

Banking regulation typically recognizes multiple categories of risk that bank regulators and supervisors seek to mitigate when customers use retail agents rather than bank branches to access banking services. Five of these risk categories are credit risk, operational risk, legal risk, liquidity risk and reputation risk.

The use of retail agents also potentially raises special concerns regarding consumer protection and compliance with rules for combating money laundering and financing of terrorism (Kumar et al., 2006).

Watiri (2013) found that the main factors influencing the adoption of agency banking among commercial banks in Kenya include: cost reduction, enhancement of customer experience and expanded presence by banks particularly in remote areas. The Watiri study therefore recommends that banks should adopt a risk based approach to the supervision and regulation of agency banking while putting sufficient security measures in place.

Ndungu and Okibo (2015) conducted a study on factors affecting banking agents in Kenya.

The study concludes that cost of financial services and the levels of financial literacy had the greatest effect on the performance of banking agents. The study also concluded that cost has a direct bearing on performance of banking agents. When transaction costs are lower, the performance of banking agents improve because of the more transactions that are processed at the agent locations. The cost of operationalizing banking agents is also expensive which leads to late deployment of gadgets used by the agents such as POS. This in turn leads to high dormancy levels of agents approved by CBK as well as making the agency model not profitable.

2.3 ACTIVITES ON AGENT BANKING

2.3.1 PROHIBITED ACTIVITIES ON AGENCY BANKING

Some activities are prohibited and when an agent continues to perform them prohibited their contract may be terminated. These activities include: Performing and carrying out transactions which must have a receipt or acknowledgement when the networks and communication failure is experienced, charging customers any fees, carrying out agency banking business when agent is no longer a going concern, offering its own banking services apart from the sponsoring bank, anti-money laundering services, foreign exchange transactions, en-cashing and depositing of cheques, provision of cash advances and loans and subcontracting to any business to run its agency banking.

2.3.2 PERMISSIBLE ACTIVITIES OF AN AGENT

According to Veniard & Melinda Gates Foundation (2010), the opportunities for Adoption of Agent banking includes:

1. Agent Banking Systems are Cheaper to Operate than Branches

They found that agent banking systems are up to three times cheaper to operate than branches for two reasons. First, agent banking minimizes fixed costs by leveraging existing retail outlets and reducing the need for financial service providers to invest in their own infrastructure. Although agent banking incurs higher variable costs from commissions to agents and

communications, fixed costs per transaction for branches are significantly higher. Second, acquisition costs are lower for mobile-enabled agents and mobile wallets. By using mobile phones instead of payment cards, mobile wallets and bank accounts linked to a mobile wallet are able to acquire customers at less than 70 percent of the cost of a branch or POS-enabled agent. In some countries, mobile wallets may also benefit from lower-cost Know Your Customer requirements, such as the elimination of requirements to provide photographs and photocopies of documents.

2. Costs are Incurred Only If Transactions Are Realized

In an underutilized branch, fixed costs are distributed over a smaller number of transactions, resulting in significantly higher costs per transaction. Agent banking systems, on the other hand, receive a commission only if transactions are realized. For example, according to the average estimations of the institutions in our sample, if delivery channels are utilized at 100 percent of their capacity, total costs per deposit transaction will be two to four times higher in a branch than with an agent channel. If delivery channels are utilized at 50 percent of their capacity—a common occurrence with the providers in our sample total costs per deposit transaction will be three to eight times higher in a branch. As long as the agent sees enough transactions to be incentivized to provide the service, capacity utilization has little effect on an agent's cost structure for the financial service provider.

3. Agent Transaction Platforms Benefit From Additional Transactional Revenue Sources

By bringing the channel closer to the client, agent transaction platforms may also benefit from additional revenue associated with transactions acquired by the agent, such as person-to-person transactions and bill payments. Although customers can conduct these transactions in a branch, proximity may increase their willingness to pay for these services and increase the number of transactions conducted through the channel. For example, a recent study found that households using M-PESA doubled the number of remittances they sent between 2008 and 2009. This rapid increase in the number of transactions conducted is likely the result of proximity and ease of use. This is especially relevant when serving poor customers with low-balance accounts, because it is hard for the provider to cover the operational costs of the account on financial margin alone and because the provider needs to move to a transaction-

driven revenue model. On a small-balance account of less than \$50, a 6 percent financial margin represents less than \$3 in revenue per year. In contrast, a typical mobile wallet conducting 1.5 transactions per month will earn more than \$7 per year just from person-to-person transactions and bill payments.

4. Agent Banking Works Best for Low-Balance, High-Transaction Accounts

As a result of lower transaction costs and a transaction-driven revenue model (rather than a float-driven model), agent banking systems are most cost effective for transactional accounts with low balances and frequent transactions. For example, an account that sees two deposits and two withdrawals per month will incur more than 70 percent fewer costs if the customer transacts through an agent rather than a branch. In addition, transactional accounts can make money off the transaction services provided (e.g., person to person transfers, bill pay, etc.), as is the case with most mobile wallets.

Bank Size

Even in our country Ethiopia Banks have persistently increased in their number of branches over the years. As per some data shows all those banks in total have more than 4757 branches as of June 30, 2018(www.asokoinsight.com) Although the Ethiopian financial regulators have been promoting region-based relationship banking in recent years and starting from 2016 National Bank of Ethiopia ordered to commercial banks to open 25% their branches out of Addis Ababa (www.nbe.gov.et) many commercial banks expand their branch network restricted to within Addis Ababa only. In terms of their national economies, most financial institutions have become very large in terms of their revenue and their contribution to the GDP of the country but one thing for sure should not be forgotten if the absolute size of a bank increases, its rate of return on asset as well as bank risks increases due to many reason.

Size relative to the national economy has no effect. The absolute size of a bank is defined as a tradeoff between the bank risk and its return. Larger banks have a larger share of their income in terms of non-interest income (Huizinga, 2012). The market share will give the bank size. This comprises of net asset deposits, capital, number of loan accounts and

number of deposits. And also the larger the branch size the larger the cost of the fixed asset will be and the higher in sharing the profit.

2.4 THE METHOD OF BANK CHOOSE AND SUPPORT AGENTS

As per Directives Number FIS/01/2012 of NBE line with the powers vested in it by article 10 (5) of National Payment System Proclamation No. 718/2011 and article 59 (2) of Banking Business Proclamation no. 592/2008 “any person who is engaged in valid and lawful business or commercial activity within Ethiopia can be an agent of a financial institution. However, in case an agent has a specific regulatory body to which it is accountable to, it shall produce a written consent from the regulatory body permitting entering of agency agreement. In making agency arrangement, a financial institution shall enter into a written contract with an agent for the provision on its behalf any of the mobile and agent banking services specified in these directives” as per NBE directives.

2.5 EMPIRICAL REVIEW RELATION TO COUNTRIES EXPERIENCES

As per Kandie (2013) sought to establish the effect of agency banking on financial inclusion in Kenya. The study adopted was a cross sectional survey approach in research design. The population consisted of six commercial banks with agency banking services in Kenya. She used secondary data with inferential statistics techniques being used to make a prediction about the dependent variable. The findings showed strong positive relationship between financial inclusion and agency banking. Watiri (2013) sought to establish the contribution of agency banking in financial performance of commercial banks in Kenya. The study adopted a descriptive survey. It found out that low transaction cost through agency banking had a positive impact on the financial performance of Kenyan commercial banks. By this time, only 9 banks had adopted agency banking and by Dec 2014, 16 banks have adopted the model. This gives more accurate results than Watiris. Also, Watiri’s study didn’t consider the financial performance before adoption of agency banking but this study will be a

comparative study showing the financial performance before and after adoption of agency banking in Ethiopian commercial banks.

CGAP (2010) conducted survey of Russia on regulation of branchless banking. The survey was done using empirical analysis of relevant legal and policy changes through the end of 2009. The findings indicate that more than 100,000 automated payment terminals have sprung up in the larger cities in recent years. One provider, Cyber Plat, claims to have processed 1.2 billion transactions worth US\$4.7 billion through the first three quarters of 2007 via its 70,000 “cash acceptance” points, mostly for prepaid airtime, television, Internet, and other utilities (CGAP). Lozano and Mandrile (2010) studied agent model for branchless banking in Colombia. It examined traditional banking sector’s interest in branchless banking and identifies available platforms for implementation of banking agent networks and empirically highlighted benefits of branchless banking for Colombian MFIs, and gives an overview of the current network of NBCs in the country. The findings presented a new model where MFIs act as agents of branchless banking services. Implementation of the model would create a new microfinance value chain through a process of scale and inclusion, and enable the poor to access a wider array of banking services.

Modupe (2010) examined the dynamic of financial innovation in the banking industry in the Nigeria, and found that a distinction between product innovation and process innovation is necessary as much as the adoption of each type of innovation has its own characteristics and has a different impact on banking performance. They argue that product innovations have a market focus and are effectiveness driven, while process innovations have an internal focus and are efficiency driven.

In fact, product innovations are introduced to satisfy an external user or market need, while process innovations are defined as new elements introduced into the firm's production or into the services it provides. The latter are essentially introduced by the firm with a view towards improving its efficiency. Consultative Group to Assist the Poor (CGAP) (2006) conducted a survey on in branchless banking in Pernambuco, Brazil. It was found that bill payments and the payments of government benefits to

individuals comprised 78 percent of the 1.53 billion transactions conducted at the country's more than 95,000 agents in 2006 CGAP research in Brazil found that, of the 750 people who responded to a survey in Pernambuco State, 90 percent reported using banking agents to pay utility and other bills, only 5 percent reported opening a bank account at the agent, and less than 5 percent said they had made a cash deposit into their bank account at an agent. Indeed, 87 percent of those who had opened an account stated that they had done so just to receive Kumar, Nair, Parsons and Urdapilleta (2006) explored the extent to which formal, regulated financial institutions such as banks have been able to partner with correspondents, commercial entities whose primary objective and business is other than the provision of financial services in Brazil. The findings indicate that Brazil has created an unusually favorable environment for correspondent banking. It was further established that costs and regulatory regimes affect the details of profitability or differential advantage of correspondent banking compared to branch banking.

It was established that branchless banking allows banks to gain proximity to small and perhaps higher risk clients through a format that is friendly to this population segment, but with significantly reduced startup investments and ongoing costs. Economies of scale allow this despite low balances and profit margins from business with these clients' welfare or salary payments.

Elfaged Aregahegn, (2015) studied the challenges and prospects of mobile and agent banking in Ethiopia. In the study the researcher studied both mobile and agent banking by taking 6 banks which 5 private banks and 1 government bank. The researcher find the challenge was level of development of ICT infrastructure and the road network which significantly impacts mobile and agent banking and also the researcher found availability of agent channels are a challenge for mobile and agent banking. The researcher used questionnaires and interviews as method of data collection from banks from 33 respondents.

H/Michael Tetemke, (2017) studies the prospects and challenges on the adoption of agent banking on lion international bank in Mekele. The study asserts that the opportunities associated with the Agent banking business in their order of relative importance by respondents are enhancing accessibility to the bank's services by both existing and new customers; additional revenue making, cost reduction and increase in customer base for banks;

means of providing financial services in a profitable, sustainable and scalable manner; the Political Economic, Social and Technological environment (PEST); high mobile penetration and population growth rates, poverty reduction for the government, additional revenue making and cost reduction were found as the main drivers for the provision of Mobile and Agent Banking business in Ethiopia. Note that the PEST environment was mentioned as an opportunity at a holistic level even if the study found that its technological aspect remained as one of the major challenges.

From all those studies reviewed above, it's evident that agency banking has brought more advantages like cost saving and accessibility to financial services, with less cost for financial institutions like ours regaining more aggressive to dominate the market entry into this segment seems the best way now a days. The gap this study seeks to fill is therefore to evaluate the effect of agency banking in the performance of commercial banks in Ethiopia. The earlier studies also have been done on fewer banks which had adopted agency banking leading to generalized results.

CHAPTER THREE

3. RESEARCH METHODOLOGY

This chapter briefly describes and answer the questions of where the study focused on and what are the population and how the sample drawn from and what techniques of the data collections used and also what methods have been used to analyze and interpret the data's. And finally, the chapter discusses reliability and ethical issues to be followed to the quality standard of the research.

3.1 STUDY DESIGN

Research design facilitates the collection and analysis of data in a way that combines it with mathematics related to the purpose of the research. In fact, the research design is a conceptual framework for research. Develop data collection, measurement and analysis design (Kotari, 2004). According to Robson (2002), the three natures of research in general are: researcher, narrator, and narrator. Exploration is about finding new insights, looking around and asking questions or bringing certain events to new light. The purpose of explanatory research is to find an explanation for a particular situation or problem, generally in the form of logical relationships. Finally, descriptive research is primarily a type of research that describes the current situation in detail about the nature or situation and the degree. Creswell (2003) states that descriptive research methods are used to gather information about the current situation.

This study focuses on the current state of the problem and answers the “what” research questions, highlighting the most important challenges and prospects for consumer banking development in Ethiopia. This research also aims to explain current banking practices. Therefore, descriptive research is being used to achieve research objectives.

3.2 STUDY POPULATION AND SAMPLING TECHNIQUE

The scope of this study includes private and public commercial banks based on the National Bank of Ethiopia. The total number of commercial banks engaged in the NBE Quarterly Announcement 2017 is 18, of which 17 commercial banks are privately owned.

To conduct this study, the researcher deliberately took four private commercial banks that began agent banking services. Those banks are the Lion international Bank S.C, United Bank S.C, cooperative bank of Oromia (S.C) and Bank of Abyssinia. Because of the high market coverage, the researcher chose to take the sample from private commercial banks and began providing the agency's banking services.

The populations sizes of those banks are include 70 employees of the four banks Lion international Bank S.C, United Bank S.C, cooperative bank of Oromia (S.C) and Bank of Abyssinia from selected branches. Employees of selected branches out of four banks are 20, 20, 15 and 15 respectively.

$$n = N \div [1 + N (e^2)]$$

Where:

n= sample size

N= target population

e =marginal error (0.05)

By using the formula, the sample size becomes;

$$N=70 / (1+70(0.05^2)) =60$$

The sample size of banks employees is 60.

Accordingly, the researcher examined the four private banks using a judgmental or purposive sampling method to draw the sample from the population. Samples were selected to represent the related characteristics of the population. A survey was conducted for 60 professional staff at selected commercial headquarters and representative bank branches. The researcher also notes that Graziano and Rawlin (1997) have taken precautions that do not represent the population in which the samples were taken.

3.4 DATA COLLECTION INSTRUMENTS AND PROCEDURES

SOURCES OF DATA

The study was conducted by collecting data from both primary and secondary sources. According to a structural design question, preliminary data was collected from the staff of the four commercial banks. It included both closed ended and open-ended questions, which allowed respondents to adequately express their views on the questions. Selected commercial banks gathered from each bank's head office and existing branches to obtain

reliable and representative information for the entire branch. Secondary information is also analyzed from various industry documents, records and reports, regulatory reports.

DATA COLLECTION INSTRUMENTS

To gather sufficient information to answer the research questions, the researcher prepared a questionnaire to get the numerical results.

Questionnaires

According to Yin (2003), to collect primary data and be focus the researcher on a specific research topic structured questionnaires are an important methods. A questionnaire was used because respondents felt it was more convenient, as respondents collecting primary data and allow the researcher to focus on a specific research topic could answer at a convenient time. The questionnaire was developed by the researcher based on research questions and literature. The researcher used open and closed-ended type of questionnaires, giving respondents an opportunity to express their views on the questions. The questionnaire begins with an introductory statement and describes the purpose of the research only for academic knowledge. Respondents are encouraged to be realistic in their responses as they are confidential.

The questionnaire was pilot tested to determine the probable usefulness of the questionnaire and whether further revision is needed prior to conducting the survey. If the subjects have difficulty understanding the questionnaire or have some comments about the questionnaire. Response format was both open-ended and close-ended questions. Their subjects are encouraged to be very independent with their responses, to suggest improvements, and to list any problems they may have. After each questionnaire is completed, each question will be asked what it means to find out the answers. To make the questions easier, comments were asked about the accuracy of the questions and what changes should be made. These respondents also commented on the instructions given regarding the size and the fact that it took time to answer the questions. There were no major problems with the test and small improvements were made to the survey questions based on the results obtained. In addition, the experimental study was conducted to verify the accuracy, sequence, and relevance of the questionnaire. A questionnaire is floated to all 60 professional staff of the selected private commercial bank headquarters and some active branches which they involve on the implementation of agent banking system. Respondents

are knowledgeable in the implementation and operation of agent banking system in their work line and may provide important insights into the implementation as they are involved in the implementation of the project.

For the selection of respondent from each of the four private commercial banks the study employed random sampling technique.

A form of affirmative statements were used to present questions, relating to the concepts on agent banking and to identify their intention on the challenge and prospect for adoption and development of agent banking system. The following five point liker scale rating indicates respondent's level of agreement. Five point liker scales with the following rating, the respondents were asked point out their level of agreement.

(5; or SA) Strongly agree, (4; or A) agree, (3; or N) neutral, (2; or DA) disagree, and (1; or SD) strongly disagree. To generate data for quantitative analysis and to provide a feel of ordinal scale measurement the numbers were indicated in the questionnaires. For easy analysis and to elicit guided response the questionnaire was a close ended questionnaire.

3.5 METHODS OF DATA ANALYSIS

The collected data was analyzed based on the nature of the objective. In order to meet the stated research objectives. Accordingly, Microsoft excel was used to analyze the data collected via questionnaires.

3.6 VALIDITY AND RELIABILITY

Reliability refers to the consistency of results obtained from responses to a data collection instrument. It shows whether there is consistency in test administration and scoring.

In other words, it shows whether the item responses are consistent across constructs and stable over time.

The validity issues that might arise in qualitative methods research may relate whether one can draw meaningful and useful inferences from scores on the instruments.

The study conducted pilot test to check the reliability and validity of both the instruments and the findings. The questionnaires internal consistency was checked; different questions were incorporated and the researcher has checked whether responses to those questions are consistent with the other responses given to questions in the questionnaire.

In order to get accurate data, the researcher has also checked content validity criteria validity and construction validity of the questionnaires. Preliminary analysis was also made to ensure that the information gathered is adequate and appropriate enough to investigate the research questions.

3.7 ETHICAL CONSIDERATIONS

Prior to starting data collection, the researcher has sought and gained formal permission to conduct the study by the request letter of permission from queens university colleague and made every effort in order to obtain a convenience data from the requested employees. A Participation of respondents was strictly on voluntary basis. Respondents have also been informed about confidentiality of the information they provide will not be disclosed to anyone. Each person agreed to participate was made to fully understand of the purpose of the study and why it is necessary. Moreover, throughout this work the researcher protects participants against any form of illegal measures imposed by securing their identification.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

Both primary and secondary source of data gathered for presentation, interpretation and analysis were dealt in this chapter.

4.1 INTRODUCTION

In this chapter data's were analyzed collected through different techniques. In this analysis, to four (4) purposely sampled private commercial banks a total of sixty (60) questionnaires were distributed to agent banking expert or professional staffs. Fifty six (56) questionnaires were successfully completed, returned and used for the study out of the sixty (60) distributed questionnaires. From the total distributed questionnaires an approximate rate of 93.3% was responded. In this study other documents were reviewed regarding to other documents. Accordingly, the analysis and presentation of questionnaires and interpretation of the literatures were done whereby results obtained from the questionnaires of the respondents and Microsoft excel was used in order to analyze the research result. The following section shows response of each questions whereby a descriptive measure has conducted for the research.

4.2 SELECTED BANKS INFORMATION FOR THE STUDY

In this section financial institutions and the respondents demographic details are showed based on the questions asked for response on the questioners such as the name of the institution they are working for, number of experts and professional staff involved in providing agent banking services in each sampled organization, education level and gender of the respondents has been reviewed. The results are illustrated in the subsequent table 4.1 below.

Table 4.1: General information of the banks and respondents

| Name Of The Bank | No Questionnaire | | Percentage |
|----------------------------------|------------------|----------|------------|
| | Distributed | Returned | |
| Abyssinia Bank S.C | 15 | 14 | 93.3% |
| United Bank S.C (UB) | 20 | 20 | 100% |
| Cooperative Bank Of Oromia (CBO) | 10 | 10 | 100% |
| Lion International Bank Sc (LIB) | 15 | 12 | 80% |
| Total | 60 | 56 | 93.3% |

| Name of the banks | Number Of Professional Experts Engaged In Agent Banking In Selected Dep't And Branch And Branch | Participants for this study | Percentage | |
|-----------------------------|---|-----------------------------|------------|-------|
| Abyssinia Bank | 20 | 19 | 95% | |
| United Bank S.C (Ub) | 12 | 12 | 100% | |
| Cooperative Bank Of Oromia. | 13 | 10 | 77% | |
| Lion International Bank Sc | 11 | 11 | 100% | |
| Total | | | 91% | |
| Gender | Male | 39 | 69.60% | |
| | Female | 17 | 30.40% | |
| Total | | 56 | 100 | |
| Level Of Education | Certificate | 1 | 1.78% | |
| | Diploma | 6 | 10.71% | |
| | Bachelor Degree | 38 | 67.80% | |
| | Masters And Above | 11 | 19.64% | |
| Total | | 56 | 100% | |
| Age | 20-30 | 60.70% | 41-50 | 8.90% |
| | 31-40 | 30.30% | 51& above | 0% |

Source: researcher own survey: 2020

As the above table 4.1 shown four private Ethiopia's commercial banks were involved in the study and sixty (60) questionnaires were distributed out of them fifty six (56) questionnaires were successfully completed, returned and used for the study. This give the study response rate of approximately 93.3% of the total questionnaires distributed. With that keeping in mind out of the four sample private banks united bank and CBO employee has been 100% respondents to the questioner Next to that Abyssinia bank, and LIB has participated with percentage of 93% and 80% respectively.

As per data shows most of the respondents are male and youngsters with percentage of 69.6% and 30.4% respectively this shows that most of the banks activity of agent banking is carried out by fresh talent to the future where as the number of female are quite little. In addition to this most of the respondents are a bachelor degree holder with 67.8 % and master's degree of 11% that shows most of the staff are an educated.

As per NBE website all sampled banks have an operational age of more than ten (10) years from this united bank and Abyssinia bank has the older date of establishment of more than twenty years. In addition to this form the above selected four banks united bank and Abyssinia bank are a former in introducing of agent banking system from the sampled private commercial banks. Besides this researcher found that “united bank is the bank in Ethiopia to provide agent banking system who engaged deeply”, and the rest Abyssinia CBO and lib had started agent-banking services in with in recent period but have high market share.

4.3 CHALLENGES AND ATTITUDE OF CUSTOMER ON ADOPTION OF AGENT BANKING SERVICE

As a fact many reasons could be sited as a challenge in implementing of Agency banking system as the bank industry Ethiopia is a bit late to adopt the system of agent banking. This challenge may came from different variables of the country for example the lack of awareness of the system by customer, willingness to change, fear of risk (security), lack of adequate infrastructure and trust factors are the main ones. However, these reasons could vary widely among banks and type of culture it has. A total of 44 questions was obtained from different literatures and asked to indicate the extent to which each respondent agrees to corresponding closed ended statements rated on a five-point Linker type scales ranging from ‘1’ “Strongly Disagree” to ‘5’ “Strongly Agree”. Statistical results are presented under each section of the

factors considered using the table. Results obtained from the questionnaires distributed from the open ended questions the researcher tried to triangulate and complement the result accordingly when found appropriate. According to Tornatzky and Fleisher (1990) challenges are categorized in to technological and organizational, environmental for analysis purpose.

4.3.1 ORGANIZATIONAL CHALLENGES

Organizational challenges in most study includes; organizational structure, IT users' community, technological capabilities of the organization's members, firm size, firm's process, the technological and financial resources available, management backing and support for the project, process of selecting and implementing the IT. As the result of this costs related to implementation and resistance to changes, running of agent-banking technology, adapting the system, technical and managerial skills, customer awareness, market willingness required to implementing agent banking system are considered as organizational factors.

Table 4.2 organization factors affecting adoption and growth of agent banking

| | Challenges | Number of Respondents | | Mean | Mode | Standard Deviation |
|---|--|-----------------------|--------|------|------|--------------------|
| | | Valid | Missed | | | |
| 1 | Lack of customer awareness on agent banking; | 56 | - | 3.91 | 4 | 1.12 |
| 2 | Lack of operational and technical skills in implementation and development of agent banking | 56 | - | 3.61 | 4 | 1.12 |
| 3 | High cost of agent banking implementation. (such as cost of software and reorganization, network and ICT equipment | 56 | - | 3.00 | 2 | 1.22 |
| 4 | Resistance to changes in technology among by staff, top Management and board | 56 | - | 3.73 | 4 | 0.96 |

Source: researcher own survey 2020

As Tables 4.2 shows the respondents agreed agent banking technology in Ethiopia faces lack of customer awareness regarding to agent banking has the lion share in organizational challenge for implementation and growth, in which the mean score and mode were found 3.91 and 4.00 respectively. As per the respondents this is in line with resistance to change for the

system (technology) among board of management and lack of operational and technical skills in development and implementation of agent banking is main factor that hinders adoption of agent banking operation with mean of 3.73 and 4 mode. The respondent also agreed successful adoption and growth of Agent banking system is affected in which the mean score and mode were found 3.61 and 4.00 respectively. The above mentioned factors has impact on adapting agent banking system but above all lack of customer awareness has the major challenge for implementing and growth of agent banking in Ethiopia.

Similarly, respondents has indicated that even most of including bank staff are not aware of the benefits of agent banking service to the society and individual’s but due to lack of adequate coordination and interaction between staff of the bank and less introduction to staff they are not provoked enough to use agent baking products or service.

4.3.2 ENVIRONMENTAL CHALLENGES

Another challenge that is affecting the adoption of new technological innovation in banking industry is an external environment. External environment has big impact on the adaption of any technology. In this study regulation and law, role of government, computer literacy and other factors in relation with environmental factors are considered as organizational factors and the table bellows shown the survey result limitation in network infrastructure and internet related to lack of motivational Support services on agent banking has the highest results from the other environmental factors with percentage of 25 % and 53.57% of highly agreed and agreed respectively. Also customer low levels of literacy and know how gets another big result with percentage of 25% and 53.57% of highly agreed and agreed respectively.

Table 4.3 Environmental Challenge

| | Environmental Challenge | Number of Respondents | | Mean | Mode | Standard Deviation |
|---|--|-----------------------|--------|------|------|--------------------|
| | | Valid | Missed | | | |
| 1 | Lack of sufficient motivational support that affect customers willingness; | 56 | - | 3.50 | 4 | 1.11 |
| 2 | Lack of legal framework for agent-banking; | 56 | - | 2.71 | 2 | 1.17 |

| | | | | | | |
|----|--|----|---|------|---|------|
| 3 | Infrastructural limitation on network and internet related support services; | 56 | - | 3.96 | 4 | 0.83 |
| 4 | Low levels of Customer know how and literacy ; | 56 | - | 3.93 | 4 | 0.93 |
| 5 | Infrastructural limitation ; | 56 | - | 3.88 | 4 | 0.90 |
| 6 | Lack of cooperation between banks and adequate interaction, coordination and other decision making centers in agent-banking context; | 56 | - | 3.68 | 4 | 0.88 |
| 7 | Lack of financial networks; | 56 | - | 3.66 | 4 | 1.03 |
| 8 | Tight regulation of foreign currency ; | 56 | - | 2.57 | 2 | 1.17 |
| 9 | Culture of Uniform Platform by Banks i.e. If A does it then why not B; | 56 | - | 3.27 | 3 | 0.84 |
| 10 | Relative high cost of charge; | 56 | - | 2.64 | 2 | 1.15 |
| 11 | Service inaccessibility (low number of agent). | 56 | - | 2.52 | 2 | 1.28 |

Source: researcher own survey: 2020

Next to that a challenge for adoption and growth of agent banking comes from the limitation in infrastructure with a mean of 3.96 and mode of 4 and as per respondent's result 23.21% has strongly agreed to this factor while 51.78 % of the respondents agree as per the respondents. Due to this agent banking has not been applicable in internet in Ethiopia due to low access and service quality.

Since good infrastructure such as communication and information technologies are requires for agent banking. Unless in Ethiopia there is infrastructural development transformation, technology of agent banking would not serve a successful propagator as its purpose for financial inclusion. as per the response of the sampled participants has also indicates absence of financial networks with a percentage of 19.64% and 44.64% with a mean of 3.66, lack of adequate coordination interaction and cooperation between banks and other decision making centers in agent banking with percentage of 10.71% and 58.93% strongly agree and agree respectively with a mean of 3.68 are also a major obstacle from carrying agent banking.

4.3.3 TECHNOLOGICAL CHALLENGES

Even though there are many benefits that came up with introduction of new technology. The issues raised here in the technological factors were relative to disadvantages or perceived risk new technological innovation adoptions. The survey the result is shown on table 4.4 below,

Table 4.4 Technology Challenge Affecting Adoption and Growth of Agent Banking Technology

| | Technological Challenge | Number of Respondents | | Mean | Mode | Standard Deviation |
|---|--|-----------------------|--------|------|------|--------------------|
| | | Valid | Missed | | | |
| 1 | Lack of confidence with the security aspects | 56 | - | 3.79 | 4 | 0.99 |
| 2 | Lack of trust | 56 | - | 3.82 | 4 | 1.01 |
| 3 | Fear of money laundering and other financial crimes could be easily facilitated through agent banking; | 56 | - | 3.66 | 4 | 1.12 |
| 4 | Availability of service by banks | 56 | - | 3.68 | 4 | 0.96 |
| 5 | Availability of substitutable financial institution products | 56 | - | 3.68 | 4 | 0.97 |

Source: researcher own survey: 2020

The respondents asked whether customers fear the using of agent banking provided by banks, responses captured in the above table shows that (55.36% agree and 21.43% strongly agree) Were agreed as basic factors for the negative impact of adoption and growth of Agent banking system is customers with lack of trust with agency banking system with a mean of 3.82. The respondents also showed that most of the agent banking outlets are provided in city town due to lack of availability of service by banks with mode of 4 and mean of 3.68 and customers with lack of confidence and fear of risk on securities perspective with a mean of 3.79 (17.86% strongly agree and 58.93% agree) are other technological factors that interfere the adoption and growth of agent banking in the bank industry of Ethiopia.

4.4 BENEFITS REALIZED FROM THE ADOPTION AND DEVELOPMENT OF AGENT BANKING

The following section summarizes respondents' views of expectations and perceived benefits for Agent banking deployment. Saving costs, market share increments, efficiency and speed of business performance, improvement in customer service and productivity of banks and others are the benefits perceived. A total of 11 questions on "Benefits" of adoption and development of Agent banking were asked to indicate the extent to which each respondent agrees to corresponding closed ended statements rated on a five-point Likert type scales ranging from '1' "Strongly Disagree" to '5' "Strongly Agree". Statistical results on the variables under the benefits of Agent banking including the number of frequencies, the Mean and Standard Deviation of the data points. The "Valid" column shows the number of respondents who provided answer for each corresponding variables. On the other hand, the "Missing" column depicted the variables which were not answered by respondents. The mean and mode tried to tell the averages where the data points fall for each specific variable while the standard deviation column showed the variability of the data points for each variable under consideration.

Accordingly, the researcher tried to interpret the mean of the data points. The researcher tried to triangulate and complement the result obtained from the interview, open ended questions with the results obtained from the Likert type statements pertaining to similar variables, when found appropriate.

The following section summarizes respondents' views of expectations and perceived benefits for Agent banking adoption and development. For analysis purpose perceived benefits are classified in to operational efficiency and service benefits (Futcher, 2003).

4.4.1 OPERATIONAL BENEFITS

Despite challenges faced by adopting and extending of Agent banking in the bank industry of Ethiopia, there are enormous benefits expected from adoption and growth of Agent banking which includes operational and services benefits. Operation benefits covered in the survey are presented table 4.5 below.

Table 4.5 Operational Benefits from Adoption and Growth of Agent Banking

| | | Number of Respondents | | Mean | Mode | Standard Deviation |
|---|--|-----------------------|--------|------|------|--------------------|
| | | Valid | Missed | | | |
| 1 | Reduced paper work | 56 | - | 3.66 | 4 | 1.25 |
| 2 | Lower costs of transaction; | 56 | - | 4.13 | 4 | 0.94 |
| 3 | Improve banking industry productivity | 56 | - | 4.18 | 4 | 0.83 |
| 4 | Improve foreign currency generation; | 56 | - | 2.55 | 2 | 1.19 |
| 5 | Increase customers reliability and minimizing risks; | 56 | - | 3.71 | 4 | 0.99 |

Source: researcher own survey: 2020

The study is based on Table 4.5 above, and the respondents strongly agree that the adoption and development of banking agents in the Ethiopian banking industry will increase the productivity of banks, lower costs of transaction and reduces paper work with a mean of 4.18, 4.13 and 3.66 respectively for each of the above. This is evidenced by the data collected from the respondents.

Similarly Agent banking staff of each sampled banks supported that adoption and development of Agent banking reduce the banks cost in two important ways: it minimizes the cost of maintain transactions, hiring employees, expenditures for materials used in the office to perform transactions and also stationeries cost are gone down and number of branches are reduces to the required services to an equivalent number of customers, as a result the banks are comes with a shove up of profit margin. Lastly, the other fundamental benefit of Agent banking identified in this paper is increase the quality of being reliable to

the customer in the bank. This agreement is also based on the responses of the respondents with the percentage of 21.43 and 42.86 respectively.

4.4.2 SERVICES BENEFITS

Agent banking provides many benefits to the enhancement of one country's economy the benefit could be seen as operational benefit and service benefit, includes here below in the table 4.6.

| | SERVICE BENEFIT | Number of Respondents | | Mean | Mode | Standard Deviation |
|---|--|-----------------------|--------|------|------|--------------------|
| | | Valid | Missed | | | |
| 1 | Facilitates new products and business development in the banking industry; | 56 | - | 3.95 | 4 | 1.09 |
| 2 | Overcome geographical limitations; | 56 | - | 4.25 | 5 | 0.86 |
| 3 | Improve productivity and customer services; | 56 | - | 4.00 | 4 | 0.76 |
| 4 | Improving speed of transaction | 56 | - | 4.21 | 5 | 0.95 |
| 5 | Facilitates market access and marketing ; | 56 | - | 4.05 | 4 | 0.64 |
| 6 | Create a better relationship with customers | 56 | - | 3.93 | 4 | 0.81 |

Source: Researcher own survey: 2020

According to Table 4.6, the respondent strongly agreed the Bank's services are available through both mobile and mobile devices, as it strengthens access to existing and new customers where there is no internet or financial institutions are available. Next to this benefit entailed towards accessibility, agent banking system would also benefit the bank by increasing number of customer base. According to Asokoinight (2018), As of June 30, 2018 the Ethiopian banking industry had a total network of 4,757 branches. Where such status is far behind to meet the demand of the existing unbanked population (78% of the total population) size in the bank industry Ethiopia (the total branches of banks to the population is 33,448). Reduces the cost of expensive financial investment for a financial institution and streamlines the practice of mortar approach (traditional banking).

The respondents has agreed on the benefit that it reduce the work of the bank staff, help the bank to wider its geographical area, it improves transactional speed, facilitates marketing and market access last but not least it increase the productivity of the banks.

According to the response of respondents it facilitates to overcome geographical limitation with mode of 5 and mean of 4.25. The respondents also agreed that the agency banking increase relationship among banks and clients with mean score and mode were found 3.93 and 4.00 respectively. Also other benefits the banks realize from adoption of agent banking system according to the responses are it facilitates marketing and market access, improve customer service, and improves transaction speeds.

4.5 DRIVING FORCES FOR ADAPTION OF AGENT BANKING

For this section (driving forces), a total number of 9 questions were asked for the adoption and extension of agent banking in the banking industry of Ethiopia to indicate the extent to which each respondent agrees to the statements.

The driving forces for the adaptation of agent banking includes here is listed below in table 4.7.

| | DRIVING FORCE | Number of Respondents | | Mean | Mode | Standard Deviation |
|---|---|-----------------------|--------|------|------|--------------------|
| | | Valid | Missed | | | |
| 1 | Desire to improve productivity and performance of organizations; | 56 | - | 4.11 | 4 | 0.73 |
| 2 | Desire to improve customers relationship with the bank; | 56 | - | 4.20 | 4 | 0.77 |
| 3 | Desire to cover wide geographical area; | 56 | - | 3.95 | 4 | 0.62 |
| 4 | Desire to build organizational reputation; | 56 | - | 3.86 | 4 | 0.80 |
| 5 | Desire to reduce branch cost; | 56 | - | 4.16 | 5 | 0.99 |
| 6 | Desire to improve services provided to customers; | 56 | - | 3.95 | 4 | 0.86 |
| 7 | Existence of high competition in the banking industry; | 56 | - | 3.43 | 4 | 1.31 |
| 8 | Desire to satisfy needs and preferences of customer ; | 56 | - | 3.79 | 4 | 0.71 |
| 9 | Legal frame works OF NBE that enforce to adopt technological innovation of banking industries | 56 | - | 3.73 | 4 | 0.88 |

Table 4.7 driving forces for the adaptation of agent banking

Source: researcher own survey: 2020

In the sample, there are factors that influence the adoption of agent-banking in private commercial banks. The respondents' desire to cover a wider geographical area, the need to improve productivity and performance of organizations, the desire to improve customer service, and the desire to improve our relationships with customers are the main reasons for the adoption of agent banking, in which the responses in percentage are founded with a mean of (3.94, 4.11, 3.95 and 4.20) respectively Significant proportion Respondents also said that the legal frame work by NBE to enforce banking industries to adapt agent Banking technology have a influences on the adoption and development agent in Ethiopia with a mean of 3.73.

4.6 OPPORTUNITIES FOR ADOPTION AND DEVELOPMENT OF AGENT BANKING

| | | Number of Respondents | | Mean | Mode | Standard Deviation |
|---|---|-----------------------|--------|------|------|--------------------|
| | | Valid | Missed | | | |
| 1 | Increasing number of mobile holder | 56 | - | 3.93 | 4 | 1.09 |
| 2 | Government commitments to strengthen the banking industry | 56 | - | 3.73 | 4 | 1.04 |
| 3 | Improving the banking practice in the community | 56 | - | 3.88 | 4 | 0.94 |
| 4 | The existence of high demand of bank by unbanked population | 56 | - | 3.68 | 4 | 1.05 |

Source: Researcher Own Survey: 2020

Respondents were asked, whether they Strongly agreed, Agreed, Neutral, Disagreed or Strongly disagreed' based on the five questions in Table 4.8 above to ensure that there are opportunities for adoption and development of Banking Technology in Ethiopia. The sampled respondents agreed with the government's commitment to strengthen the banking industry, and improving public banking practices could be seen as an opportunity for agency banks to exploit with the respondent mode of 4 for both and mean of 3.73 and 3.88

respectively. But also late adoption of cell phone in Ethiopia could be seen as opportunity to the future in Ethiopian banking industry with a mean of 3.93.

CHAPTER FIVE

5. SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter provides a summary of the findings, possible tips and suggestions for further researches.

5.1 SUMMARY OF FINDINGS

The objective of this study is to identify and observe the major factors that challenge the adaption of agent banking, to know the customer attitude and awareness regarding to the system, to identify the driving forces and opportunities of adopting and developing of agent banking system in Ethiopia. Accordingly, this section summarizes the main findings of the study from challenging and promising perspectives. While the agent banking system has many benefits for the country, banks and individuals, it also has its own challenges. According to the study, these challenges can be divided into three main groups: organizational, environmental, and technological. As per the respondents Lack of customer awareness with agent banking service has taken the leading factor as a challenge, resistance to change for the system, lack of technique and operational skill in implementation of the system and resistance to changes in technology among by Board, top Management and staff are also described as another main reasons that hinder adoption and growth of agent banking in Ethiopia banking industry. Lack of adequate coordination, interaction and cooperation between banks and other decision making centers in agent banking context ,Limitation in network infrastructure and internet related support services, customer low level of knowhow and lack of sufficient motivational support and customer low level of literacy are also considered the basic external challenges for adoption and development of the system in Ethiopia. Besides, lack of law mandating by NBE to adopt agent banking technology has been also another factor.

In connection with technology factors, shortage of availability of service given by banks, lack of customer trust with agent banking services provided by the banks, customer fear of risk to use agent banking technology and security risks are think of it as one of the major

technological factors that negatively affects the adoption and development of agent banking system in Ethiopia. In this study, most of the challenges to the adoption and development of agent banking system in Ethiopia are rooted from limitation of network infrastructure and external environments.

The study also revealed a list of benefits that Ethiopian banks can benefit from the adoption and extension of the agent banking system. According to the participant, the benefits identified in this study increase the productivity of the bank, reduce transaction costs, reduce paperwork and increase customer confidence in the bank. Participants in the Ethiopian banking industry are represented by the Agent Banking System / Adoption and Extension Services, such as increase accessibility of the bank services, facilitates the market and marketing access, establishing good relations between banks and customers, Improve customer service, increase accessibility of the bank services and Furthermore, the study has also revealed lists of factors that lead Ethiopia banks to adoption and development of agent banking technology as agreed by the participants such as desire to build organizational reputation, desire to improve organizational performance and productivity, improve customer services, improve the relationship with customers, improve organizational performance, cover wide geographical area has taken the lion share of the banks motives and benefit for adaption of agent banking.

Finally, high customers demand of unbanked citizens for banks, improving the banking culture of the community, the government's commitment to increasing the number of banks, and also increasing the number of mobile phone owners and improving level of the educated citizens and the major existing opportunities for the adoption and growth of Agent banking technology in the country results from being late adopter of agent banking system.

5.2 CONCLUSION

According to the study, the main challenges affecting the adoption of agency banking among commercial banks in Ethiopia are the need to improve organizational performance and productivity, the need to improve customer relationships, the need to cover a wider geographic area and the need to reduce branch costs. However, agent banking system was not well received due to the lack of customer awareness on agent banking, resistance to changes in technology, limited infrastructure, lack of customer trust and awareness, due to

lack of suitable legal frameworks and Fear of the technology and customers to use the technology that holds the banking industry to adopt the system.

Improvements are needed to strengthen the customer's confidence system. The study highlighted the benefits of technology innovation for banks to drive system adoption in this regard. It is generally recognized that one of the basic benefits of an agency banking system is that it allows the utility agency to conduct banking operations easily through non-bank staffs.

The driving forces to embrace such a system are recognized as important, which is time-saving and can be used to reduce costs with others. This and other benefits identified in the study are considered to be the main driving force for banks to effectively and efficiently extend their services to cover the market demand.

Overall, the findings of the study highlight the challenges and prospects of agent banking in the Ethiopian banking industry, despite the presence of selected private banks in the Ethiopian banking industry. The barriers identified in this study while adopting the agency's banking services help to suggest better alternatives for growth. It will also add value to the system by increasing awareness and understanding.

5.3 RECOMMENDATIONS

To address the challenges, take advantage of untapped opportunities for agent banking technology and ensure the success of the agent banking system In the Ethiopian banking industry, the researcher offers the following recommendations to policy makers, banks and the government.

- ❖ Banks need to create a deeper understanding of the community, as most customers are unaware of the benefits. The Bank should promote the use of products and agent banking services in the media as well as in public exhibitions and discourses. In addition, the bank should make the community use the technology through various incentive campaigns. This way, customers' interest would be aroused and the awareness of the customer could enhance;
- ❖ Banks need to provide adequate transaction security by providing critical data files and data processing options to improve customer trust. According to Delali (2010),

consumer confidence in traditional payment systems reduces the likelihood that customers will receive new technologies, and that new technologies will not dominate the market until customers are protected and secure. And while new technologies are easy to use and inexpensive, they often require time-consuming testing to earn people's trust.

- ❖ The government, in collaboration with banks, should educate and inform the public about the workability and effectiveness of agent banking technology. This increases customer confidence and helps the company reduce resistance to change;
- ❖ As the system will be of greater benefit to the banks, it should facilitate the provision of accurate and continuous training courses as mentioned above and ensure that their employees have a good understanding of agent banking technology in order to achieve the desired objectives.
- ❖ In collaboration with the government the banks should find a solution to enhance the present working infrastructure of the country.
- ❖ Banks may have to look into ways of increasing the agent banks outlets mainly in unbanked areas so as to reach more customers and the enhance their benefit.
- ❖ The banks need work to exploit a better advantage from the existence of large number unbanked citizens of rural area in alliance with the wide expansion of cell phone.

5.4 SUGGESTIONS FOR FURTHER RESEARCH

This study describes the factors that affect the adoption and development of agent banking among commercial banks in Ethiopia from the Bank's perspective. However, it does not take into account the views of customers and other shareholders. In addition to this there is also a need to replicate this study to other banks and to other parts of the country. Future studies should attempt to achieve a larger sample so as to determine whether the results can be generalized.

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Appendix A

QUESTIONNAIRE

Dear sir/madam:

I am postgraduate student at ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS pursuing a master's degree in the field of business administration.

Currently I am conducting a research for partial fulfillment my course on title "*challenge and prospect of agent-banking practice: the case of selected private commercial banks in Addis Ababa Ethiopia*". The study intends for academic purpose only, besides the outputs of the study will help as input for the companies decision making in the field of agent banking.

I am very grateful for giving me your time in filling out this questioner.

Thanks in advance.

Directions for filling the questionnaires

there is no right and wrong answer of the options provided. Therefore, you are kindly requested to fill your real opinion regarding each question. To make the Satisfaction Survey objective and make your response confidential, please don't mention your name or any other identification.

Your response is utilized only for the purpose of this Survey.

I would like to appreciate your kind cooperation to fill this questionnaire in advance.

Section I- Demographic information

1.1, please indicate your Gender

Male

Female

1.2 Age

20-30

31-40

41-50

51-60

1.4, Level of education

Certificate

Bachelor degree

Diploma

Masters and above

1.5 Name of a Bank you are working

_____.

1.6 numbers of experts who are involved in your
department_____.

Section II -Below are lists of questioners relating to Adoption of agent banking. Please indicate whether you agree or disagree with each statement by ticking (√) on the spaces that specify your choice from the options that range from "strongly agree" to "strongly disagree" .

Key's=strongly agree N= Neutral SD= Strongly Disagree

A=Agree D= Disagree

| | Please indicate the extent you agree or disagree of the Potential challenges and attitude of customer toward adoption of agent-banking services. | 5 SA | 4 A | 3 N | 2 D | 1 SD |
|---|---|-----------------|----------------|----------------|----------------|-----------------|
| 1 | Lack of customer awareness on agent banking; | () | () | () | () | () |
| 2 | Lack of operational and technical skills in implementation and development of agent banking | () | () | () | () | () |
| | High cost of agent banking implementation. (such as cost of software and reorganization, network and ICT equipment | () | () | () | () | () |
| 4 | Resistance to changes in technology among by staff, top Management and board | () | () | () | () | () |
| 5 | Lack of sufficient motivational support that affect customers 'willingness; | () | () | () | () | () |
| 6 | Lack of legal framework for agent-banking; | () | () | () | () | () |
| 7 | Infrastructural limitation on network and internet related support services; | () | () | () | () | () |
| 8 | Low levels of Customer know how and literacy ; | () | () | () | () | () |
| 9 | Infrastructural limitation ; | () | () | () | () | () |

| | | | | | | |
|----|--|-----|-----|-----|-----|-----|
| 10 | Lack of cooperation between banks and adequate interaction, coordination and other decision making centers in agent-banking context; | () | () | () | () | () |
| 11 | Lack of financial networks; | () | () | () | () | () |
| 12 | Tight regulation of foreign currency ; | () | () | () | () | () |
| 13 | Culture of Uniform Platform by Banks i.e. If A does it then why not B | () | () | () | () | () |
| 14 | Relative high cost of charge; | () | () | () | () | () |
| 15 | Service inaccessibility | () | () | () | () | () |
| 16 | Lack of confidence with the security aspects | () | () | () | () | () |
| 17 | Lack of trust | () | () | () | () | () |
| 18 | Fear of Money laundering and other financial crimes could be easily facilitated through agent banking; | () | () | () | () | () |
| 19 | Availability of service by banks | () | () | () | () | () |
| 20 | Availability of substitutable financial institution products | () | () | () | () | () |

please specify if there is any other

| Sec 2 | 2, The following are some of the benefits the Banks realized from adoption of agent-banking system, please indicate your choice. | | 5 SA | 4 A | 3 N | 2 D | 1 SD |
|-------|---|-----|-----------------|----------------|----------------|----------------|-----------------|
| 21 | Reduced paper work; | () | () | () | () | () | |
| 22 | Lowers cost of transaction; | () | () | () | () | () | |
| 23 | Improve banking industry productivity; | () | () | () | () | () | |
| 24 | Improve foreign currency generation; | () | () | () | () | () | |
| 25 | Increase customers reliability and minimizing errors; | () | () | () | () | () | |
| 26 | Facilitates new products and business development in the banking industry; | () | () | () | () | () | |
| 27 | Overcome geographical limitations; | () | () | () | () | () | |
| 28 | Improve productivity and customer service; | () | () | () | () | () | |
| 29 | Improve speed of transaction; | () | () | () | () | () | |
| 30 | Facilitates market access and marketing ; | () | () | () | () | () | |
| 31 | Create better relationship between customer and banks. | () | () | () | () | () | |

please specify if there is any other

| SECTION 3 | | 3, Do you think that the following are among the driving forces for the adoption of agent-banking services in Ethiopia Banking Industry? | 5 | 4 | 3 | 2 | 1 |
|-----------|----|--|-----|-----|-----|-----|-----|
| | | | SA | A | N | D | SD |
| | 32 | Desire to improve productivity and performances of organizations; | () | () | () | () | () |
| | 33 | Desire to improve customers relationship with the bank; | () | () | () | () | () |
| | 34 | Desire to cover wide geographical area; | () | () | () | () | () |
| | 35 | Desire to build organizational reputation; | () | () | () | () | () |
| | 36 | Desire to reduce branch cost; | () | () | () | () | () |
| | 37 | Desire to improve services provided for customer; | () | () | () | () | () |
| | 38 | Existence of high competition in the banking industry; | () | () | () | () | () |
| | 39 | Desire to satisfy needs and preferences of customers; | () | () | () | () | () |
| | 40 | Legal frame works of NBE that enforces to adopt technological innovation of banking industries. | () | () | () | () | () |

please specify if there is any other

| SETION 4 | | What are the existing opportunities that initiate the adoption of agent banking? | 5 SA | 4 A | 3 N | 2 D | 1 SD |
|-----------------|----|---|-----------------|----------------|----------------|----------------|-----------------|
| | 41 | Increasing number mobile holder; | () | () | () | () | () |
| | 42 | Government Commitments to strengthen the banking industry; | () | () | () | () | () |
| | 43 | Improving the banking practice in the community | () | () | () | () | () |
| | 44 | The existence of high demand of bank by unbanked population; | () | () | () | () | () |

If there is anything you would like to add please do not hesitate to use the space below

Thank you for your time

| S. N | Please indicate the extent you agree or disagree of the Potential challenges and attitude of customer toward adoption of agent-banking services. | Number of participant with their level of agreement (in scale) | | | | | Strongly agree in % | Level agree in % | Neutral in % | Disagree | S.disagree |
|---------|--|--|----|----|----|----|---------------------|------------------|--------------|----------|------------|
| | | 5 | 4 | 3 | 2 | 1 | | | | | |
| 1 | Lack of customer awareness on agent banking; | 19 | 23 | 7 | 4 | 3 | 33.93 | 41.07 | 12.50 | 7.14 | 5.36 |
| 2 | Lack of operational and technical skills in implementation and development of agent banking | 12 | 23 | 11 | 7 | 3 | 21.43 | 41.07 | 19.64 | 12.50 | 5.36 |
| 3 | High cost of agent banking implementation. (such as cost of software and reorganization, network and ICT equipment | 9 | 10 | 13 | 20 | 4 | 16.07 | 17.86 | 23.21 | 35.71 | 7.14 |
| 4 | Resistance to changes in technology among by staff, top Management and board | 11 | 27 | 11 | 6 | 1 | 19.64 | 48.21 | 19.64 | 10.71 | 1.79 |
| 5 | Lack of sufficient motivational support that affect customers 'willingness; | 56 | 7 | 29 | 10 | 5 | 5 | 12.50 | 51.79 | 17.86 | 8.93 |
| 6 | Lack of legal framework for agent-banking; | 56 | 3 | 14 | 12 | 18 | 9 | 5.36 | 25.00 | 21.43 | 32.14 |
| 7 | Infrastructural limitation on network and internet related support services; | 56 | 14 | 30 | 8 | 4 | 0 | 25.00 | 53.57 | 14.29 | 7.14 |
| 8 | Low levels of Customer know how and literacy ; | 56 | 14 | 30 | 8 | 2 | 2 | 25.00 | 53.57 | 14.29 | 3.57 |
| 9 | Infrastructural limitation ; | 56 | 13 | 29 | 8 | 6 | 0 | 23.21 | 51.79 | 14.29 | 10.71 |

| | | | | | | | | | | | |
|----|---|---------|--------|--------|--------|----|---------|-------|-------|-------|-------|
| 10 | Lack of cooperation between banks and adequate interaction, coordination and other decision making centers in agent-banking context; | 56 | 6 | 33 | 12 | 3 | 2 | 10.71 | 58.93 | 21.43 | 5.36 |
| 11 | Lack of financial networks; | 56 | 11 | 25 | 12 | 6 | 2 | 19.64 | 44.64 | 21.43 | 10.71 |
| 12 | Tight regulation of foreign currency ; | 56 | 4 | 10 | 9 | 24 | 9 | 7.14 | 17.86 | 16.07 | 42.86 |
| 13 | Culture of Uniform Platform by Banks i.e. If A does it then why not B | 56 | 4 | 15 | 31 | 4 | 2 | 7.14 | 26.79 | 55.36 | 7.14 |
| 14 | Relative high cost of charge; | 56 | 6 | 6 | 12 | 26 | 6 | 10.71 | 10.71 | 21.43 | 46.43 |
| 15 | Service in accessibility | 56 | 6 | 7 | 10 | 20 | 13 | 10.71 | 12.50 | 17.86 | 35.71 |
| 16 | Lack of confidence with the security aspects | 56 | 10 | 33 | 7 | 3 | 3 | 17.86 | 58.93 | 12.50 | 5.36 |
| 17 | Lack of trust | 56 | 12 | 31 | 7 | 3 | 3 | 21.43 | 55.36 | 12.50 | 5.36 |
| 18 | Fear of Money laundering and other financial crimes could be easily facilitated through agent banking; | 56 | 13 | 23 | 11 | 6 | 3 | 23.21 | 41.07 | 19.64 | 10.71 |
| 19 | Availability of service by banks | 56 | 7 | 34 | 7 | 6 | 2 | 12.50 | 60.71 | 12.50 | 10.71 |
| 20 | Availability of substitutable financial institution products | 56 | 9 | 29 | 11 | 5 | 2 | 16.07 | 51.79 | 19.64 | 8.93 |
| | 2, The following are some of the benefits the Banks realized from adoption of agent-banking system, please indicate your choice. | 5 SA | 4 A | 3 N | 2 D | | 1 SD | | | | |
| 21 | Reduced paper work; | 14 | 26 | 5 | 5 | 6 | 25.00 | 46.43 | 8.93 | 8.93 | 10.71 |

| | | | | | | | | | | | |
|----|---|-------------|------------|------------|------------|-------------|-------|-------|-------|-------|-------|
| 22 | Lowers cost of transaction; | 22 | 24 | 6 | 3 | 1 | 39.29 | 42.86 | 10.71 | 5.36 | 1.79 |
| 23 | Improve banking industry productivity; | 22 | 24 | 9 | 0 | 1 | 39.29 | 42.86 | 16.07 | 0.00 | 1.79 |
| 24 | Improve foreign currency generation; | 5 | 6 | 15 | 19 | 11 | 8.93 | 10.71 | 26.79 | 33.93 | 19.64 |
| 25 | Increase customers reliability and minimizing errors; | 12 | 24 | 13 | 6 | 1 | 21.43 | 42.86 | 23.21 | 10.71 | 1.79 |
| 26 | Facilitates new products and business development in the banking industry; | 19 | 24 | 7 | 3 | 3 | 33.93 | 42.86 | 12.50 | 5.36 | 5.36 |
| 27 | Overcome geographical limitations; | 26 | 21 | 6 | 3 | 0 | 46.43 | 37.50 | 10.71 | 5.36 | 0.00 |
| 28 | Improve productivity and customer service; | 13 | 32 | 10 | 0 | 1 | 23.21 | 57.14 | 17.86 | 0.00 | 1.79 |
| 29 | Improve speed of transaction; | 27 | 18 | 8 | 2 | 1 | 48.21 | 32.14 | 14.29 | 3.57 | 1.79 |
| 30 | Facilitates market access and marketing ; | 12 | 36 | 7 | 1 | 0 | 21.43 | 64.29 | 12.50 | 1.79 | 0.00 |
| 31 | Create better relationship between customer and banks. | 10 | 36 | 8 | 0 | 2 | 17.86 | 64.29 | 14.29 | 0.00 | 3.57 |
| | 3, Do you think that the following are among the driving forces for the adoption of agent-banking services in Ethiopia Banking Industry? | 5 SA | 4 A | 3 N | 2 D | 1 SD | | | | | |
| 32 | Desire to improve productivity and performances of organizations; | 15 | 34 | 6 | 0 | 1 | 26.79 | 60.71 | 10.71 | 0.00 | 1.79 |
| 33 | Desire to improve customers relationship with the bank; | 20 | 29 | 6 | 0 | 1 | 35.71 | 51.79 | 10.71 | 0.00 | 1.79 |

| | | | | | | | | | | | |
|----|---|-------------|------------|------------|------------|-------------|-------|-------|-------|-------|-------|
| 34 | Desire to cover wide geographical area; | 9 | 35 | 12 | 0 | 0 | 16.07 | 62.50 | 21.43 | 0.00 | 0.00 |
| 35 | Desire to build organizational reputation; | 7 | 39 | 7 | 1 | 2 | 12.50 | 69.64 | 12.50 | 1.79 | 3.57 |
| 36 | Desire to reduce branch cost; | 26 | 18 | 8 | 3 | 1 | 46.43 | 32.14 | 14.29 | 5.36 | 1.79 |
| 37 | Desire to improve services provided for customer; | 13 | 32 | 7 | 3 | 1 | 23.21 | 57.14 | 12.50 | 5.36 | 1.79 |
| 38 | Existence of high competition in the banking industry; | 12 | 21 | 9 | 7 | 7 | 21.43 | 37.50 | 16.07 | 12.50 | 12.50 |
| 39 | Desire to satisfy needs and preferences of customers; | 9 | 26 | 21 | 0 | 0 | 16.07 | 46.43 | 37.50 | 0.00 | 0.00 |
| 40 | Legal frame works of NBE that enforces to adopt technological innovation of banking industries. | 7 | 34 | 10 | 3 | 2 | 12.50 | 60.71 | 17.86 | 5.36 | 3.57 |
| | What are the existing opportunities in the country that initiates the adoption of E-banking? | 5 SA | 4 A | 3 N | 2 D | 1 SD | | | | | |
| 41 | Increasing number mobile holder; | 19 | 23 | 8 | 3 | 3 | 33.93 | 41.07 | 14.29 | 5.36 | 5.36 |
| 42 | Government Commitments to strengthen the banking industry; | 11 | 29 | 9 | 4 | 3 | 19.64 | 51.79 | 16.07 | 7.14 | 5.36 |
| 43 | Improving the banking practice in the community | 13 | 29 | 10 | 2 | 2 | 23.21 | 51.79 | 17.86 | 3.57 | 3.57 |
| 44 | The existence of high demand of bank by unbanked population; | 11 | 26 | 12 | 4 | 3 | 19.64 | 46.43 | 21.43 | 7.14 | 5.36 |