



**Challenges of Agency Banking Project Implementation: The
Case of Awash Agency Banking Project**

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IMPLEMENTATION: THE CASE OF AWASH AGENCY
BANKING PROJECT

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MAY, 2024

Declaration

I, the undersigned, thus certify that, with the assistance of the research advisor, this thesis, Challenges of agency banking project implementation: The case of Awash Agency Banking Project, is my original work. Every source of information used to create the thesis has been properly credited. I additionally affirm that the thesis has not been submitted, in whole or in part, to any other university with the intention of receiving a degree.

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Endorsement

I hereby declare that Beza Mebratu has conducted research under my direction on the subject of "Challenges of agency banking project implementation: The case of Awash Agency Banking Project." The submission of this thesis paper is in pursuit of the Master of Arts in Project Management degree.

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This verifies that the thesis, produced by Beza Mebratu Arega and presented as a partial fulfillment of the requirements for the Master of Arts in Project Management degree, follows university norms and satisfies acknowledged standards for originality and quality. The subject of the dissertation is "Challenges of agency banking project implementation: The case of Awash Agency Banking Project."

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_____ Coordinator	_____ Signature	_____ Date

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Abstract

The purpose of this study paper, "Challenges of Awash Agency Banking Implementation," is to examine the difficulties that Awash Bank had when implementing and running its agency banking services. The research followed a descriptive research design. In order to evaluate respondents' opinions on several aspects impacting the effectiveness and implementation of agency banking, the study used a quantitative research approach and a closed-ended questionnaire with many Likert scale items. A census was conducted among 100 respondents directly participating in the agency banking scheme at Awash Bank's west Addis Abeba region branches. Out of the 100 individuals, 93 responses were acquired. The findings present an in-depth analysis of the major problems that Awash Bank has in efficiently implementing agency banking services. Overall, the results demonstrate that significant obstacles to the efficient and successful implementation of Awash Bank's agency banking services include infrastructural deficiencies, technological difficulties, uncompetitive commissions, and regulatory restrictions. Solving these issues is necessary to make the agency banking model more sustainable and efficient over time.

Key words: Agency Banking, Agent, Bank, Customer, Awash Agency Banking Project, Project Implementation

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List of Acronyms and Abbreviations

AB	Awash Bank
CSO	Customer Service Officer
DCO	Digital Channel Officer
DSR	Direct Sales
MNO	Mobile Network Operator
NBE	National Bank of Ethiopia
PMI	Project Management Institution
RO	Relationship Officer
SPSS	Statistical Package for Social Sciences
WAAR	West Addis Ababa Region

CHAPTER ONE

1. Introduction

1.1. Background of the study

A project is a short-term effort to create a unique product, service, or solution through a unique project that has a beginning and an end and is carried out by people to achieve specified goals in terms of cost, schedule, and scope (PMI, 2008). The completion/implementation phase is the long phase of the project in which deliverables are physically constructed and delivered to the customer for approval. To meet customer expectations, the project manager monitors and controls the output of each product through a series of processes (Westland, 2006). According to Muketha (2006) and Eden (2017), to complete the implementation process, the project manager must understand the goals of the project, define the objectives, determine the required results, then take action and ensure the resources provided.

Prepare and develop a work plan covering key responsibilities and activities, and prepare leadership and work plans. ICT-based banking and non-banking institutions enable financial institutions to provide financial services outside of traditional banking (Mas, 2008; Mas and Siedek, 2008). Customers can visit post offices, supermarkets, general stores and convenience stores, pharmacies and gas stations, etc. in remote areas. They can visit. It allows them to make various financial transactions in third-party markets (Warii, 2011).

We found that Employee banking systems are three times cheaper to operate than branches for two reasons. First, commercial banks reduce the fixed costs of using existing products and reduce the need for financial service providers to invest in their infrastructure. Although service banks have many variable costs, from commissions to staff and communications, fixed costs for each department are high. In the non-operating branch, fixed costs are spread over a small number of companies, resulting in costs. On the other hand, the banking system receives commissions when transactions occur (Clara et al., 2010).

The Ethiopian financial sector is in the early stages of offering technology-based products and services to its customers. Technologies that contribute to making the financial system more efficient are also among the factors that facilitate direct investments. It is not only possible but necessary to take advantage of new developments and innovations in technology, infrastructure and distribution networks to make financial services affordable and accessible to the public (NBE, 2015).

Located in East Africa, Ethiopia was chosen for this study because it represents the largest share of the world's unbanked population and has more bank employees than four other countries in a recent survey of operating banks (Zerfie, 2021). It is more expensive for commercial banks in cities because the number and size of operations do not cover the cost of branches. Low-income customers often feel better about banking in stores compared to a physical branch (Werkyantefu, 2020).

Although Ethiopian banks continue to invest in establishing diversified branches that are valued by diversified networks, the problem in reaching the right customers (especially in remote areas) is that they have to travel long distances to find branches and spend a lot of money to provide transportation. Besides transportation and travel time, these can be used efficiently. To solve these problems, many developing countries have enacted laws that allow commercial banks to enter into agreements with other commercial institutions.

According to Shah (2018), the main objective of all commercial banks is to increase their profits by expanding their branch networks and reaching more customers and existing customers in remote areas where banking services are limited. It is clear that establishing a personnel bank is cheaper and easier than traditional bank branches, as it reduces the need for personnel and physical infrastructure investment. Therefore, the researcher decided to investigate the challenges of implementing corporate banking project in Awash Bank and make possible suggestions.

1.2. Background of the company: Awash Bank

Awash Bank, Ethiopia's first private bank, was established on November 10, 1994, following the socialist regime. It emerged with the common vision of 486 founding

partners who provided 24.2 million Birr capital. The bank started its banking activities on February 13, 1995.

The name "Awash" comes from the Awash River, which plays an important role in Ethiopia's irrigation system, energy production and industrial activities. Awash Bank's slogan 'nurturing like the river' symbolically reflects its huge contribution to the economic and social development of the country.

Important points about Awash Bank:

Outstanding Performance: Despite global and local challenges, Awash Bank is the best performing financial institution in the Ethiopian private banking sector.

Accessibility: Awash Bank prioritizes accessibility. Having a wide branch network makes the private bank more accessible in the country. It also provides services through ATMs, points of sale, internet banking, mobile banking and business banking.

Social Responsibilities: The Bank plays an important role in social responsibilities by focusing on education, healthcare, environmental welfare and improving the lives of the communities it serves.

Vision: Awash Bank aims to be among the top ten banks in Africa by 2030, demonstrating its commitment to growth and excellence.

Mission: The Bank aims to provide modern and convenient banking services using technology for employees who are encouraged to value their partners and create a positive impact on society(Awashbank, 2023).

Awash Bank's journey has been marked by resilience, adaptability and a strong commitment to serving its customers and contributing to the development of Ethiopia (Awashbank, 2023).

Awash Bank has gone beyond its traditional branches to implement corporate banking. Authorized agents, authorized commercial organizations, carry out banking transactions on behalf of the bank and ensure that financial services are accessible even in the most remote parts of the country. These agencies facilitate services such as cash-in/cash-out, bill payment, money transfer and remittances. Awash Bank remains committed to raising funds through its banking network despite challenges including technical and management skills (Awashbank, 2023).

1.3. Statement of the problem

The rapid development of information and communication technology (ICT) in the world has given the banking sector a unique opportunity to provide financial services through electronic channels. However, in developing countries such as Ethiopia, barriers related to underdeveloped ICT infrastructure and limited internet access hinder the use of technology-based banking services, including agency banking.

As suggested by Ivantry and Mars (2009), agency banking is implemented with the aim of increasing the number of customers and market share, increasing the efficiency of banking operations and at the same time reducing the intensity of banking revenues. Customers will also benefit from low-cost, easy financial access to banking services, they said. Access to banking services increases the quality of life of the society as the number of banks increases; The availability of financial services in Ethiopia is still very limited (Study, 2015).

Cash is still the dominant form of exchange in Ethiopia. Considering the rapid expansion of agency banking services in developed countries and some developing countries, the Ethiopian financial sector cannot remain unique in expanding the use of the system. By promoting international and domestic trade; With the increase in import and export activities, increased participation in international trade, and increase in customers and international relations, the current banking system is in the era of providing effective and reliable banking services, especially in large banks and institutions (Gardachew, 2010). Despite the growth of agency banking in developed and some developing countries, Ethiopia's financial sector cannot be left behind.

Various factors influence the implementation of commercial banking programs in Ethiopian commercial banks. These include lack of attention from bank staff, coordination problems, technological issues, environmental problems, customer-related problems and lack of awareness.

Although there are studies on agency banking around the world, there is a lack of research focusing on implementation in developing countries such as Ethiopia. Most existing studies in Ethiopia focus on e-services in general. Therefore, further research

is needed to identify specific factors that contribute to the implementation and development of agency banking in the country.

The researcher initiates a study on challenges related to technology, regulatory constraints, operational structure, and commission issues in the provision of agency banking services that pose major challenges in other countries and other banking institutions. This is one of the reason why this research was conducted.

1.4. Research Questions

- i. What are the main technological challenges faced on Awash bank's agency banking project implementation?
- ii. What regulatory constraints challenge the implementation of agency banking project at Awash Bank?
- iii. What are the operational structures that challenge Awash Agency Banking project?
- iv. What are commission related issues to be considered as challenge in the success of Awash Bank agency banking implementation?

1.5. Research Objectives

General Research Objective:

The general objective of the research is to assess the implementation of Agency Banking project in Awash Bank.

Specific Research Objectives:

- i. To identify technological challenges faced by the bank while implementing its agency banking project.
- ii. To examine the regulatory challenges faced while awash agency banking implementation.
- iii. To asses operational structures that challenges agency banking implementation project.
- iv. To identify the various commission-related challenges that impact success of the implementation.

1.6. Significance of the Study

This research is important to Awash Bank stakeholders and the government because it will identify areas for improvement to provide banking services to unbanked, low-income and rural communities. The findings again have important implications. By analyzing the challenges and opportunities in the banking sector, it offers useful recommendations to stakeholders considering banking accreditation. Additionally, given the paucity of existing research, this study may serve as a springboard and lead other researchers to conduct further research. Policymakers within the bank can leverage these findings to shape potential policy adjustments and enhance their decision-making processes.

1.7. Scope of the study

Financial institutions are running various Agency Banking projects and this article focuses only on Awash Bank's agency banking service and evaluates the project implementation phase from other phases of the project life cycle. This is because each phase of the project is vast and takes time to study. The research was conducted in Addis Ababa, Ethiopia. Therefore, this study examined the factors affecting agency banking acceptance at selected Awash Bank branches in Addis Ababa.

1.8. Limitations of the study

The research study on the implementation of agency banking services has several limitations that need to be considered. First, most of the results depend on the answers provided by the participating respondents, which presents the possibility of bias or individual variation influencing the results. Second, the scope of the study is limited to Awash Bank in the Ethiopian financial sector, and its findings cannot be generalized to the entire sector. Finally, the research suffers from the limited literature review related to the Ethiopian context, which affects the depth and breadth of the research findings. Despite these limitations, the study provided valuable insight into the challenges of agency banking.

1.9. Organization of the study

The study is organized under five chapters. The first chapter presents introduction to the study, background, problem statement, research questions and objectives. Also includes the importance of the study, its scope, and how the subsequent chapters are organized. The second chapter focuses on the related literature review, followed by the third chapter, which covers the research design (research population, sample, 'sampling and sample size' technique), research design and methodology used to conduct the research, data types and data collection methods, data analysis techniques, reliability and validity of research instruments, and ethical issues of research. The fourth chapter covers the presentation, analysis, and interpretation of the data, including descriptive analysis. The fifth chapter contains a summary of the results, conclusions and recommendations.

1.10. Definition of Key Terms

Agency Banking: is the practice of conducting banking operations via a variety of service delivery channels on behalf of a financial institution (National Bank of Ethiopia (NBE) directive, 2022).

Agency: is a person who enters into a contract with another person, the principal, to serve as his representative and carry out one or more legally binding acts on his behalf (NBE, 2022).

Bank: is either a government-owned bank or a corporation that has been granted permission by the National Bank to conduct banking operations in Ethiopia (Zerfie, 2021).

Customer: is a person or organization that makes use of the mobile and agent banking services provided by financial institutions via mobile devices (Zerfie, 2021).

CHAPTER TWO

2. Review of Related Literature

2.1. Introduction

In recent times, agency banking has been used as a strategic method to expand their reach and promote financial inclusion of financial institutions. This model relies on authorized agents working on behalf of the bank, enabling transactions and ensuring access to financial services, even in remote locations. Awash Bank, which operates under the guidelines of the National Bank of Ethiopia, is among the institutions that have followed this path.

The Awash agency banking project aims to improve financial inclusion by bridging the gap between formal banking services and under-served communities. Through local agents, the bank strives to overcome geographic limitations and provide high-income products to a broad customer base. However, as with processing industries, there are many challenges associated with this project that need to be carefully considered. In our literature review, we examine the difficulties, barriers and opportunities related to agency banking, with a particular focus on Awash Bank. The theoretical and empirical literature presented in this chapter describes agency banking, its approaches, global development, agency banking models, successes and relevant research.

2.2. Theoretical literature Review

2.2.1. Definition of Project

Different authors, field scientists and reference have defined the project in different ways, focusing on different aspects. Therefore some details are summarized here:

PMI (2013) defined a project as a short-term activity carried out to create a unique product, service or result, and the short-term nature of the project indicates that the project has a fixed beginning and end, while its uniqueness means that the product, service or result can be used in different locations, different designs, different times,

different partners, etc. because it is different in a way that distinguishes it from all previous products.

Project is an endless series of activities that can consist of finding solutions to these needs, carried out by providing the expected economic value determined by the project, based on the exploitation of unneeded needs and unsought business opportunities, is a serious business problem (Robert, 2014).

Erik and Clifford (2011) identified the main features of the project as follows: the first one is having a specific goal which must be achieved in detail followed by defining start and end dates then often involvement of many departments and experts. After that to do something that has usually not been done before. Finally specific time, cost and performance requirements.

Generally a project is usually a short-term activity aimed at creating a specific product, service or solution. It involves a series of interconnected and complex activities aimed at meeting specific objectives, completion dates, budgets and specifications. Projects can be viewed as purposeful and organized efforts, often undertaken by groups or individuals. Their success is based on good planning, execution and management. The size, complexity and scope of projects can vary significantly depending on the activity (Erik and Clifford, 2011).

2.2.2. Project Management Process Groups

A process is a way of doing something. As mentioned earlier, PMI (2004) identifies five processes used to manage projects. In other words, launching is done first, then planning, then execution, monitoring and closing, etc. If a project goes off the rails, planning comes in again, and if a project turns out to be a serious problem, it has to go back to square one and start over. After that, the operating system is playing through each process.

Most of the time, project participants focus on the work at hand and completely forget about work process issues. This is a concern for what must be done to the exclusion of concern for how it is being done. The problem is that work process issues affect work performance (James, 2008).

1. Initiating

Once a decision has been made to undertake a project, it must be initiated or launched. There is a lot to do with this. All projects begin with the idea of a product, service, or other desired outcome. The team decides the meaning and scope of the project. How well this process is completed the project may not meet the needs of the business (James, 2007).

The initiating Process group includes the processes, activities, and skills necessary to define the beginning of a project. Incorporating initial approvals, authorizations and work orders to ensure the smooth and logical progression of initial project activities sets the stage for subsequent success throughout all phases of the project. Project defining clear milestones for completing work, organizing teams and setting a budget before the work begins is essential to the successful start of a project across the enterprise (Antvik & Sjöholm, 2007).

The project must be properly organized in this section. This section may be short but it is important to have a good understanding of the project context. The project initiation phase according to Cobb (2012) is where the key stakeholders first come together to define the broad aspects of the project. The main objective of this phase is to reach an understanding of the project to be produced, and to estimate the work to be done. Critically, initiation stage can provide information to organizations that will result in an assessment of the program's relevance to the organization's profitability goals or business model (Cobb, 2012).

2. Planning

Planning is the road map that links objectives to activities across the stages of the project's work breakdown structure (James, 2007). Once initiated, the project is planned with an appropriate level of detail. The main goal is to properly plan the time, costs and resources to estimate the work required and to manage the risks properly during the execution of the project. All this information is recorded in the project management plan.

The planning process team determines the necessary procedures to define the scope of the project, formulate a strategic plan to increase the work flow, and begin to collect the priority list and plan for the needs of the party. This process group focuses on clarifying project goals and overall expectations and establishing the necessary project infrastructure to achieve these goals within schedule and budget constraints (Antvik & Sjolholm, 2007).

Developing a project plan is the next step after the project is defined and the project context is understood by the stakeholders. The planning phase involves formulating and revising the details of the planned action, whether it is validated or not. Organizations should review the project schedule, follow a thorough evaluation of the project's results, and develop a strategy to implement those results (Cobb, 2012).

In another context, Cobb (2012) also stated that this step takes into account how to organize project activities throughout the project's life cycle, which are determined and mapped onto the project schedule. Plans must be approved by key stakeholders before work begins. With this in mind, it can be argued that if the organization uses this approach to managing the organization, it can improve the effectiveness and efficiency of the use of resources in the organization.

As Lock (2007) has shown, planning promotes good performance and operation when done consciously and logically. Therefore, a well-planned project is more likely to be completed on time and on budget. Others argue that planning plays an important role in efficiency and effectiveness.

3. Executing

Executing refers to the implementation of the project plan. Interestingly, teams often spend time planning a project and then abandon that plan when faced with difficulties. When this is done, they cannot control the work, because there is no plan and no control. The most important thing is to do the revision process to get back on the previous project or to update the plan to show where the project is now and continue from then (James, 2007).

The Implementation Process Group is an opportunity to manage teams while setting schedule expectations and milestones. Project managers who use this skill set demonstrate a high level of organizational and communication skills when responding to team concerns or other complex situations related to solving activities on time and within budget limits (Antvik and Sjöholm, 2007).

This is where tasks are assigned to project team members and most of the work is done to keep the project going when it was started (Cobb, 2012) . However, when working with the project team, managers must monitor and control the speed of project work, its costs, and the quality of work (Lock, 2007). It is important to clarify that using this approach helps to collaborate with external stakeholders and maintain support; ensuring the flow of project resources; reduce but adapt to project pressures, disruptions and changes (Cobb, 2012).

The executing process involves organizing and directing project team members to accomplish the tasks outlined in the approved project plan. Executing processes, called implementation processes in other literature, focus on keeping resources and people focused on work (Antvik & Sjöholm, 2007).

4. Monitoring and controlling

It can be thought of as two separate processes, but because they go together, they are called a single process. Control is done by comparing where the project is performing to where it should be, and then taking action to correct deviations from the target. The plan now indicates where the work is. Without a plan, you don't know where you are, and therefore unmanageable, by definition (James, 2007).

Processing change orders, responding to budget considerations, and mitigating unexpected situations that affect the team's ability to meet primary project expectations include core competencies and expertise in the work group. Experienced managers maintain momentum and protect the project from obstruction by monitoring progress and showing foresight and quick response to meet project challenges (Antvik and Sjöholm, 2007).

Also, knowing where you stand by monitoring progress. An assessment of the quantity and quality of work is carried out using all the tools available for the type of work being carried out. The result of this assessment is compared to the planned performance level, and if the actual level is ahead or behind the plan, something is done to bring the progress back in line with the plan. Of course, small deviations still exist and are ignored unless they exceed some predetermined threshold or show a tendency to deviate from the path (James, 2007).

The monitoring process group is project management and monitoring. Issues can be identified early and the team can address them. The project management plan is used for this purpose. The management process is monitoring the project. Managing a project involves measuring progress toward goals and taking steps to ensure that deviations from the plan do not adversely affect the final results of the project (James, 2007).

5. Closing

There are many reasons why projects stop working. For some, it's because of the success of the project goals. Some will be stopped by their sponsors, due to different needs or poor performance of the project, and others, according to the conditions of in Bangkok, due to a lack of resources to continue. (James, 2007).

It is not easy to complete a project on time and within budget. The Closing Process team focuses on the end-to-end strong project management skills that have been demonstrated throughout the other interrelated processes that led the project. Following all aspects of the process and submitting the appropriate documents on time is as important as all other skills and techniques. A good closing brings positive reviews that can increase future word-of-mouth.

This is where final products, services, and other project outputs are delivered to the client (Cobb, 2012). This phase requires the attention and commitment of management and leadership. Organizations should also evaluate the cost, time and quality of the project. Does this reflect the original plans for the project? Reflection on the scope and organization of the entire project is essential. This may guide organizations in future project management. It is therefore important that

organizations continue to incorporate this into their organizational goals and strategies (Lock, 2007).

2.2.3. Definition and concepts of agent banking

Banks around the world are increasingly using agents to provide financial services to their customers. These arrangements, which involve the use of agents and technology to transmit transaction details, are referred to as branchless banking. Perhaps the reason that needs to be addressed is the reason behind recent adoption of agent banking by a number of banking institutions around the world. According to Ivatury et al (2006), agency banking is a strategy that banks can use to save money, reach out to customers and improve customer service.

The banking sector is an information intensive sector and remains at the forefront of the advanced use of information technology. Most banks are looking for new ways to work with their customers, reduce costs, improve efficiency and differentiate their products and services. An example of this approach is the increasing use of IT service technologies (Francis, 2014). "Agency Banking" means carrying out banking activities on behalf of a financial institution through a Agent using various service delivery methods; "Agent" means a person engaged in commercial activities and contracted by a financial institution to provide financial institution services on its behalf and "bank" means a company licensed by the National Bank to carry in banking in Ethiopia or a government bank; (NBE, Regulation of Mobile and Agent Banking Services Directives No. FIS /01/2012).

Policies and procedures, technological advances, and regulations put in place by agents and financial institutions have made agent banking operation viable. However, the challenges faced by financial institutions in operating agent banking operations, such as reputation risk, money laundering, consumer protection and legal risk, as well as social and structural challenges, implementation becomes difficult (Lyman, 2006).

Mobile banking is defined as the use of a mobile device to provide banking services to provide financial services to their customers. It can perform banking functions such as opening and maintaining mobile phone accounts and accepting deposits; in addition, it includes performing fund transfer or cash in and cash out services using

mobile devices (NBE, 2012). According to Porteous (2006), agency banking is a project that reduces the costs of providing banking services to unbanked communities, as there is no need to set up physical branches to facilitate customers it called as it is branchless banking. A branchless bank that can handle small cash transactions via mobile phone.

2.2.4. Models of Mobile and Agent Banking

There are three commonly used models for conducting mobile banking and agent banking business worldwide. These are the bank-led model, the Telco-Led (The Mobile Network Operator (MNO)-Led Model) and the mixed model. A bank-led model is a licensed financial institution (usually a bank) that offers financial services through a retail customer. Financial products and services are developed by banks but distributed through marketers (Lyman, Ivatury, and Staschen, 2006).

The bank managed the model with three main entities; the bank, the agents and the customer. In this case, the bank must conduct an audit of its customers to ensure that the customers are operating in accordance with the laws and regulations that are accepted to protect the interests of the bank and customers (Sunguti, 2013). Guideline No. FIS/01/2012 on the Mobile Banking and Agent Banking Act issued by the National Bank of Ethiopia (NBE) clearly states that financial institutions must ensure that their customers fully comply with the requirements of "Prevention and Suppression of money laundering. and fight against money laundering".

Financial Alert Statement No. 657/2009" and "Bank Customer Protection Guidelines No. SBB/46/2010". Another example is tele-guidance, which is implemented by most of the countries that are successful in the mobile banking sector. However, the issue of money protection is one of the most difficult in the non-banking model: non-banking lenders that do not accept money from the public MNOs are not regulated or monitored, what happens if the mobile banking provider goes bankrupt, to whom is the claim submitted.

Unlike the bank-led model, the security measures put in place to protect users' money make the mobile-based model more likely than the bank-led model. (Laurent, 2011).

However, the complete disconnection of the mobile model from implementation is due to the fear that it may slow down the pace of entry/implementation of financial inclusion in a country. In this regard, the third model, the Mixed approach, allows for a balance between risk and access. Therefore, the speed of reaching remote areas through bank-led model may not be fast compared to Telco-Led approach. However, the Bank-Led approach is better to manage the business and manage the risk that comes from using the service on a large scale to avoid problems in risk management.

2.2.5. Drivers of Agency Banking

The financial performance of the agencies increased their income from commissions; Bank agents usually earn a commission every time they do business for the bank. The more sales the customer makes the more benefits the customer receives; The increase in traffic generated by the customer's accounts means that more people are learning about your business, which in turn leads to more sales. The question arises at the first time: there may not be enough customers to visit the agent location (Chiteli, 2013).

Customers are also one of the drivers of mobile banking and agency banking businesses. Most financial institutions close their doors in advance, but with agents, while the place of business is still open, you can manage your transactions, offering flexible hours. This has proven to be very effective, especially for people who are busy during the day. Other benefits to the customer are the customers of financial institutions that have proven to be valuable, especially for people who live in rural areas that are far from banks (Veniard and Melinda, 2010).

Financial institutions have increased their profits and financial customers are one of the main beneficiaries of these high profits. Banks pay less to create an agent than to open a branch and they also pay for staff costs, rent, electricity, etc. With Agent Banking, the customer is responsible for almost all costs. Agency banking has made banking products and services accessible to otherwise inaccessible areas. With Agent Banking, banks have reached even the smallest villages. In terms of customer volume, bank agents earn commissions when recruiting new customers, because the number of bank customers has increased. Banks find it useful to increase their customer base in this way instead of using brokers (Lehman, 2010).

If a financial institution does not have a branch near the customer, the customer is less likely to use and interact with its services. However, the emergence of new delivery models as a means of financing has played an important role in changing the financial economy of the poor. By using POS as a customer, bank providers can offer banking services in a commercial way because they can reduce fixed costs and encourage businessmen to use the regular services, and in doing so, to have access to other sources of income (Chiteli, 2013).

Agent provides front-line customer service, including physical location and POS equipment operation. A customer mediates financial transactions through its balance sheet, where cash in hand converts to cash in the bank, and vice versa. It is not different from the normal business of the store: it turns the books into money (or borrowed money) and vice versa (a. , the store stores the goods, which ties up its working capital until the goods are sold). In the customer's method described, the store is also associated with working capital, but in the form of cash and account balances, rather than in the form of physical inventory. The customer has to visit the bank every time to replace his money on his hands with his money in his wallet (Lyman, 2006).

The customer withdraws/gives the surplus money from/to the bank's customer community and the deposits are received/received from the bank on their behalf. In fact, society gives the bothersome business of going to the bank to the agent. This group shows economic results. By canceling the entire net cash position of the community (eliminating withdrawals against deposits), the total amount of money that needs to be taken to/from the bank is reduced. And by combining the financial needs of all customers, the number of trips to the bank will decrease (Laurent, 2011).

The MNO (mobile network operator) or network service provider benefit from different angles, for example by empowering the operator to provide financial services to all subscriber segments (for the MNO model), by working as a vehicle for the creation of new services around its core distribution system, it will better retain subscribers and provide a new source of revenue because subscribers will have access to a service provider that need for mobile and agency banking services (Elfagid, 2015).

2.2.6. Implementation challenges of Agency Banking

In this study the operational structure, Technological factors, regulation of agency related laws and commission for agents are the major challenge while the implementation of agency banking.

2.2.6.1. Operational Structure

The strategy used by an organization is fundamentally influenced by the structure of the organization's activities. It shows how policies and goals are set and how resources are allocated. When an organization changes its strategy, the existing organizational structure may prove ineffective. Through an effective structure, organizational members can develop coordination that promotes effective strategy implementation. Successful strategy implementation involves empowering others to do whatever is necessary to execute the strategy and execute it competently (Thompson, Strickland, & Gamble, 2007).

Since the strategy implementation process involves all parts of the organization, each manager must play an active role responsible for implementing the strategy. The most important outcome that leaders, managers and planners should aim for from successful strategy implementation is real added value through goal achievement and customer satisfaction. Successful implementation of strategy in an organization depends on many different factors. Strategy implementation can be successful when there is a fit between several organizational elements. These factors include organizational structure, culture, resource allocation, systems and leadership (Pearce and Robinson, 2003).

An organization's culture determines the social context in which the organization operates. It provides guidance to the members of the organization in decision making, time management and energy investment, the type of people who work for the organization and any other social activities carried out in the organization . Organizational culture affects how managers behave, including the decisions they make that affect the relationship between the organization, its strategy, and the

environment. An appropriate culture will facilitate the successful implementation of a strategy (Pearce and Robinson, 2003).

Leadership ensures that an organization's efforts are aligned and directed toward achieving its goals and objectives. This makes leadership a very fundamental aspect in the effective implementation of a strategy. Leadership gives an organization vision, initiative, motivation and inspiration that influences its performance. Organizational systems play a fundamental role in the strategy implementation process and effort. System means all the procedures, formal and informal, that enable an organization to carry out its day-to-day functions and may include capital budgeting systems, training systems, accounting procedures costs and budgeting systems. Poor information sharing and unclear accountability mechanisms can lead to failure in strategy implementation (Pearce and Robinson, 2003).

The challenges that arise during strategy implementation are an important area of research because even the best strategies will be ineffective if not successfully implemented. It is management's responsibility to ensure that the strategy is understood throughout the organization before implementation begins. A clear understanding of strategy gives meaning to each employee's activities and allows them to link the current task with the overall direction of the organization (Byars et al, 2001).

Lack of understanding of strategy is one of the obstacles in the strategy implementation process. Another fundamental challenge is the ability of most organizations to maintain continuity within senior management. Senior managers risk leaving too soon after implementation begins. When this happens, employees' commitment and enthusiasm for implementing the strategy wanes and they begin to distrust the new strategy and prefer an old, familiar situation. Employee attitudes and opinions will contribute to disrupting the company's plans. Finding and recruiting the right people to implement and manage change is a significant challenge to the strategic management process in many organizations today. Changes don't happen on their own. It was humans who made them happen. Selecting people for key positions by establishing a strong management team with a good mix of employee skills and

chemistry is one of the important steps in successfully implementing a strategy (Thompson and Strickland, 2003).

An effective agent is well-trained; customer trust; has a strategic and ideal location; and are appropriately incentivized to follow procedures, maintain adequate inventory on hand, and serve customers. Banks often choose established stores, while mobile networks are more likely to use smaller "mom and pop" stores or kiosks. Some providers choose to outsource agent recruitment and training. That said, the size and growth of the network must be carefully planned to ensure there are enough agents to serve customers and enough customers to keep agents interested in providing the service (Mas, I., & Siediek, H., 2008)).

When agents provide multiple services (e.g. account opening, deposits, withdrawals, bill payments, etc.), they can generate trading volume and balance liquidity. The agent must maintain sufficient cash and e-currency balances to satisfy the customer's deposit/withdrawal request. If too much money is collected, the agent may run out of cryptocurrency and be unable to accept more deposits. If you withdraw too much, the dealer will accumulate electronic buoys but run out of money. In both cases, customers will be frustrated if the dealership cannot provide the service they need when they need it. Additionally, there must be a secure mechanism for transporting cash requirements to and from the agent (Mas et al 2008).

An agent is essentially an aggregator of the community's cash flow needs. This is the practice of storing and transferring cash to minimize the risks associated with handling cash. Suppliers have developed various mechanisms to ensure dealer liquidity and help dealers manage cash. The options available depend largely on the banking infrastructure of the market in which the agents operate and the willingness of banks to facilitate the safe movement of cash (Mas et al 2008). Provides ongoing on-site monitoring and in-store training to ensure dealers are liquid, have consistent branding and follow regulated business processes. Service providers must decide how to allocate various management functions and whether to keep these functions in-house or outsource them to an independent service provider. As networks grow, it becomes increasingly difficult for suppliers to complete the "last mile" of the

distribution chain, which is why most rely on third parties for some or all management functions channel (Mas, et al2008).

2.2.6.2. Technological factors

Technology is the technical means that humans use to improve their environment. It is also the knowledge of how to use tools and machines to perform tasks effectively. We use technology to control the world we live in. Technology involves people using knowledge, tools, and systems to make their lives easier and better. Technology involves the application of knowledge, tools, and skills to solve problems and enhance human capabilities (Mberia, 2009).

Structure management, which is one of the challenges of financial institutions in providing mobile and agent banking services, refers to the approach by which financial institutions establish relationships with their agents. The relationship can be direct, indirect or hybrid. A direct correspondent banking relationship is one in which a financial institution uses its own staff to identify and evaluate potential dealers, then recruit and manage them. The indirect relationship involves using an external management company to manage the entire process. There is also a hybrid approach where the financial institution is responsible for parts of the process, for example selection and contracting, while the management company is responsible for overseeing management daily of the dealer network (Mas et al. 2008).

Availability and quality of infrastructure is one of the challenges affecting the operations of banking agents. Interruption of telecommunications services due to technical or non-technical problems and unavailability of any parallel or alternative systems may result in interruption of service availability. Likewise, network congestion can become a bottleneck in providing quality service to agent banking users. Uneven electricity supply in the country, especially in rural areas, is one of the challenges to the implementation and continued provision of mobile and agent banking services. Therefore, utility interruptions or software or hardware failures may result in lack of service availability and loss of information. A financial institution without a business continuity and disaster recovery plan may be at risk of not having

services available in the event of a disaster, power outage, fire, etc. and natural disasters such as floods, earthquakes, etc. (Flaming et al., 2011).

Technology challenges will be connected to mobile devices; Necessary software, interoperability and accepted communication protocols and infrastructure (bandwidth optimization and efficiency, communication interfaces, interference from other communication technologies). Most mobile phones have an embedded chip that can be used to store value or provide secure authorization and identification without relying on a card reader, a combination PC and modem, or 'terminal' POS'. However, are consumers ready to adopt this new payment method? What technological barrier affect the operations of branch banking agents? And are consumers ready to embrace new market technologies? (Mberia, 2009)

2.2.6.3. Regulation challenge

Agents play a vital role in attracting new customers, enabling them to complete transactions, and keeping them satisfied. They verify the customer's identity, both during registration and in subsequent transactions. Policymakers and regulators have faced challenges in reconciling the growth and safe operation of branchless banking with increasing levels of financial inclusion (for large-scale branchless banking trials). National Bank of Ethiopia is a promoter of mobile and agent banking services. The National Bank of Ethiopia has published its first prudential guide for banking institutions, the National Bank of Ethiopia Guide (2012).

Directive No.FIS/01/2012 on the regulation of agent and mobile banking services is necessary to address the development of the agent and mobile banking model, the legal and regulatory framework, the Agent banking and regulations related to branches in the guide. This directive clarifies and regulates the commercial terms of mobile banking agents and services in Ethiopia. Only financial institutions licensed by the National Bank of Ethiopia are allowed to provide mobile banking services as we follow the banking model in financial services.

Mobile and branch banking services are performed only within the geographical limits of Ethiopia and only in Ethiopian Birr. Banks may provide mobile banking

services through their agents as specified in the guidelines. According to the same directive, the following activities are permitted for agents: agency, on behalf of major financial institutions, according to the agreement between the agent and that financial institution and, if any, in particular Carry out customer due diligence and know your requirements clearly. Know your customer (KYC) requirements of individuals and proceed with registration: Must regularly open an individual's savings account, open an individual's mobile account, do collection and withdrawal services, transfer money between different parties, perform various payment services.

2.2.6.4. Commission

The main measure of business performance is the commissions earned at the end of the month. However, the study found that agents prefer to discuss the number of transactions rather than the commissions they receive. This is because, firstly, no one wants to talk about their income, especially if it is too high or too low, and secondly, the agent has to calculate or rely on memories because the collected commissions in paid once month. However, the number of transactions per day can easily be obtained from agent records (Dorine and Dr. Fred. 2013).

Commissions are earned based on the number of transactions made within a specified period. If the agent closes for a day for various reasons, they will receive zero on that day. The specific variable studied that may influence the agent performance is as follows: Customer Service:- When the customer is satisfied, he trusts the customer, due to customer retention and growth, the agent should increase the number of customers attached to it, to the agent, thereby increasing the number of transactions resulting in a commission (Dorine and Dr. Fred, 2013).

2.2.7. Empirical Literature Review

This article focused on the factors influencing the adoption of agency banking in Kenya in 2014 and aimed to explore some of the factors influencing agent banking in Kenya. The results show that it contributes to the reliability of the service, high reliability increases the adoption. Complaints resolution time does not affect the adoption of agency banking. Agency banking offer convenience in the form of extended banking hours and bring banking services closer to customers, increasing the

adoption of agency banks. High-quality agents increase the adoption of agency banking, while low-quality customers inhibit the adoption of agency banking. The commissions earned by agents have increased over time, indicating the adoption and growth of agency banking.

An article by Nefa (2013) found that three commercial banks in Kisumu city serving agency banking were able to expand their geographical boundaries, at critical times, such as opening of schools. It was pointed out that the banking rooms were not able to compare with the two rooms that did not manage agency banking, and there was an increase in sales from agents. Advances in technology have made it possible for agency banking to be taken over by commercial banks.

All three commercial banks that do agency banking have adopted online banking and mobile banking and offer agency banking on these platforms. All three commercial banks engaged in agency banking use controls, measures and regulations to manage agency banking activities. Each commercial bank has three internal controls to monitor the activities of agents, they have established procedures and policies, and on the other hand, agents have their own procedures.

Another article, written in September 2011 by Daisy, identifies the key drivers of agency banking adoption. The main findings of the paper are that agency banking is better for reducing the costs of providing banking services, after improving customer service, market access, technology and competition. The main factors are risk management, the availability of the right marketing channels and the availability of the right information and communication technology infrastructure. There are different views on the effect of cooperation with other banks in the provision of various agency banking services, for example the acquisition of funds by agents on behalf of other banks. Differences were also found as to whether agency banking should be tested on a limited basis prior to delivery. It is clear that the banking industry is excited about agency banking, especially with the success of Safaricom M-Pesa in Kenya and the ability to reach the unbanked and underbanked population in specific areas.

Anuwar, 2015 in his study titled "Assessment of Factors Affecting Acceptance of Agent Banking and Electronic Banking Services in the Ethiopian Banking Sector". The aim of his research is to answer the issues related to the adoption of agency banking and e-banking in Ethiopia and the benefits of corporate finance and e-finance in Ethiopia. So, the findings of his research revealed that the major challenges facing the banking sector in adopting agency banking and e-banking services are the lack of ICT infrastructure in the country, lack of staff IT skills, lack of government support, security risk, lack of regulation and regulatory frameworks and lack of competition between local and foreign banks.

This study found that the involvement of third-party brokers presents several risk factors related to the proper management and supervision of banks. The study also found that ease of use and effectiveness were the main predictors of agency banking and e-banking system adoption. The study recommends that Ethio Telecom should support the banking sector by investing in the development of ICT infrastructure, that the government should support the banking sector by introducing the program on financial education, and put in place a framework legislation and the general legal framework for the use of technological innovation and the use of third party sales agents in the banking sector, the regulator monitors the banking sector and actively enforces the rules of the banking sector, while the banks ensure proper selection of customers.

Meron, in her research titled "Assessment of Agent Banking Service: Case Study on Lion International Bank Agents", tried to answer the environment that affects agency banking service and customer behavior based on agent observations. As can be seen from the research results, the main obstacles that agency banking face in service delivery are problems such as lack of knowledge, lack of trust, lack of supportive training, lack of ICT infrastructure, as well as lack of competition with other banks. The study also found that ease of use and perceived usefulness are drivers of frequent use of the agency banking system. The investigation shows what measures the bank has taken to resolve the various issues mentioned in the article. These measures include: Creating the necessary training to reduce the knowledge gap among agents, at the same time working to increase public awareness, supporting agency banking working with Ethio-telecome to work on ICT infrastructure and network issues, and

banks need to focus on technological innovation rather than fundamentals Traditional competition from retail banking means the bank must operate by offering other channels.

2.3. Research Gap

While the general literature identifies technological limitations, it does not provide a comprehensive analysis of how these limitations manifest in Awash's banking infrastructure, connectivity, and systems integration. For example, some issues may be unique to Awash Bank, such as outdated technology, limited internet access in certain regions, or difficulties in connecting the company's banking system to traditional banking.

Existing literature discusses the challenges of implementing corporate banking without entering the environment in which Awash Bank operates. This may include examining how specific regulations in Ethiopia affect a bank's ability to expand its corporate banking network, meet regulatory requirements, or innovate within existing regulatory constraints.

Although operational constraints are well known in the banking literature, there is little analysis of Awash's banking activities and the mechanisms that contribute to these constraints. This may include employee training, resource allocation, or research into how specific Awash Bank activities that impact the bank's performance can be better managed.

Concerns about commissions have been confirmed by extensive research, but the specific nature of commissions and their role in Awash Bank's banking has not been examined in depth. This includes examining how transparency in bank commission rates, incentive programs or commission policies affects the performance, efficiency and overall success of the banking sector. In summary, while existing literature provides basic information on banking issues, research is needed to delve deeper into the characteristics of Awash Bank.

2.4. Conceptual Frame work

According to Mugenda et al (2003), a conceptual framework helps the reader to quickly see the proposed relationships between the variables in the study and show the same graphically. The conceptual framework is a system that shows relationship of independent variables in the study with the dependent variables. The independent variables in this study include: technological challenges, regulatory constraints, operational challenges and commission related challenges while dependent factor is the performance of agents.

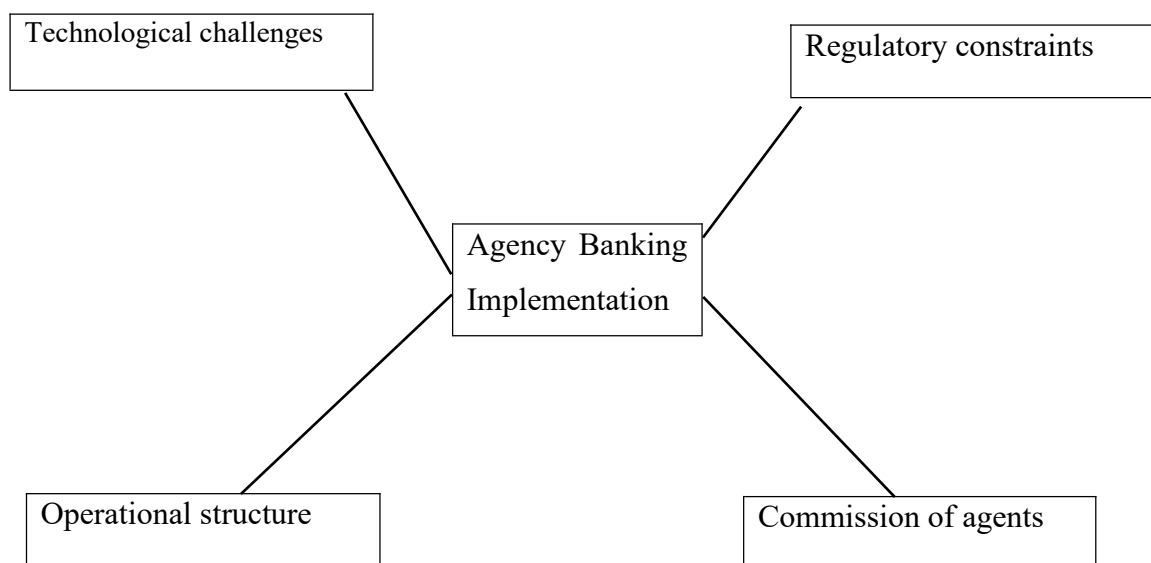


Figure 2.1: Conceptual Framework

Source: Based on the Literature

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Introduction

Part of the research methodology for this study describes the research method and design, including how the research was conducted and data collected, the tools used, the method of tools used, and the intended method of data analysis. In addition, the selection of the sample, the research population and the data collection method.

The study investigated the challenges of agency banking project implementation in Awash Agency banking project.

3.2. Research Approach

In order to conduct a research three approaches can be used. These are quantitative, qualitative and mixed approach. The decision to apply a quantitative or qualitative method is at the discretion of the researcher (Kanaan, 2009). Quantitative methods also offer advantages through the analysis of empirical data collected using questions that focus primarily on statistical structures, and quantitative data is a systematic recording of data compiled by the researcher using measurement and modeling techniques (Geottrey et al., 2005).

This study used quantitative research approach to enable the collection of results. The investigation aimed to identify whether the variables were the challenge facing during the implementation of Awash agency banking project. The research established the effect of independent variables, which included technological factor, regulation of related to law, operational structure, and commission related challenges on dependent variables, i.e. the implementation of Awash agency banking project.

3.3. Research Design

Research design is a systematic process of collecting and analyzing data that aims to optimally link research and economic objectives. Research design is actually a way of thinking through which research is done; It is a design for collecting, measuring and analyzing data (Kothari, 2004).

In the study, descriptive research design was used to find answers to the research questions. Descriptive research involves collecting complete qualitative data sets that can be presented in a continuous statistical manner; It involves collecting data that describes the event and organizing, presenting, and interpreting the collected data. Descriptive research aims to find out 'what is'. Mugenda and Mugenda (2008) also state that descriptive research can be used to explain two or more variables over a period of time.

3.4. Population

A population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate and from which they can make inferences based on the sample statistics (Sekaran & Bougie, 2013). A target population according to Ngechu (2004) is the specific population about which information is desired.

There are four regions under Addis Ababa district of Awash Bank. From those four regions West Addis Abeba Region was chosen using random sampling technique. The sample of the research incorporates those staffs in branches which are found under West Addis Ababa Region (WAAR) of Awash Bank assigned to conduct in the duty of agency banking in their respective branch. There are a total of 100 branches which are found under WAAR, and each branch has one staff's responsible for the agency banking implementation. According to that the population size of the study is 100.

When working with a small population, Kothari (2004) argues that sampling is not necessary because a census provides a thorough analysis of every component inside that group. For this research census is used in order to collect data from each staff who is assigned on the duty of agency banking. The researcher did not include agents

response on this paper mainly because it is difficult to collect data from them regarding they are performing their formal business.

3.5. Data Type

According to Kothari (2004), researchers must consider two fundamental types of data: primary and secondary data. In this study, the researcher used primary data sources to gather relevant information. The primary data collection method will involve using structured questionnaires.

3.6. Data Collection Method

The most appropriate method for collecting primary data turned out to be questionnaire. These questionnaires were designed with close-ended questions, and respondents provided their responses on a five-point Likert rating scale. The scale is as follows: 5=Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1= Strongly Disagree. A five-point Likert scale was used to ensure that the participants felt comfortable answering the questions according to their qualifications (McLeod, 2008).

The questionnaires were distributed to survey participants using google forms, and follow-up calls were made to provide feedback, clarify any doubts, and serve as reminders. The primary data were collected from all staff of WAAR branches who work in the agent banking area of the bank. These individuals offered their opinions based on their experience and responsibilities related to agent banking operations across different branches.

3.7. Data Analysis

According to Blumberg, Cooper, and Schindler (2014), data analysis involves gathering, modeling, and transforming data to extract useful information and support decision-making. Jackson (2009) emphasizes the importance of organizing data before analysis. In this study, all surveys containing data collected in the field were cleared of errors before being entered into the database, where they were analyzed using the Statistical Package for Social Sciences (SPSS). Data were analyzed using descriptive statistics. The descriptive statistical interpretation tool helped the researcher to interpret data. It includes standard measures of mean (median), measures of variability (standard deviation) and frequency distribution tables with examples of relative frequencies, among others. The analysis was carried out using SPSS software

which is expected to provide various statistics and then all the data were analyzed based on percentage, frequency distribution, means and standard deviation. The analyzed data are shown in the table.

3.8. Scale Reliability and Validity

Validity refers to the appropriateness, meaningfulness, and usefulness of the specific inferences” made from measures (Dooley, 2005). That means effectiveness of research instruments to measure what is intended to be measured like attitude, knowledge and practice. The reliability of the questionnaire was evaluated through Cronbach’s Alpha which measures the internal consistency. The Alpha measures internal consistency by establishing if certain item measures the same construct. To check the reliability of the research, Cronbach's alpha was calculated. Because the variables' Cronbach's alpha values were 0.715 which is greater than 0.7, the analysis concluded that the variables were reliable.

Variable	Cronbach’s Alpha	Number of items
Technological Factors	0.701	5
Operational Structure	0.806	5
Regulatory Factor	0.713	5
Commission	0.810	4

Table 3.1 Reliability of the study

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004).In order to ensure the validness of this study the questionnaire was checked and evaluated by professionals in the subject matter area. Moreover my advisor evaluated and commented on the questionnaire distributed to the respondents.

3.9. Ethical Considerations

The research aims will be transparently communicated to all participants who respond to the research questions. Participants will be treated in accordance with established ethical principles, including respect for individual autonomy, informed consent, and

voluntary participation. Respondent anonymity will be safeguarded. Data collected for this study will be used exclusively for research purposes, and any secondary data incorporated will be appropriately cited. The study adheres to the organization's intellectual property policy. Respondents' confidential responses are used solely for academic purposes, and the study respects privacy without compromising findings. Proper acknowledgment of materials and sources is maintained.

Chapter Four

4. DATA ANALYSIS AND DISCUSSION

4.1. Introduction

In this chapter conclusions and analysis, derived from an interpretation of the data gathered are presented . The outcomes and discussions of the difficulties encountered during the implementation of agency banking at Awash Bank are presented in this section. To display and analyze the information gathered on the variables of factors influencing the implementation of agent banking, a descriptive statistical analysis was employed. The purpose of data analysis is to give the collected raw data context. To examine the respondents' responses, frequency tables, charts, percentages, mean, and standard deviation are also used.

4.2. Response Rate

One hundred people were intended to reply to the study. However only 93 respondents completed and returned their questionnaires, yielding a 93% response rate. Mugenda, (2003) states that a response rate of 50% is sufficient for analysis and reporting, 60% is good, and 70% or above is great. As a result, this response rate is suitable for these purposes.

4.3. Demographic information of the respondents

This component of the analysis focuses on the study participants' personal information, such as their gender, age, educational background, employment history, and position within the branch.

Table 4.1: Demographic Information's of Respondents

Demographic variable	Frequency	Percentage
Gender		
Male	52	55.9%
Female	41	44.1%
Total	93	100
Age		
18-24	29	31.2
25-34	62	66.7
35-44	2	2.2
45-54	0	0
55 and above	0	0
Total	93	100
Educational Background		
College Diploma	0	0
BA/BSc Degree	63	67.7
Master's Degree	30	32.3
PHD and above	0	0
Total	93	100
Work Experience		
Junior (1-2 years)	39	41.9
Mid (3-5 years)	51	54.8
Senior (5 and above years)	3	3.2
Total	93	100
Job Position		
Digital Channel Officer	38	40.9
Direct Sales	7	7.5
Customer Service Officer	40	43
Relationship Officer	8	8.6
Total	93	100

Source: Research Data (2024)

Table 4.1 displays the survey findings. Of the respondents, 52 (55.9%) were men and 41 (44.1%). Despite the fact that men made up the majority, this shows that both male and female employees were accountable, suggesting that accountability was shared by all genders. In terms of ages, 28 (30.1%) of the respondents were between the ages of 18 and 24, 62 (66.7%), the biggest proportion of respondents, were between the ages of 26 and 34, and the remaining 2 (2.2%) were between the ages of 35 and 44.

The table above also shows the respondents' educational backgrounds. The majority of participants, or 63 (67.7%) of the respondents, had a BA/BSc degree, while 30 (32.3%) had a master's degree, according to the data collected from the respondents. Remarkably, not a single participant held a diploma or an advanced degree beyond a master's level. This indicates that the employees are well-educated and has at least a bachelor's degree. As a result, the business may benefit greatly from their easy training to enhance system usage performance on an individual and/or corporate level.

Years of experience can have a big impact on how someone thinks, does their job, represents the bank, feels accountable for their work, and understands what the business expects of its employees, among other behavioral elements. Regarding this, out of the 93 employees, 39 (41.9%) are junior staff members with 1-2 years of work experience, 51 (54.8%) are mid-level employees with 3-5 years of work experience, and only 3 (3.2%) are senior employees with 6 years or more of experience. According to this distribution, the majority of employees appear to be in the early to mid phases of their careers, which probably affects the way they operate, think, and represent the bank. It's possible that junior and mid-level staff members are still learning the business expectations and building confidence in their positions.

4.4. Challenges of agency banking project implementation

The researcher looked at the operational, technological, regulatory, and commission-related difficulties that Awash Bank has when introducing agent banking in the parts that follow.

On a five-point Likert type scale, respondents were asked to score their degree of agreement with the following 19 close-ended statements regarding the implementation criteria of agent banking projects: Strongly disagree (SD), disagree

(D), agree (A), neutral (N), and strongly agree (SA) are the five possible responses. The results for each assertion and a summary of the results for each variable in the research study are provided below.

The researcher used the results from the likert-type statements referring to similar variables to triangulate and supplement the data from the closed-ended questions as necessary. Thus, the researcher tried to decipher the data points' mean and standard deviation.

While the mean aimed to show the average at which the data points fall for each specific variable under study, the standard deviation column showed the variability of the data points for each variable under examination (Elfagid, 2015).

4.4.1. Technological factors

Technological developments in the banking industry are critical to creating value for clients and banks alike by allowing clients to conduct banking operations virtually through the use of traditional branch banking systems (Afework, 2015). The issues that were covered under the category "Technological considerations" were particular challenges that hinder the banking industry from adopting new technological innovations. Most banks' successful execution of agency banking initiatives has been found to be significantly influenced by technological innovation (Santu, Mawanza, & Muredz, 2017).

In total, five questions were asked about the technological challenges of implementing agent banking projects. The questions ranged from "strongly agreed, agreed, neutral, disagreed, or strongly disagreed" to "the degree of ICT infrastructure growth, system integration concerns, ongoing technological advancements, and the incompatibility of agent banking software with bank software." Respondents were asked to score their agreement with the corresponding closed-ended statements on a five-point Likert scale. The table shows the mean, standard deviation, and number of frequencies in addition to the statistical data for the variables.

Table 4.2: Descriptive statistics of technological factors

	N	Mean	Std. Deviation
Technical problems such as network failure, operation of the system has landed me in trouble with Agents.	93	4.46	.501
The level of development of ICT infrastructure and the road network significantly impacts Agency Banking implementation.	93	4.47	.502
System integration issues affect the efficiency of service delivery in Awash Bank's agency banking project	93	4.46	.501
Continuous technology change affect the efficiency of service delivery in Awash Bank's agency banking project.	93	4.46	.501
Awash bank's agent banking software is incompatible with bank software.	93	3.99	1.137
Overall mean	93	4.3699	.45773
Valid N (listwise)	93		

Source: Research Data (2024)

The examination of descriptive statistics to identify variables impacting the effectiveness of service provision in Awash Bank's agency banking initiative offers significant understanding of the primary obstacles encountered by the company. Based on the feedback of responsible staff, an examination of the technological elements influencing Awash Bank's adoption of agency banking reveals many significant challenges.

The review of technological challenges affecting the implementation of agency banking at Awash Bank indicates several key issues. Technical concerns, such as network outages and system operating issues, have a high mean score of 4.46, indicating that respondents agree on their importance. The low standard deviation of 0.501 implies that staff members agree on the severity of these issues, which are likely to disturb the smooth functioning of agency banking activities, resulting in inefficiency and unhappiness. Similarly, respondents consider the development level

of ICT infrastructure and transportation networks to be an important element, with a mean score of 4.47 and a standard deviation of 0.502.

System integration issues and constant technology changes both have mean ratings of 4.46 and standard deviations of 0.501, showing that workers see these challenges uniformly. Efficient system integration is required for seamless operations and data flow between various banking systems, and the requirement to adapt to quickly evolving technology is viewed as a significant barrier to providing competitive and efficient agency banking services. On the other hand, software compatibility difficulties had a somewhat lower mean score of 3.99 and a higher standard deviation of 1.137, indicating greater variability in staff experiences with these issues.

The overall mean score of 4.37 for technological factors indicates that there is agreement that these concerns have a major impact on the implementation of agency banking at Awash Bank. The comparatively low total standard deviation of 0.45773 suggests that the workforce is mostly in agreement about the crucial significance of these technological problems.

The descriptive statistics findings highlight the importance of technology elements in the issues Awash Bank has while implementing agency banking. With mean scores primarily above 4.0, it is clear that more than 80% of employees understand the crucial importance of technical issues, ICT infrastructure, system integration, and ongoing technological advancements. Addressing these technology problems is critical to increasing the efficiency and efficacy of Awash Bank's agency banking activities.

4.4.2. Operational structure

Table 4.3: Descriptive statistics of operational structure

	N	Mean	Std. Deviation
Agency banking is easy to understand and use	93	4.39	.490
Collaboration with other banks on various aspects e.g. receiving agents deposits on behalf of other	93	4.20	.828

banks, has an impact on implementation of Agency Banking services			
Managing credit risk, operational risk, liquidity risk and reputation risk greatly influences Agency Banking Adoption.	93	4.29	.685
Resources allocation has an impact on implementation of AB services	93	4.38	.487
Information sharing on the various channels of communication has an impact on implementation of Awash Bank Agency Banking services	93	4.27	.492
Overall mean	93	4.3054	.45929
Valid N (listwise)	93		

Source: Research Data (2024)

The second descriptive statistics table gives information on several aspects of Awash Bank's operating structure that have an impact on the implementation of agency banking. The factors examined include ease of understanding and use, collaboration with other institutions, risk management, resource allocation, and information exchange.

The mean score for the simplicity of understanding and usage of agency banking is 4.39, with a low standard deviation of 0.490, indicating that the majority of respondents find the system simple and easy to navigate. This is crucial for widespread adoption and effective use by agents and customers. Collaboration with other banks, such as accepting deposits from agents on behalf of other banks, has a mean score of 4.20 and a larger standard deviation of 0.828. This implies that, while collaboration is typically helpful, respondents' perceptions of its influence vary significantly. Effective collaboration can improve customer delivery and operational efficiency, but differences in practices and rules between banks may provide difficulties.

Managing risks, such as credit, operational, liquidity, and reputation risks, has a major impact on agency banking adoption, with a mean score of 4.29 and a standard deviation of 0.685. This emphasizes the significance of strong risk management measures in ensuring service integrity and reliability. The influence of resource allocation on implementation has a high mean score of 4.38 and a low standard deviation of 0.487, showing that its significance is widely recognized. Proper resource

allocation guarantees the availability of the appropriate infrastructure, training, and support. Information sharing across various communication channels is also crucial, with a mean score of 4.27 and a standard deviation of 0.492, highlighting the importance of effective communication and information distribution in improving operational efficiency. Overall, the total mean score was 4.31 for these characteristics.

The overall mean score for these operational structure characteristics is 4.31, suggesting widespread agreement that these aspects are crucial to Awash Bank's effective agency banking implementation. The very low overall standard deviation of 0.45929 indicates that there is widespread agreement among employees on the value of certain operational variables.

4.4.3. Regulatory Factors

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	N	Mean	Std. Deviation
Agents understand agency banking regulations by NBE.	93	4.30	.586
According to NBE directive the maximum balance of customer on agents account should be not more than 25,000 birr and the limit amount is small and not motivated to use agent banking	93	4.17	.564
The maximum transaction per day is birr 6,000 and it doesnot make agency banking successful.	93	4.10	.693
The agent's businesses are affected by Government regulatory policies.	93	3.98	.625
NBE in its next transformation plan needs to order commercial banks to expand their branches by 30% every year. So that, the agent banking highly put under question mark.	93	3.95	.451
Valid N (listwise)	93		

Source: Research Data (2024)

The operational structure of agency banking, as reviewed by the agents surveyed is significantly affected by regulatory constraints and government rules.

Agents have a clear understanding of the NBE's agency banking requirements, as demonstrated by a high mean score of 4.30 and a low standard deviation of 0.586. However, the maximum balance limit of 25,000 birr and the daily transaction limit of 6,000 birr are deemed too restricted, with mean scores of 4.17 and 4.10, respectively.

These limits are viewed as demotivating for customers and insufficient for successful transactions, meaning that current operational constraints could block the expansion and utility of agent banking services.

Furthermore, agents believe that government regulatory policies have a negative impact on their businesses, as seen by the average score of 3.98. The expected 30% yearly expansion of commercial bank branches also concerns agents, with a mean score of 3.95, indicating that this policy could affect the function of agent banking. The low standard deviation of 0.451 indicates a solid consensus on this subject.

Overall, these findings show significant issues within the operational structure of agency banking, which are driven by regulatory limits and broader government policies, potentially limiting agent banking's success and effectiveness.

4.4.4. Commission

Table 4.5: Commission

	N	Mean	Std. Deviation
The current commission for agent service attracts agents.	93	4.41	.612
The commission for agent banking transaction is collected from the customers. As a result, it is difficult to retain customers and motivate them to use agent banking.	93	4.43	.498
In the case of formal banks providing services like withdrawal and deposit it is free but not the case for agent banking which affects agent	93	4.28	.559

banking negatively.			
Uncompetitive commission rates discourage agents from actively promoting agency banking services at Awash Bank.	93	4.03	.580
Valid N (listwise)	93		

Source: Research Data (2024)

The above descriptive statistical analysis is used to identify commission variables in Awash Bank's agency banking venture, which agency banking highlights the operational issues that agents encounter. While current commission rates are generally perceived positively by agents, with a mean score of 4.41 and a standard deviation of 0.612, showing that these rates drive agents to use the service, the process of collecting commission fees from clients presents considerable challenges. The high mean score of 4.43 indicates that this practice makes it more difficult to retain consumers and motivate them to use agent banking services. Customers may find these additional expenses disappointing, which could decrease the overall attraction and use of agent banking.

Furthermore, as compared with formal banks, where services such as withdrawals and deposits are free, agent banking has a competitive disadvantage. The mean score of 4.28 indicates a significant acceptance that this mismatch has a detrimental impact on agent banking. likewise uncompetitive commission rates are viewed as deterring agents from actively promoting agency banking services at Awash Bank, with a mean score of 4.03. It indicates that, while commission rates are attractive to agents, the entire cost structure and competition with formal banks offer major operational challenges, which may impede the development and growth of agent banking services.

4.5. Summary of the factors Discussed Above

The table of descriptive statistics provides detailed information into the diverse challenges linked to the implementation of agency banking at Awash Bank. The data emphasizes important problems that require attention and is arranged by descending mean scores order, which shows the rank of components from 1 to 19.

Table 4.6: Summary of the challenges ranked by mean

	N	Mean	Std. Deviation
Technical problems such as network failure, operation of the system has landed me in trouble with Agents.	93	4.46	.501
The level of development of ICT infrastructure and the road network significantly impacts Agency Banking implementation.	93	4.47	.502
System integration issues affect the efficiency of service delivery in Awash Bank's agency banking project	93	4.46	.501
Continuous technology change affect the efficiency of service delivery in Awash Bank's agency banking project.	93	4.46	.501
Awash bank's agent banking software is incompatible with bank software.	93	3.99	1.137
Agency banking is easy to understand and use	93	4.39	.490
Collaboration with other banks on various aspects e.g. receiving agents deposits on behalf of other banks, has an impact on implementation of Agency Banking services	93	4.20	.828
Managing credit risk, operational risk, liquidity risk and reputation risk greatly influences Agency Banking Adoption.	93	4.29	.685
Resources allocation has an impact on implementation of AB services	93	4.38	.487
Information sharing on the various channels of communication has an impact on implementation of Awash Bank Agency Banking services	93	4.27	.492
Agents understand agency banking regulations by NBE.	93	4.30	.586
According to NBE directive the maximum balance of customer on agents account should be not more than 25,000 birr and the limit amount is small and not motivated to use agent banking	93	4.17	.564
The maximum transaction per day is birr 6,000 and it doesnot make agency banking successful.	93	4.10	.693
The agent's businesses are affected by	93	3.98	.625

Government regulatory policies.			
NBE in its next transformation plan needs to order commercial banks to expand their branches by 30% every year. So that, the agent banking highly put under question mark.	93	3.95	.451
The current commission for agent service attracts agents.	93	4.41	.612
The commission for agent banking transaction is collected from the customers. As a result, it is difficult to retain customers and motivate them to use agent banking.	93	4.43	.498
In the case of formal banks providing services like withdrawal and deposit is free but not the case for agent banking which affects agent banking negatively.	93	4.28	.559
Uncompetitive commission rates discourage agents from actively promoting agency banking services at Awash Bank.	93	4.03	.580
Valid N (listwise)	93		

Source: Research Data (2024)

System integration concerns have been shown by numerous factors influencing the operational structure of agency banking. Technical and infrastructure concerns have significant effects on the service's efficiency and effectiveness, with frequent network failures creating major interruptions, as seen by the high mean score of 4.46. The development of ICT infrastructure and road networks, with a mean score of 4.47, emphasizes the importance of strong infrastructure for successful agency banking implementation. Moreover, system integration issues and continual technological changes, both in Version 4.46, show the difficulties in sustaining smooth operations and responding to emerging technology.

Another key concern is the compatibility of Awash Bank's agent banking software with other bank software, which received an average score of 3.99, indicating considerable technical difficulties in achieving interoperability. Despite these issues, agents find agency banking easily recognize and apply, as demonstrated by a mean score of 4.39. However, collaboration with other banks (mean score of 4.20) and risk

management, such as credit, operational, liquidity, and reputation concerns (mean score of 4.29), are critical variables influencing the service's overall success and acceptance. Effective resource allocation and information exchange across several communication channels are also important in the implementation of agency banking services, with scores of 4.38 and 4.27, respectively.

These observations offer light on the crucial areas that Awash Bank must deal with in order to successfully execute agency banking, with a particular emphasis on infrastructure development, competitive commissions, technological challenges, system integration, efficient communication, and regulatory knowledge.

CHAPTER 5

5. SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Summary of findings

Evaluating the difficulties in implementing the Awash Agency Banking initiative was the main goal of the study. In light of this, the report detailed certain difficulties that arise while implementing agency banking projects.

It presents a number of important problems. Service efficiency suffers greatly by issues with system integration, poor ICT infrastructure, and frequent technological malfunctions. Customers' burden of transaction costs and uncompetitive commission rates discourage agents and clients from using agency banking services. Successful implementation depends on efficient resource allocation and communication, and service delivery is made more difficult by the rapid advancement of technology. Significant barriers also include low transaction limits, strict regulations, and differences in service fees between agency and formal banking. For Awash Bank to successfully embrace and deploy agency banking, significant advancements in infrastructure, technology, commission structures, and regulatory compliance are necessary to address these issues.

5.2. Conclusion

The paper highlights key elements influencing Awash Bank's operating structure and success with agency banking. Technical and infrastructural obstacles, such as frequent network failures, insufficient ICT infrastructure, and poor road networks, impede the efficient delivery of agency banking services. System integration difficulties and constant technology developments interfere with service delivery, emphasizing ongoing essential concerns.

The compatibility of Awash Bank's agency banking software with other banking platforms is a big technical issue. Despite these challenges, agents find the service simple to understand and utilize. However, the environment of competition and operational policies provide additional challenges. The successful implementation of agency banking is strongly dependent on collaboration with other banks and adequate risk management. Resource allocation and effective information sharing are also required for a smooth implementation.

Regulatory limitations and commission structures have a considerable impact on the attractiveness and effectiveness of agency banking. Agents have an a clear understanding of NBE laws, but restrictions on transactions and daily limits are viewed as demotivating.

Furthermore, government policies and future regulatory plans raise questions about the feasibility of agent banking. Finally, commission-related issues, such as the attractiveness of current rates and the negative impact of customer transaction fees, as well as the competitive disadvantage compared to formal banks that provide free services, highlight significant operational challenges that must be addressed in order for Awash Bank's agency banking services to succeed and grow.

5.3. Recommendation

Awash Bank's implementation of agency banking faced a number of challenges, which led to the following recommendations being made to improve efficiency of its agents, to improve client satisfaction, service effectiveness, and overall success:

To address the challenges of technological factor, Awash Bank should invest in strong ICT infrastructure to maintain stable network systems and reduce technical issues. Facilitating system integration processes is critical for best data flow and smooth functioning. In order to remain competitive, the bank needs also take a proactive approach to staying up to date with technology innovations. Addressing software compatibility issues, while less critical, should be prioritized to ensure smooth operations across all platforms. By implementing these ideas, Awash Bank may

improve the efficiency of its agency banking services and better serve its clients and agents.

Several steps are advised to strengthen Awash Bank's operational structure for agency banking. First, improving user training is critical, as the high level of agreement on ease of use indicates that ongoing training programs for agents and consumers will guarantee that they completely grasp and operate the system. Strengthening collaboration with other banks through defined rules and agreements helps standardize practices and reduce problems, addressing the variation in perceptions of collaboration. Creating comprehensive risk management techniques will handle the slightly increased fluctuation in risk perceptions while ensuring the stability and security of agency banking services. Furthermore, the continual assessment and allocation of necessary resources, such as technological infrastructure, personnel training, and financial assistance, is critical to the long-term success of agency banking.

The study of agency banking's operational structure shows the significant impact of regulatory constraints and government policies on its functionality and future growth. While agents demonstrate a commendable awareness of the NBE's requirements, the severe maximum balance and daily transaction limits present significant obstacles, reducing consumer motivation and transaction success rates. This may ultimately limit the scalability and utility of agent banking services. In addition, agents raise concerns about the adverse impacts of government regulatory measures, particularly the planned development of commercial bank branches, which could disrupt agent banking activities. To address these concerns while fully achieve the potential of agency banking, authorities must engage in communication with stakeholders to reconsider existing regulations and establish an environment conducive to innovation and growth.

The descriptive statistical study of commission indicators in Awash Bank's agency banking operation identifies important operational challenges that agents face. While current commission rates are generally regarded positively, which drives agent usage, challenges develop in collecting commission fees from clients, limiting consumer retention and willingness to use agent banking services. The higher costs connected

with commission fees may disappoint customers, decreasing the overall attraction and adoption of agent banking. Also, the competitive disadvantage of agent banking compared to formal banks, where services such as withdrawals and deposits are free. This disparity, combined with perceived uncompetitive commission rates, discourages agents from actively promoting agency banking services, potentially impeding the sector's development and growth.

5.4. Suggestion for Further Research

From the perspective of the bank employees, this study detailed the difficulties of implementing awash agency banking projects. However, it ignored the viewpoints of the customers and the agents. As a result, the researcher would like to suggest that more research be done in the area, particularly to capture the viewpoints of the agents and customers as well as external environmental elements.

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Annex I

Questionnaire

Dear Respondents,

My name is Beza Mebratu. I am conducting this study titled “Challenges of Agency Banking Project Implementation: In The Case of Awash Agency Banking Project” in order to fulfill partial requirement of MSc degree in Project Management at School of Commerce Addis Ababa University.

I would like to confirm that this survey is only for courses approved by Addis Ababa University. Your responses will be kept confidential and will not be used for other purposes than academic in any way.

General instructions

- You do not need to write your name
- Tick the appropriate box (✓) in all cases where the answer is available.

Contact address

Feel free to contact me if you have any questions, you can call me using mobile: 09-41-17-66-93 or email: beza.mebratu.bezzy1@gmail.com

PART I: Demographic Information

1. Sex:

Male Female

2. Age (in years):

18- 24 25-34 35-44 45-54 55 and above

3. Educational Qualification:

College Diploma BA/BSc Degree

Master's Degree PD and above

4. Work experience

Junior (1-2) Mid (3-5) Senior (6 and Above)

5. Position

DCO DSR CSO RO

Please put a tick (√) mark to indicate the extent to which you agree with each of the following statements as regards the adoption of agent and mobile banking by your branch.

Key: 5=Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1= Strongly Disagree

PART II: -Technological factor	5	4	3	2	1
Technical problems such as network failure, operation of the system has landed me in trouble with Agents.					
The level of development of ICT infrastructure and the road network significantly impacts Agency Banking implementation.					
System integration issues affect the efficiency of service delivery in Awash Bank's agency banking project.					
continuous technology change affect the efficiency of service delivery in Awash Bank's agency banking project.					
Awash bank's agent banking software is incompatible with bank software.					
PART III: -Operational structure					
Agency banking is easy to understand and use					
Collaboration with other banks on various aspects e.g. receiving agents deposits on behalf of other banks, has an impact on implementation of Agency Banking services					

Managing credit risk, operational risk, liquidity risk and reputation risk greatly influences Agency Banking Adoption.					
Resources allocation has an impact on implementation of AB services					
Information sharing on the various channels of communication has an impact on implementation of AB services					
PART IV: -REGULATORY FACTORS					
Agents understand agency banking regulations by NBE					
According to NBE directive the maximum balance of customer on agents account should be not more than 25,000 birr and the limit amount is small and not motivated to use agent banking					
The maximum transaction per day is birr 6,000 and it not makes agent banking successful.					
The agent's businesses are affected by Government regulatory policies.					
NBE in its next transformation plan needs to order commercial banks to expand their branches by 30% every year. So that, the agent banking highly put under question mark.					
PART V: -Commission related issues					
The current commission for agent service attracting agents and the bank.					
The commission for agent banking transaction is collected from the customers. As a result, it is difficult to retain customers and motivate them to use agent banking.					
In the case of formal banks providing services like withdrawal and deposit they make it freely but not the case for agent banking which affects agent banking negatively.					
Uncompetitive commission rates discourage agents from actively promoting agency banking services at Awash Bank.					