DOI: 10.21276/sb

Scholars Bulletin
(A Multidisciplinary Journal)
An Official Publication of "Scholars Middle East Publishers",
Dubai, United Arab Emirates
Website: http://scholarsbulletin.com/

ISSN 2412-9771 (Print)
ISSN 2412-897X (Online)

The Effects of Agency Banking Satisfaction on Customers Growth in the Kenyan Banking Sector

George Gachuru[1], James Mwangi[2]
[1,2] St Paul's University, Kenya

***Corresponding Author:**
George Gachuru
Email: gachuru2000@gmail.com

Abstract: The study was carried out within the older Kiambu District in three banks; Equity Kenya Commercial Bank and Cooperative Bank. The research primary focus was to attest the effect of agency banking satisfaction in relation to customers' growth in the banking sector. This is because Commercial banks have pioneered in ascertaining colossal agents despite the short period after the instigation of the program by Central bank. Descriptive research design was adhesively used to hold together critical research variables. It afforded researcher with a pathway that aided in spawning a well-defined structure. The researcher beheld research design as the engine that drove his entire research to its packed completion [1]. The descriptive design selected provided genuine means in achieving the itemized research objectives through empirical evidence that was acquired economically. Both non-probability and probability sampling techniques were used. Purposive sampling was used in selecting the three banks of study out of the eight banks practicing the agency banking, the scope area of study and the sample size drawn to represent the customers and the bank employees. Stratified randomly technique was used to survey two customers from each of the 28 agents sampled. The findings of the study shows that 54 out of 56 customers responded giving a 96.33% Response rate. Descriptive research design was used to analyze information statistically. From the findings, an average of 600,000 customers transact on agency banks daily. This stimulates an opening of decongesting the banking halls. The study also found that 80.3% of these customers are satisfied by services rendered by branchless banking.
Keywords: Branchless Banking, agency banking.

INTRODUCTION

In Kenya, there 43 commercial banks, one mortgage finance company, six depository taking micro finance institutions, two credit reference bureaus, five representative offices and one hundred and fifteen foreign bureaus. According to Central Bank of Kenya annual Report [2], out of 43 licensed commercial banks in Kenya, only 10 banks have contracted agents. This represents 23.26% of the total banks in Kenya. Currently, there are 14,168 operational agents across the country. This is 17.54% increase compared to 12,054 active agents that were registered in June 2012. As CBK records, increase of the bank's branches and agents has triggered in a1.2 percent increase in the number of deposit account increased as per 30th September 2012. Agent banks facilitated 24.7 million transactions, which had a total value of Ksh 144.2 billion. This was a tremendous boom in the banking industry.

Customer Satisfaction Measurement

According to Hill and colleagues [3], the customer growth database solely depends on level of customer's satisfaction. Well-satisfied customer tends to be loyal and hardly switch off to incumbent competitors. In the end optimistic customer's attitudes and behavior increases customers purchasing power that translate overall firms' growth. Dissatisfied customers consume organizational time in handling their grievances and complaints. Organizations are on the pathway profoundly quantifying their customer's contentment in order to make decision on how to entice long serving customers. However, the attainable gen on how to make customer more satisfied has remained a big experiment to voluminous organizations [4]. The attitudes customers hold towards an organization greatly influence the organizational directions. Customer's positive behaviors will be a leading indicator on company's profits.

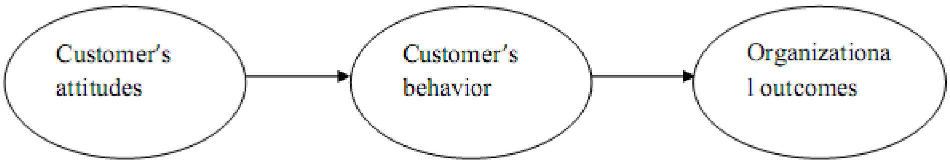

Fig-1: Customers' Attitudes and Behavior
Source: (Hill et al., 2007)

In the latter diagram, customers' attitude influences the overall structural performance. Customers in possess of positive attitudes upturn their purchasing supremacy and purchasing patterns, results into profit escalation. Customers development must be fully supported by the sales force, the weaker the sales force is, the lesser the customers. Customers focus is more on how bank services contribute toward achievement of their desired needs. Organizations are toeing in emerging customized services to meet inclined customer's needs [5]. Today, companies compete to deliver what matter most in the market. Companies are currently strategizing on how they would understand the evolving customer needs. Frequent changes in customer tastes and preferences has driven concept of the competition as each company tries to deliver its differentiated services or products. Barwise and Meehan [6], developed a framework on customer growth model. The concept propels that addressing customers' needs contribute greatly in retaining large customer database.

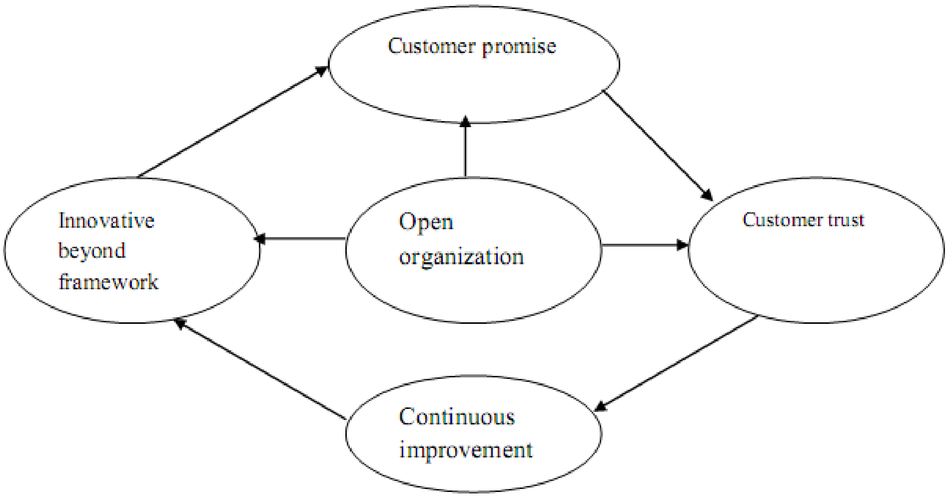

Fig-3: Customers Growth Framework
Source: (Barwise & Meehan, 2011)

A company creates awareness of products or services that exist in market. Market entrants though adverts promise the value pertained by a commodity. Purchases are made with intent to consume the assured value .Companies delivering brand value often victor customers' trust and committed [7]. Organization yearning to attract more customers in their database must be flexible enough to respond to change on customer taste and preferences. The more flexible an organization is, the better it is placed for profitable opportunities. The organization must be swift to respond to customer grievance and make a follow up for any complaining customers. Customer growth solely depends on customer's loyalty. Hayes [8] defines customer loyalty as "the extent to which a clientele possess positive feelings for experience allegiance to and exhibit positive behavior towards a company." However, it is difficult to prove loyalty of customer since there is no actual metric measure. Hayes developed a three-wheel model that attempt to metric the customer Growth. He referred to the three wheels metric as RAPID Growth Model.

Customer's Satisfaction and Agency-banking

Customer's satisfaction has direct proportionate impact on the overall financial performance. Dissatisfied customers consume organizational time in handling their grievances and complaints. However, if a customer is well satisfied with services delivery, time spent in handling grievances would be utilized in doing productive activities that will orient into profit increase [9]. Due to advanced technologies, consumers are aware of what is taking place within the market context. Admittance to information has been stipulated by communication gadgets such mobiles phones, differentiated media, newspapers among other communication tools. The consumers are now conscious of their respective rights that include; right to be informed, right to be heard and right to be protected. Since they possess adequate information, they have stronger supremacy to demand for better services. Banks dwindling to offer better services are at risk of losing both current and potential customers.

Conversely, Banks have therefore tried to discourse these issues through KYC concept. KYC is an abbreviation of "Knowing Your Customer"; most often by prop siting suggestion boxes on which dissatisfied customer's inflight their grievances. Moreover, managers at branch levels are more accessible than before. Customer's desks have also been conventional where customers can interrogate banks products and services. Satisfied customers are backbone of banks' revenue that translates to high profits. According to Ongore [10], bank performance is best appraised against the profitability ratio. In relation to the study, hefty proportion of bank profits instigates from customers transactions. Therefore, proportionate customer's growth culminates to superior organization performance. Among the profitability, ratios that were used in study include return on assets, net interest margin and return on equity [11].

Return on equity (ROE) is the ratio assesses profit earned against the total the shareholders equity. Commercial with huge (ROE), are more desirable and easily attracts investors. However, this often happens in organization that efficiently allocate and periodically control the scarce resources in management efficiency therefore become, the option ladder of gaining return on equity (ROA). Return on equity appraises company profit alongside shareholders' equity. It therefore measures the company performance against the total stockholders; it is derived by dividing Net income by the total stockholder's equity

Return on assets (ROA) is the second metric that the researcher chose to appraise growth. (ROA) is the profitability ratio that analyzes the potentiality or of how organizations (banks) derive revenue from theirs assets. The utilization of technologies induces efficient management thus implementation of supreme profitable strategies. It is derived by dividing the total net income by the total corporate value [12]. Net Interest Margin (NIM) is a profitability ration that measures the total revenue generate from the net interest. Net interest spreadsheet is derived by analyzing the difference between interest charged on borrowing treasuries and interest earned on savings. This profitability ration that portion the difference between the interest income generated by bank and the amount of interest paid out to their lenders [13].

RESULTS AND DISCUSSION

On the effects of customer satisfaction on customer growth, the study objective reviewed that customer satisfaction is the prime contributor of the customer growth. Among the 56 customers who responded, 80.3% were in admission of satisfactions of services piped through branchless banking units. From the study results, we can deduce that the higher the satisfaction level the greater the number of more customers transacting with the agencies. Moreover, agency banking is viewed to have generated satisfaction to the immediate customers. This explains the notion behind many banks corresponding to the awakening call of launching branchless banking despite the short span instigation of the program by CBK.

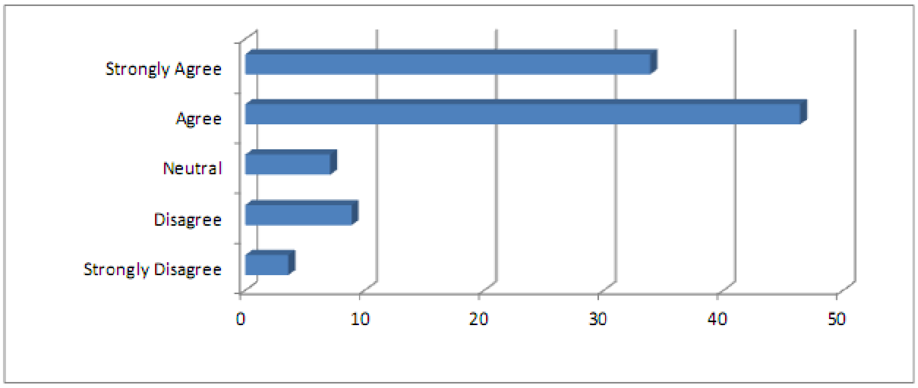

Fig-3: Customer Satisfaction on Agency Services

Customer Satisfaction on Customer Retention

In comparison with 80.3% of the satisfied customers only 10.7% of the respondents who are not likely to transact with the agencies. The customer's propensity to increase their financial services pattern went up to 76.8%. This is clear indication that customer's satisfaction is a stepping ladder that greatly increase dozens customers banking industry. In comparison to the high metric margin of satisfaction level, only 8.9% of the patrons that are not likely to increase their purchasing patterns. However, this induces a steady retention model in relation to that, though these respondents are not likely to increase the purchase of financial services, they are already absorbed by the bank.

Customer Satisfaction on Customer advocacy

From the data analyzed, 85.7% of the customer's responses indicated high passion to recruit more potential customers to the agencies. This translates to a score of 48 customers from a total sampling frame of 56. The metric of 85.7% responding positively is far much above average margin that strongly adds value to customer acquisition struggle. Nevertheless, improved bank performance and synergy is typically witnessed, as the 85.7% motivated respondents are likely to boost the bank Return on Equity (ROE). Free advertising is as a common practice exercised by fully satisfied customers. This adds a profitable opportune link amongst the satisfaction and cost efficiency. In return, banks will be making progressive profits due cost reduction exhibited though cheap customer adverts.

SUMMARY OF FINDINGS ON SATISFACTION

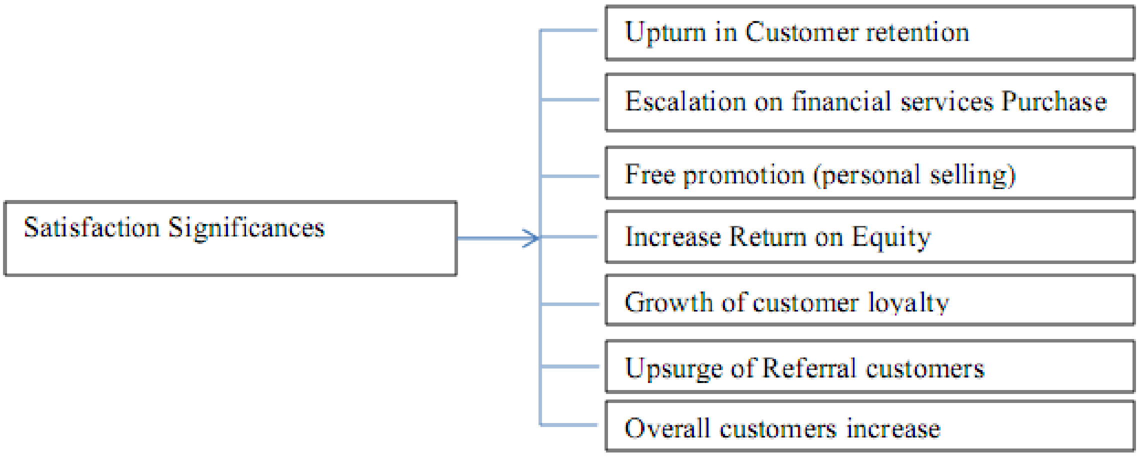

Fig-4: Significance of Customer's Satisfaction
Source: Author, 2013

CONCLUSION

The aggregate bank performance cannot be appraised accurately without considering the growth of customer. Customer growth adds vast value to the organization and propane to a steady growth. Gaining a competitive advantage can no longer be assessed on the care competence of an institution but the customer responses towards the raised care competences. In relation to the study undertaken branchless banking units (agencies) have enormously contributed to the growth of customer within the banking industry. An average of 600,000 customer translates daily of the listed agencies across the country. Majority of these customers were recruited through the agency banking marketing orientation.

REFERENCES

1. Kombo, D. K., & Trump, D. L. (2006). *Proposal and Thesis Writing.* Pauline Pubilcation Africa, Nairobi, Kenya. Print.
2. Central Bank of Kenya. *CBK Annual Report 2011-2012 released* from: http://www.centralbank.go.ke/index.php/news/264-cbk-annual-reports-2011-2012
3. Hill, N., Allen, N. H., Roche, G., Roche, R. G., & Allen, R. (2007). *Customer Satisfaction: The Customer Experience Through the Customer's Eyes. The Leadership Factor*.
4. Hill, N., Allen, N. H., Roche, G., Roche, R. G., & Allen, R. (2007). See note 3.
5. Career Times Online Limited. (2013). *Customised Service Ensures Growth Prospects* - Career Times.
6. Barwise, P., & Meehan, S. (2011). *Beyond the Familiar: Long-Term Growth through Customer Focus and Innovation.* John Wiley & Sons.
7. Barwise, P., & Meehan, S. (2011). See note 6.
8. Hayes, B. E. (2011). *There's a Better way to Measure Customer Loyalty and Boost Business Growth* 2011. http://businessoverbroadway.com/wp-content/uploads/2011/05/RAPID-Loyalty-Approach-ASQ-March-2011.pdf
9. Hill, N., Allen, N. H., Roche, G., Roche, R. G., & Allen, R. (2007). See note 3.
10. Ongore, V. O., & Kusa, G. B. (2013). Determinants of financial performance of commercial banks in Kenya. *International Journal of Economics and Financial Issues*, *3*(1), 237.
11. Khrawish, H. A. (2011). Determinants of Commercial Banks Performance; Evidence from Jordan. *International Research Journal of Finance and Economics December 2011:* http://www.researchgate.net/publication/267230689_Determinants_of_Commercial_Banks_Performance_Evidence_from_Jordan
12. Khrawish, H. A. (2011). See note 11.

13. Bwengi, N. K. (2012). *Challenges Facing the Implementation of Agent Banking Strategy in Commercial Banks in Kenya [*http://erepository.uonbi.ac.ke:8080/handle/123456789/9074 (accessed 2.26.13).