

ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES



**THE EFFECT OF HELLOCASH SERVICES ON CUSTOMER SATISFACTION THE
CASE LION INTERNATIONAL BANK SHARE COMPANY**

BY: Zewdu Bizuneh

DECEMBER, 2018
ADDIS ABABA, ETHIOPIA

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SATISFACTION THE CASE LION INTERNATIONAL BANK SHARE
COMPANY**

BY

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DECLARATION

I declare that this thesis is my original work and prepared under the guidance of **Asst. Prof. Mohammed Mohammednur**. All the sources of material used for this thesis have been duly acknowledged. I further confirm that this thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of awarding any degree.

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ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval of a University advisor.

Asst. Prof Mohammed Mohammednur

Advisor

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LIST OF ACRONYMS

BA	Bachelor of Art
BSC	Bachelor of Science
ES	Ethiopian Standard
MSC	Master of Science
MA	Master of Art
PHD	Philosophy of Doctor
SPSS	Statistical Package for Social Sciences
VIS	Variance Inflation Factor

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ABSTRACT

This study sought to analyze the effect of agency banking services on customer satisfaction taking Lion International Share Company as area of the study. To achieve the study objective, explanatory research design and quantitative approach is applied. The target population includes customers of LIB Hello Cash under Addis Ababa City. In order to select the samples stratified sampling technique is employed and a total number of respondents undergoes in this study was 318. The study used questionnaire data collection instruments. Spearman measure of strength of association correlation analysis is used to measure the strength and association between dependent variable, customer satisfaction in agency banking and five independent variables. To analyze the effect of independent variables on customer satisfaction in agency banking Binary regression model was used. After confirming the model was valid the regression analysis and hypothesis testing is performed using SPSS software. The result showed that there is a positive and significant relationship between customer satisfaction in agency banking and independent variables; Service usefulness, Agent quality, Convenience, Responsiveness and Reliability. Finally, the study recommended that Finally, among others the researcher recommends that Lion International Bank Share Company continues to provide HelloCash of banking services to its clients because it played a key role in enhancing customer satisfaction of the Bank.

Key words: Lion International Bank S.C, Agency banking services, HelloCash banking services and Customer satisfaction

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Access to financial services is one of the keys to alleviate poverty and achieving sustainable economic growth. According to Grandolini (2015) over two billion people worldwide still lack access to regulated financial services. World Bank (2006) postulated that broader access to financial services and development outcomes has been very limited in developing countries particularly in Sub-Saharan Africa due to the concentration of commercial banks around urban and peri-urban areas. As compared to Sub-Saharan African Countries, Ethiopia has the lowest financial banked population was less than 8.0%. Subsequently, to reach out the under-served urban and rural population the National Bank of Ethiopia has issued proclamation no. 40/1996 that allowed the establishment of agency banking as a viable means of extending basic financial services to the unbanked society.

Kerich(2015) defined agency banking as the provision of banking services by a third party to the customers on behalf of a licensed financial institution. To Modupe (2010) agency banking refers to the delivery of financial services outside the bank branches through mobile phones technologies for transaction processing. Agency banking has a pivotal role for both customer and financial institutions for instance in terms of convenience, cost reduction, flexibility, quick service delivery, short queues, widen customer bases, financial inclusion and customer satisfaction (Byers and Lederer, 2001).

According to Kotler (2008) customer satisfaction is a fundamental concept in marketing and it derived largely from the quality and reliability of bank's products and services. As explained by Kwabena (2013) banks have developed agency banking services to mitigate customer service problems encountered in branch banking systems such as crowded banking halls, long queues and lack of services quality. This designated that there is a link between agent banking services and customers satisfaction in banking sector. Previous studies such as Tindi and Bogonko (2017), Gachuru and Mwangi (2017) and Eden (2015) have analyzed the effect of agency banking services on customer satisfaction in different commercial Banks.

Their result found that agent quality, time spent in agency banking, costs of transaction and reliability have a positive association with customer satisfaction. Likewise, in the Ethiopian banking industry most of researchers had tried to examine customer satisfaction in relation with branchless banking services like Electronic channels (Worku et al., 2016; Raphael, 2015; Tirhas et al, 2017; Abebe, 2016; Leyouager, 2015) and they indicated that there is a relationship between customer satisfaction and agency banking services. Further, other research studies were focused on the challenges, factors and determinant of HelloCash agent banking adoption(Anuwar, 2015; Elfaged, 2015; Afework, 2015; Hana, 2017 and Tamirat, 2017).

The National Bank of Ethiopia promotes commercial banks to increase their paid-up capital and accessibility in the part of the country to address unbanked community (GTP-II). To fulfill these responsibilities commercial banks have used different marketing approaches among these strategies; agency banking system is one area to widen their marketing and society proximity to financial services. In line with this, Lion international bank introduced a cheaper alternative to branch-based banking partnered with Belcash Ethiopia for the installation of agent banking services through the use of HelloCash agent banking system by developing agents within local towns since June 2015 (LIB Annual Report, 2014/15). According to LIB Annual Report (2015) HelloCash agent banking is designed to allow any customers of the bank to transact banking services without visiting the formal bank branch. Therefore, this study tried to investigate the effect of HelloCash banking services on customer satisfaction onthe case of Lion International Bank Share Company.

1.2. Statement of the Problem

Regarding branch expansion and customer bases Lion International Bank has shown a remarkable improvement. The bank has increased its presence 150 in 2016//17 to 172 in 2017/18. The customers of the bank have also increased from 408,111 in 2016/2017 to 590,637 in 2017/18.

Moreover, the Bank has arrived 1,400 agents with more than 74,000 customers and 1,664 agents with more than 146,932 customers in 2016//17 and 2017/18 respectively. In contrast to total customer bases, LIB has maintained 18% and 24.87% customers of HelloCash agent banking customers in June 2016/17 and 2017/18 respectively.

Despite increase in agent activity the Bank has not obtained a better customer bases through HelloCash agent banking comparing with the total branch banking customer bases (LIB Annual Report, 2016, 2017)

HelloCash banking services of Lion International Bank has enormous contribution to customer satisfaction in terms of improving the service reliability, responsiveness and accessibility LIB (Annual Report, 2016, 2017). However, it is still witnessed that there are long queues and congested halls at LIB branch banking even at branches near to HelloCash agent banking locations. According to Mwangi (2012) agency banking can derive benefits to the customers such as quick services delivery, short queues, convenience, low transaction cost, improved efficiency. Equally important, Arbore and Busacca (2009) have tried to link banking services with customer satisfaction determinants which includes; reliability, responsiveness, assurance, friendliness, courtesy, commitment, opening hours, travel distance, queuing time, parking places, and services charges.

A number of studies such as Afework (2015) Hana (2017) and Tamirat (2017) had conducted related to HelloCash banking services taking Lion International Bank Share Company as area of the study. Those studies were focused on the determinants and challenges of HelloCash banking services adoption. To the best knowledge of the researcher there have no research evidence about HelloCash banking services and customer satisfaction in LIB. Due to this, the researcher initiated to examine the degree of customer satisfaction in HelloCash agent banking services centering on LIB.

1.3. Research Questions

The research questions of the study are;

- I. Is there positive and significant effect of convenience on customer satisfaction in agency banking services?
- II. Is there is positive and significant effect of service usefulness on customer satisfaction in agency banking services?
- III. Is there positive and significant effect of service reliability on customer satisfaction in agency banking services?
- IV. Is there positive and significant effect of service responsiveness on customer satisfaction in agency banking services?

- V. Is there positive and significant effect of agent quality on customer satisfaction in agency banking services?

1.4. Hypothesis Testing

The hypothesis of this study is to analyze critically the following points;

H₁:There is positive and significant effect of convenience on customer satisfaction in agency banking services.

H₂:There is positive and significant effect of service usefulness on customer satisfaction in agency banking services.

H₃:There is positive and significant effect of service reliability on customer satisfaction in agency banking services.

H₄:There is positive and significant effect of service responsiveness on customer satisfaction in agency banking services.

H₅:There is positive and significant effect of agent quality on customer satisfaction in agency banking services.

1.5. Objectives of the Study

1.5.1. General Objectives

The main purpose of this study is to examine the effect of agent banking service on customer satisfaction in Lion International Bank Share Company.

1.5.2. Specific Objectives

The specific objectives of the study are to achieve the following;

- ✓ To examine the effect of convenience on customer satisfaction in HelloCashagency banking services.
- ✓ To investigate the effect of service usefulness on customer satisfaction in HelloCashagency banking services.
- ✓ To determine the effect of service reliability on customer satisfaction in HelloCashagency banking services.
- ✓ To establish the effect of service responsiveness on customer satisfaction in HelloCashagency banking services.

- ✓ To show the effect of agent quality on customer satisfaction in HelloCashagency banking services.

1.6. Significance of the Study

The findings of the study have a good insight for all stakeholders on HelloCashagency banking service. It is important to commercial banks in general and LIB in particular to understand the relationship between customer satisfaction and agency banking services. The study also assists Agents to review their service excellence and expand their customer base by taking up the findings of this research. It also contributes to the existing body of knowledge on agency banking and its effect on customer satisfaction for academicians, practitioners and further to serve as a reference point for researchers who will conduct further studies in this area. Finally, the study would be useful to the researcher as a prerequisite in order to fulfill the requirement for the award of the Degree of Masters of Marketing Management at the University of St. Mary.

1.7. Scope of the Study

The study is basically a case study which focused on the agency banking and its customer satisfaction in Lion International Bank S.C. In this paper, Agent banking services is a major arena among other branchless banking services such as ATM, Mobile banking, Internet banking and POS. In Ethiopian banking industry there are a number of agents banking services such as CBE Birr, M-Birr, Hibr, HelloCash, and Abay bedeye. Thus, this study is focused only on HelloCash agent banking services in LIB due to its pioneer of agency banking services in Ethiopian banking industry.

Geographically, this study is limited to LIB HelloCash agent banking customers who are found in Addis Ababa, Ethiopia.

1.8. Limitation of the Study

The drawback of this paper was situating from its scope as it restricted to the indicated variables and its own objectives. Other, the research is conducted only on HelloCash service taking Lion International Bank S.C as area of the study and in strict sense the results pertained to other Commercial banks even for banks which are using.

HelloCash agent banking services. Additionally, this study addressed only the customer's perspective via questionnaire and it not incorporated the views on the Agent's and Bank's employee's sides.

1.9. Organization of the Study

The rest of this study chapter organized as follows. The second chapter reviewed the theoretical and empirical aspects of all available related researches on customer satisfaction and agency banking. Chapter three describes the research methodology in which the execution of the study objectives achieved. Thereafter, Chapter four focused on the results of analysis and discusses the findings. Finally, the study portrayed the conclusions drawn from the findings and gives relevant recommendations on the basis of the conclusions; this is presented in Chapter five.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Theoretical Review

2.1.1. Essence of Agency and Agency Banking

Agency is a contract where by a person, the agent, agrees with another person (the principal) to represent him and perform on his behalf one or several legally binding acts (Ethiopian Civil Code art, 2199). National Bank of Ethiopia is issued to regulate Agent banking services under the Directive (FIS-01-2012) and defined “agent” means a person engaged in a commercial or business activity and has been contracted by a financial institution to provide the services of the financial institution on its behalf. Thus, it is the owner of the retail outlet who conducts the transaction and lets clients deposit, withdraw and transfer funds to third party on behalf of banks.

According to Ivatury and Layman (2006) agency banking is a service outlet contracted by financial institution or mobile network operator to process client’s transactions rather than a bank teller. Also, NBE Directive (FIS-01-2012) stated agent banking as a way to conduct banking business on behalf of a financial institution through an agent using various service delivery channels as permitted under these directives. Banking agents can be pharmacies, super markets, conveniences stores, lottery outlets, post offices and so on. DipoFatokun (2010) explained that the need to delivering financial services by Banks just to extend their financial services in locations for which bank branches would be uneconomical.

2.1.2. Models of Branchless Banking

2.1.2.1. Bank-Led Theory

The Agent banking model is classified into three broad categories: Bank-focused theory, Bank-led and Nonbank-led theory. Bank Led theory was brought forward by Lyman et al. (2006) and is based on the argument that, a licensed financial institution delivers financial services through a retail agent. The theory supports agency banking model by stating that the work of a bank is developing financial products and services, but distributes them through retail agents who handle all or most customer interaction.

Under this theory, the bank is the provider of financial services and is the institution in which customers maintain accounts. Virtually any outlet that handles cash is located near customers could potentially serve as a retail agent. Retail agents in some countries also handle all account opening procedures and, in some cases, even identify service loan customers. Under this establishment, each retail agent is outfitted to communicate electronically with the bank for which it is working. The equipment may be a mobile phone or an electronic point-of-sale (POS) terminal that reads cards (Lyman et al., 2006). Moreover, this model offers a distinct alternative to conventional branch-based banking in that the customer conducts financial transactions at a whole range of retail agents instead of at bank branches or through bank employees (Ivatury and Staschen, 2006).

In this Bank lead theory, agents related risks arise from substantial outsourcing of customer contacts to retail agents. These retail agents may operate in hard-to reach or dangerous areas and they lack physical security systems. From a typical banking regulator's perspective, entrusting customer contacts to the types of retail agents used in both the bank-led and nonbank-led models would seem riskier than these same functions in the hands of bank tellers in a conventional bank branch. The lack of expert training may seem a particular problem if retail agents' functions range beyond the cash-in/cash-out transactions of typical bank tellers to include a role in credit decisions. The use of retail agents also potentially raises special concerns regarding consumer protection and compliance with rules for combating money laundering and financing of terrorism (Kumar, et al. 2006).

2.1.2.2. Nonbank-Led Theory

Under this model the nonbanks are not much regulated in areas of transparent documentation and record keeping which is a prerequisite for a safe financial system. Regulators also lack experience in the realm.

Therefore, allowing nonbank-led model to operate is an unnecessarily big leap and an unjustifiably risky proposition. However, this model becomes viable after regulators have gained sufficient experience in mitigating agent related risks using bank led model and need to think about mitigating only e-money related risks (Kapoor, 2010).

Under this model, customers do not deal with a bank, nor do they maintain a bank account. Customers deal with a nonbank firm either a mobile network operator or prepaid card issuer and retail agents serve as the point of customer contact. Cash exchange by customers is done for e-money stored in a virtual e-money account on the nonbank's server, which is not linked to a bank account in the individual's name (Kumar, et al. 2006). The model is riskier as the regulatory environment in which these nonbanks operate might not give much importance to issues related to customer identification, which may lead to significant Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) risks and has great challenges to know the customer profile.

In an attempt to mitigate the e-money risks (which are peculiar to Nonbank-led model), necessary changes in the existing regulations are required. It starts by bringing non-banks under financial regulatory net by giving these entities special status of some sort of quasi-bank/remittance agent etc. Granting of this status depends upon meeting pre-specified standards of transparency, financial strength and liquidity. There should be clear, well-defined limits on nature, type and volume of transactions that such entities can undertake ((Anyasi, 2009)

2.1.2.3. Bank-Focused Theory

The bank-focused theory begins when a traditional bank uses non-traditional low-cost delivery channels to provide banking services to its existing customers. Examples range from use of automatic teller machines (ATMs) to internet banking or mobile phone banking to provide certain limited banking services to the banks' customers.

This model is additive in nature and seen as a modest extension of conventional branch-based banking and this can be done by electronic channel banking such as ATM, POS, mobile banking, internet banking as well as via agency banking. This theory emerges when a traditional bank uses non-traditional low-cost delivery channels to provide banking services to its existing customers. With the use of agent banking, a bank achieves economies of scale by serving many customers at low costs (Kapoor, 2010).

2.2. Customer Satisfaction

Customer satisfaction is actually a term most widely used in the business and commerce industry. It is a business term explaining about a measurement of the kind of products and services provided by a company to meet its customer's expectation. To some, this may be seen as the company's Key Performance Indicator (KPI). In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. Customer Satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performances or outcome in relation to his or her expectations (Kotler and Armstrong, 2012). He argues that companies should aim for high customer satisfaction because customers, who are just satisfied, find it easy to switch when a better offer comes along. High satisfaction creates an emotional bond with brand not just a rational preference for the product or services. There is general agreement that, satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's performance in relation to its expectations.

Hence, evaluation of customer satisfaction is critical to any product or service company because customer satisfaction is a strong predictor of customer retention, customer loyalty, product repurchase and leads to business profitability. It therefore posits that customer satisfaction measurement ought not to be done for the sake of documentation but to entail strategies in managing customer-bank relationship towards success (Parasuraman et al.;1985, Sakthivel et al.; 2005 and Dubrovski, 2001).

2.2.1. Convenience and Customer Satisfaction in Agency Banking

Sometimes, the amount of money someone wants to withdraw from the bank is equivalent, or even less than the transportation cost while others find the new ultra-modern banking halls intimidating. Thus, they avoid formal financial services and opt for informal financial services which are readily accessible in rural areas. Watiri (2011) confirmed that customers will in turn benefit from agency services since the cost of travelling distances has been reduced considerably with the service being at close proximity. In this context, customers in agency banking benefited from lower transaction costs as it is closer home, longer banking hours as the agents will operate for longer hours and shorter queues than in branches (Jaldesa et al., 2015). Malek (2012) suggested that convenience agency banking determined by the

agent nature of business and it has to serve additional hours to those banks and microfinance institutions.

2.2.2. Reliability and Customer Satisfaction in Agency Banking

Reliability relates to the personnel's ability to deliver the service in a dependable and accurate manner. Numerous researchers found that reliability tends to always show up in the evaluation of service. Parasuraman, et al (1988) indicated that reliability normally is the most important attribute consumers seek in the area of quality service. It was also determined by Parasuraman, et al (1988) that the conversion of negative wording to positive wording as suggested increased the accuracy of this dimension. Negative wording in the request for a customer response caused the customer to misinterpret this particular determinant. Walker (1990) found that if there is an adequate delivery of the basic level of service, then peripheral performance leads consumers to evaluate the service encounter as satisfactory. Reliability was one of the original dimensions not modified by Zeithaml, et al., (2002).

2.2.3. Service Responsiveness and Customer Satisfaction in Agency Banking

Study done by Parasuman et al. (1985) on service quality established ten parameters (reliability, responsiveness, competence, access, courtesy, communication, credibility security, understanding and tangibles) but later research by them, established five key areas from the ten ; tangibles, reliability, responsiveness, assurance and empathy. They incorporated responsiveness dimension to measure the promptness of service and reaction to respond to customer requests. Result found out that the five ranked in this order; reliability, responsiveness, assurance, and empathy but according to Johnston (1995) identified responsiveness as the vital service quality factor.

2.2.4. Service Usefulness and Customer Satisfaction in Agency Banking

In analysis of Wolfson et al (2012) said that the heart of service is in the value it gives to the stakeholders. The sustainability of service has two dimensions of core value; which is the fundamental nature of that service and super value; replacing other solutions by a more appropriate one.

Shifting the service boundary direction either to self-service or super service will effect changes in the resource arrangement and effort of running the change however it may not change the service core business (Campbell et al., 2011). Both the service provider and

customer have to be responsible in discharging this relationship for example the customer is expected to have in mind his/her economic, social, political, ecological state while the provider has to outline the areas being covered by the service (Wolfson et al., 2012)

2.2.5. Agent Quality and Customer Satisfaction in Agency Banking

This is the cash at hand and bank balances set aside by the agent for agent banking operations. According to CGAP (2011), the top concerns of during service operation are professionalism, liquidity management and network availability. The operation of the agency is such that a customer deposit at the agent means customer giving cash to the agent and is accounted by the bank by debiting the agent account at bank and crediting the customer's account at the bank. It is therefore not possible for an agent to receive a deposit unless the agent has sufficient credit in the bank. A customer withdrawal at the agent means the agent gives cash to the customer and the bank accounts by debiting the customer's bank account and crediting the agent's account at the bank. An agent then can only pay out a withdrawal if they have cash in their till at the shop. This means the agent has to have both cash in the bank and cash in till. This is a key challenge to banks as most agents are not able to balance the cash holding or have inadequate capital.

Moreover, this type of agent business is critical in number of ways. First the nature of business determines the hours of business. For example retail shops, supermarkets and hotels are known to open 365 day a year, they open early and close late.

2.2.6. Benefits of Agent Banking

Bank agents are usually awarded commissions whenever they perform transactions on behalf of the bank. Increased customer traffic brings additional benefits to the agent. Because the increased traffic brought about by customers performing banking activities also translates to more people getting to know your business via cross selling them on the agent's primary business hence more sales.

Not only these, thanks to agency banking the agent has a differentiated service and the benefit of the potential strength of the bank's brand rubbing off on the agent (Chiteli, 2013). Customers are also one of the drivers of Agent Banking business. Most financial institution closes their doors early, but with agents the business premise remains open and cando transactions due to flexible hours. This has proven to be very convenient especially for people

who are busy during the day. The other benefits to customer are financial institution agents have proven to be cost-effective especially to people who live in rural areas that are far away from banks (Veniard, 2010).

It is not only the customers who have benefited from Agency banking but also banks have benefited a great deal at a time when most banks are working towards cost management. Some of these benefits include: huge savings on cost of construction of bank premises, reduction of human resource expenses, savings on equipment hence easier to tap more deposits and access to additional revenue sources (Kumar et al, 2006).With regards to wide customer base Bank agents are paid commissions when they sign up new customers and this has led to an increase in the number of customers for banks.

Banks are finding it effective to increase their customer numbers in this manner as opposed to using sales people (Lehman, 2010).According to Veniard (2010), agency banking systems were found to be up to three times cheaper to operate than branches for two reasons. First, agent banking minimizes fixed costs by leveraging existing retail outlets and reducing the need for financial service providers to invest in their own infrastructure. Although agent banking incurs higher variable costs from commissions to agents and communications, fixed costs per transaction for branches are significantly higher.

2.3. Empirical Review

World Bank (2006) found that a great proportion of Africans face difficulties in accessing formal financial services due to the high minimum balances and monthly charges demanded by the financial institutions. However, with the advancement of technology and innovation, transaction costs have been tremendously reduced and this has improved access to banking and financial services especially in South Africa.

In concurrence, Rosen (2013) found that there has been remarkable progress in the access to financial services in Kenya because of the establishment with branchless banking in the idea of mobile and agency banking has transformed the financial environment and access to financial services in Kenya.

Raphael (2015) sought to analyze effect of agency banking services on customer satisfaction, in Kenya commercial Bank, Ongata Rongai. A self-administered open and closed ended questionnaire was utilized in collecting data from the field. Data collected was analyzed using

descriptive statistics (frequencies and percentages) and inferential statistics (Pearson correlation). The finding indicated that customer satisfaction has strong positive linear relationship with agency banking customer service value, convenience and service quality while there is a weak positive linear relationship between customer satisfaction and responsiveness with agency banking services.

Tindi and Bogonko (2017) have undertaken study to determine the effects of agency banking on customer satisfaction in the banking industry in Kenya. The findings of the study revealed that convenience of agency banking affects customer satisfaction in commercial banks to a great extent; it was revealed that agent quality, reliability and agents prior experience have a positive influence on customer satisfaction in commercial banks. Brenda (2017) investigated the Effect of Agency Banking on the Financial Performance of Commercial Banks in Kenya. The study established that there was a significant growth in customers as a result of agency banking. On cost reduction, the study determined that agency banking reduced the costs that would be incurred in building the brick and motor institutions and banking halls. However, the study also established that there were significant costs that would hinder agency services such as security and transaction costs.

Patricia and Izuchukwu (2014) were investigated the implication of agent banking on the profitability of Nigerian commercial banks. The study made use of descriptive survey in carrying out the research and content analysis in analyzing the work.

It was revealed that agent banking has proved to have essential role to play in improving customer's satisfaction and bank profitability. A study conducted by Allen et al (2011) indicated that Equity bank has been one of the leading commercial banks that take closer access to financial and banking services to the unbanked and the rural poor through mobile and agency banking.

Christopher et al. (2015) tried to examine how agency banking has influenced customer satisfaction in Kenya. The study showed that most customers were satisfied with agent bank services that are a mean score of above 2.0. The factors that led to this were highly qualified and responsive agent banking towards customer satisfaction. The customers said that they would prefer to go to agent bank outlets than branch banking and would recommend it to others.

Mwenda and Ngahu(2016) specifically analyzed the effect of economies of scale and financial services accessibility on banking sector's growth. The study was carried out amongst bank agents across Nairobi County. The study revealed that economies of scale and financial services accessibility positively influence the growth of the banking sector.

Economies of scale were the most important to growth of banking sector. The study concluded that agency banking is very relevant to enhancing growth of the sector. Tamirat (2017) examined the factors that affect the adoption of agency banking in Ethiopian banking industry taking Lion International Bank SC as specific case. The findings of the research revealed that major challenges facing up the successful implementation of Agent banking system in the selected bank were trustworthiness of the technology, simplicity, resource, commitment of top level management, training, government support, legal framework, belongingness of Agent and public awareness regarding agency banking system.

Hana (2017) investigate Determinants of HelloCash Banking Adoption in Ethiopia taking Lion International Bank Share Company as area of the study. Binary logistic regression analysis is conducted to understand the relationship between adoption mobile banking and perceived usefulness, perceived ease of use, perceived risk, organizational factor and environmental factor.

As result the study found out that perceived usefulness, perceived ease of use, organizational factors and environmental factor have positive relationship with the adoption of mobile banking whereas perceived risk has negative relationship with the adoption of mobile banking.

2.4. Summary of Literature Gap

Customer satisfaction is critical to any product or service company because customer satisfaction is a strong predictor of customer retention, customer loyalty, product repurchase and leads to business profitability. The above theoretical literature review clearly witnesses that agency banking is a way of financial inclusion and has an effect on customer satisfaction in banking services.

In the Ethiopian context, the business is at its progress stages and empirical researches (Afeework, 2015; Hana, 2017 and Tamirat, 2017) were focused on the on the challenges, factors and determinant of HelloCash agent banking adoption taking Lion International Bank

as area of the study. Accordingly, there is quite literature gap on local research works on agency banking and customer satisfaction taking LIB as area of the study.

Therefore, this study is to examine the effect of agent banking service on customer satisfaction in Lion International Bank Share Company.

2.5. Conceptual Framework

Conceptual framework helps the researcher to define the research terrain or conceptual scope and systematize the relations among concepts (Creswell, 2003). From the theoretical and empirical literature reviews the researcher realized that the relationship between customer satisfaction and service of agent banking mainly in areas of service quality, agent characteristics, service value and convenience.

Therefore, based on the above themes the diagrammatic representation of the conceptual framework of the study is indicated below Figure 2.1.

Independent Variables Dependent Variable

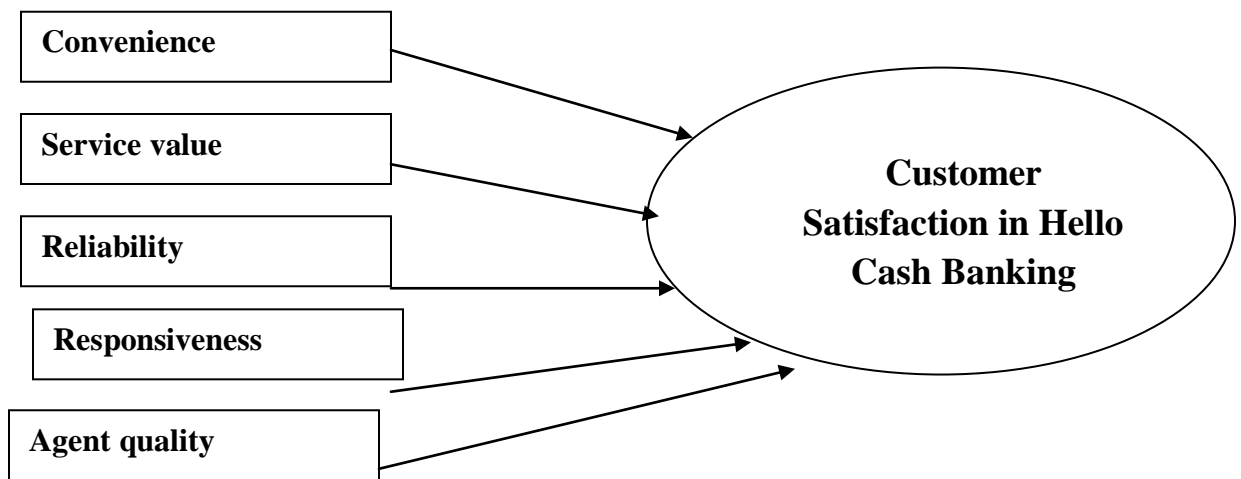


Figure 2.1: Conceptual Frameworks of the Study

Sources: Researcher formulation

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Area

Addis Ababa is the capital city of Ethiopia and the African Union and is often called the due to its historical, diplomatic, and political significance for the continent. The economic activities in Addis Ababa are diverse. According to Ethiopian official statistics in 2007, some 119,197 people in the city were engaged in trade and commerce; 113,977 in manufacturing and industry; 71,186 in civil administration; 50,538 in transport and communication; 32,685 in hotel and catering services. Reading administrative city of Addis Ababa, it has one Mayor and divided in ten sub cities.

It also contains both private and public banks. Lion International bank is one of the private banks. It was established on October 2, 2006 in accordance with Proclamation No: 84/94 and Commercial Code of Ethiopia. The then, it has been providing various banking services to the society at large. HelloCash is a one area of services has offered the Bank and it has become a pioneer for the agent banking services. The study site selections focused on the city of Addis Ababa; Bole, Nifas-Silklafto, Arada and Yeka sub cities. This is because these four sub cities have a large number of LIB HelloCash customers and covers a total 59.44% customers in Addis Ababa due to this the researcher selected these sub city as area of the study.

3.2. Research Design

This study adopted an explanatory research design because the study is intended to identify the cause-effect relationship between HelloCash agency banking services and customer satisfaction in Lion International Bank S.C. According to Creswell (2005) an explanatory research design is useful for identifying the type of association, explaining the complex relationships of multiple factors that explain an outcome, and predicting an outcome from one or more predictors.

Kothari (2004) has also mentioned that the reason for using explanatory research is that very important to explain the cause and effect relationships of phenomenon.

3.3. Research Approach

Saunders et al (2009) has explained that choosing appropriate research approach is critical because it shapes data collection, procedures and data analysis of the study. Moreover, Creswell (2005) has indicated that quantitative analysis is the best approach to use for while developing the cause and effect relationship between variables that yield statistical data. Thus, to achieve the aforementioned objective the study is applying only quantitative approach in analyzing the data technique

3.4. Population and Sampling Techniques

3.4.1. Target Population of the Study

The target population describes the aggregate of individuals sharing common characteristics in respect to a given study (Kothari, 2004). To this end, the target population of the study is users LIB HelloCash in Addis Ababa sub cities namely: Bole, Nifas-Silklafto, Arada and Yeka sub cities. The reason for choosing these sub cities is that they have a large number of LIB HelloCash customers. As a result, based on the data collected from Alternative Channel Division of LIB, the total population or customers of LIB HelloCash in Bole, Nifas-Silklafto, Arada and Yeka sub cities is 37,827.

3.4.2. Sample Size Determination

A sampling frame is a list, directory or index of cases from which a sample may be selected according to (Mugenda and Mugenda, 2003). For the purpose of this study the sampling frame would be LIB HelloCash customers who are living in Addis Ababa in Bole, Nifas-Silklafto, Arada and Yeka sub cities. According to Saunders et al. (2003) sample size determines the total number of sampling units needed to represent the defined target population.

Therefore, based on the above target population, the sample size of the study is determined by using Kothari (2004) formula for finite population is given as follows.

$$n = \frac{Z^2 \cdot p \cdot q \cdot N}{e^2 (N-1) + Z^2 pq}$$

Where: n= Sample size

N= Total Population

z= Standard normal value at 95% confidence level

p= Sample proportion

q= 1-p

e = acceptable error

So in this case, e= 0.05, z = 1.96 and $\hat{p} = 0.5$, and we get

$$n = \frac{(1.96)^2 (0.5) (0.5) 37,827}{(0.05)^2(37,827-1) + (1.96)^2 (0.5) (0.5)}$$
$$n = \underline{36329.0508}$$

95.5254

$n=380.3078 \approx 380$

As a result, based on Kothari (2004) formula for finite population this study is required a sample of 380LIB HelloCashbanking customers.

3.4.3. Sampling Techniques of the Study

To achieve the study purpose stratified sampling techniques is applied in selecting a sample. According to Kothari (2004), If a population from which a sample is to be drawn does not constitute a homogeneous group (the different sub-populations are called 'strata'), and researcher wants to select items from each stratum to constitute a sample then stratified sampling technique is generally applied in order to obtain a representative sample. Though there are ten sub cities in Addis Ababa, the study considered only four sub cities based on number of LIB HelloCashcustomers and covers a total 59.44% customers in Addis Ababa. As a result, the sampling frame is divided into four non-overlapping groups or strata namely: Bole, Nifas-Silklafto, Arada and Yeka sub cities.

In order to ensure high response rate four enumerators were assigned to disseminate and collect the questionnaires from each stratum.

Table 3. 1: Summary Proportional Allocated Number of Samples

No.	Sub city	No. of Customers	Percentage composition	Sampled Customers in each Sub City
1.	Arada	11,062	29.24%	111
2.	Bole	7,756	20.5%	78
3.	Nifas-Silk Lafto	9,282	24.54%	93
4.	Yeka	9,727	25.71%	98
Total		37, 827	100%	380

Sources: Own Computation, 2018 data

As showed in the above table, the target population is divided in four non-overlapping sub cities comprising 37,827 customers. Subsequently, from Arada and Bole sub cities 111 and 78 samples were taken respectively. In the same way, from Nifas-Silk Lafto and Yeka sub cities 93 and 98 samples are considered respectively.

3.5. Data Sources of Data and Types

Both primary and secondary sources of data are employed in the study. The primary data are those which are collected afresh and for the first time, and thus happen to be original in character (Kothari, 2004). Primary data is collected by the structured questionnaire. These secondary data is gathered from publications such as different books, such as Bank's reports and NBE's directives, empirical findings, and various materials that had relevance to this research.

3.6. Procedures of Data Collection

This study is used only primary data instrument, structured questionnaires which distributed to the LIB HelloCash customers. According to Mugenda and Mugenda (2009), questionnaires are the most appropriate tools for collecting primary data in survey studies. The questionnaire is organized in tandem with the study objectives and it composed of two sections. The first section of the survey questionnaire is portrayed the general demographic information of the sampled respondents.

The second part contained the main questions which are linked directly with the research objectives. The main questions have Likert scale rating format ranging from 1 to 5 where; strongly Agree (SA) = 5, Agree (A) = 4, Neutral (N) = 3, Disagree (D) = 2 and Strongly Disagree (SD) = 1. The use of Likert scale is to make easier for respondents to answer question in a simple way and the questionnaire prepared in both Amharic and English language.

A pilot survey conducted on minimum of 38 respondents prior to distributing the questionnaire to the selected samples so as to determine the degree of validity and reliability of the instrument. Prior to data collection and after validation of the research instrument, requisite consents obtained from the concerned management of Lion International S.C. After having permissions, the questionnaires distributed to LIB HelloCash customers.

3.7. Methods of Data Analysis

The study carried out both descriptive and inferential data analysis with the aid of the Statistical Package for Social Sciences (SPSS) Version 23. As a part of descriptive analysis, the study employed tables, frequency and percentage to analyze the demographic data. Besides, mean and standard deviations is used to elaborate the study main objectives. For inferential statistics, Spearman correlation and Binary regression analysis is applied to identify the association and influence of the predictor variables: Service usefulness, Reliability, Responsiveness, Agent quality and Convenience of agent banking on Customer satisfaction (outcome variable).

Accordingly, this study is used Binary regression model. As Koop (2006) has argued the choice of regression analysis is ideal because it is the most important tool for applied economists use to understand the relationship among two or more variables particularly in the case where there are many variables and the interactions between them are complex. Furthermore, Binary regression is a statistical method for analyzing a data set in which there are one or more independent variables that determine an outcome.

The outcome is measured with a dichotomous variable (in which there are only two possible outcomes).

The goal of Binary regression is to find the best fitting model to describe the relationship between the dichotomous dependent variable and set of independent variables.

$$\text{logit}(p) = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_kX_k$$

Where p is the probability of presence of the characteristic of interest, the logit transformation is defined as the logged odds (odd ratio):

$$\text{odds} = \frac{p}{1-p} = \frac{\text{probability of presence of characteristic}}{\text{probability of absence of characteristic}}$$

$$\text{logit}(p) = \ln\left(\frac{p}{1-p}\right)$$

Source:-Hosmer et al (2013)

Where: CS: Customer satisfaction

CONV: Convenience

SERV: Service usefulness

REL: Reliability

RESP: Responsiveness

AGNQ: Agent quality

b₀: Intercept

e_x: Error term

b₁ + b₂ + b₃+ b₄+b₅: Regression Coefficients

3.8. Validity and Reliability Test

3.8.1. Validity

In this study, content validity is applied by consulting the Advisor and banking experts. In order to improve the instruments, these experts and the research advisor looked at every question in the questionnaire and forward comments to ascertain that the questions answer research objectives.

3.8.2. Reliability

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials (Mugenda and Mugenda, 2003). For this study, internal consistence reliability is determined by Cranach's alpha. Zikmund et al. (2010) stated that scales with coefficient Cranach's alpha greater than 0.7 considered as adequate to determine reliability.

Table 3.2: Reliability Test

No.	Items	No of Items	Cranach's alpha
1.	Convenience	6	0.824
2.	Service usefulness	4	0.897
3.	Reliability	5	0.775
4.	Responsiveness	5	0.825
5..	Agent quality	7	0.858
Overall items		27	0.855

Source: Own Survey Data, 2018

Thus, the overall reliability test and for each of dimensions is greater than the threshold level for Cranach's alpha 0.7. This implies that the items were reliable, clear and easily understandable by the respondents

3.9. Ethical Consideration

Participation of respondents was strictly on voluntary basis. Participants were fully informed as to the purpose of the study and consent verbally. Measures would be taken to ensure the freedom of each individual participating in the study. In addition, participants were notified that the information they provide kept confidential and not be disclosed to anyone else.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1. Response Rate

The study targeted a sample size of 380 respondents from which 318 were returned completely, making the response rate of 83.68%. According to Mugenda and Mugenda(2009) response rate above 50% is adequate to carry out an investigation, while 60% is good and 70% response rate is excellent. Thus, the study response rate is passed the threshold of data analysis and done in line with the research objectives.

Table 4.1: Response rate

Response rate	Items Response Rate	
	No.	Percent
Sample size	380	100%
Uncollected and uncompleted	62	16.32%
Appropriately filled	318	83.68%

Source: Survey data, 2018

4.2. Demographic Characteristics of the Respondent's

This research was enclosed the main demographic characteristics such as gender, education, age and employment status and the detailed discussions were presented respectively below the table4.2.

From the data presented in table 4.2, the majorities (67.9%) of the respondents were male and the remaining 32.1% of the respondents were female. Therefore, the study comprises both male and female customers of LIB HelloCash banking services.

Table 4.2: Respondent's Profile

		Frequency	Percentage
Gender	Male	216	67.9%
	Female	102	32.1%
Total		318	100%
Education	Below 12 th Grade	68	21.4%
	Diploma	97	30.5%
	First Degree	129	40.6%
	Second Degree and Above	24	7.5%
Total		318	100%
Age	18-25 years	108	34%
	25-30 years	144	45.3%
	31-45 years	55	17.3%
	Above 45 years	11	3.5%
Total		318	100%
Employment status	Employed	237	74.5%
	Unemployed	81	25.5%
Total		318	100%

Source: Survey data, 2018

Table 4.2 indicates that 21.4 percent of the respondents were a below 12th Grade, 40.6 percent first degree holders, 30.5 percent were college diploma holders and only 7.5 percent have a second degree and above. This shows that the majority of respondents have first degree followed by Diploma holders and they have a good degree of understanding above the subject matter.

As indicated in the table 4.2, majority of the respondents 144 (45.3%) and 108 (34%) were fall under 25-30 and 18-25 years of age respectively. Respondents with years of age between 31-45 account for 55 (17.3%) while the remaining representing 11 (3.5%) of the respondents were above 45 years of age.

Table 4.2 also displays the employment status of the respondents; 74.5% percent of the respondents were employed in various organizations while 25.5 percent were unemployed. In short, the analysis comprising workers of varied employment status.

4.3. General Information on LIB HelloCash Agent Banking Services

The respondents were asked how they obtain information related to LIB HelloCash agent banking. As indicated in the Figure 4.1, most of the respondents 106 (33.3%) indicated that they have learned from the LIB agent. It also indicated that they obtain information through friend (15.1%), media (17.9%), Bank employees (27) % and others (6.6%) by various channels. This deduces marketing is done more by the Bank agent and Bank employees.

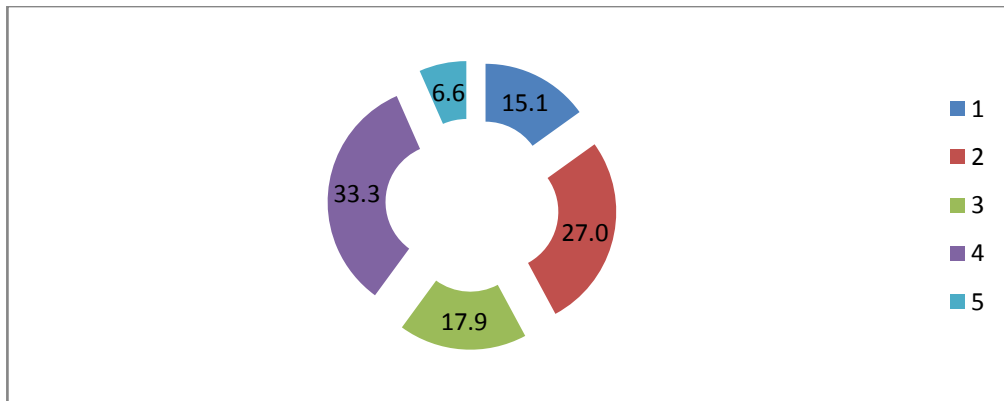


Figure 4. 1: Channels of Information Obtained

The researcher had sought to find out the respondents' period as a customer of LIB HelloCash agent banking, 43.1% respondents affirmed been clients for over 6-12 months, 25.2% respondents affirmed been clients for between 12-18 months, while 17.3% respondents confirmed been clients for between 18.24 months. The remaining 6% and 8.5% respondents confirmed been clients for between 1-6 months and above 24 months.

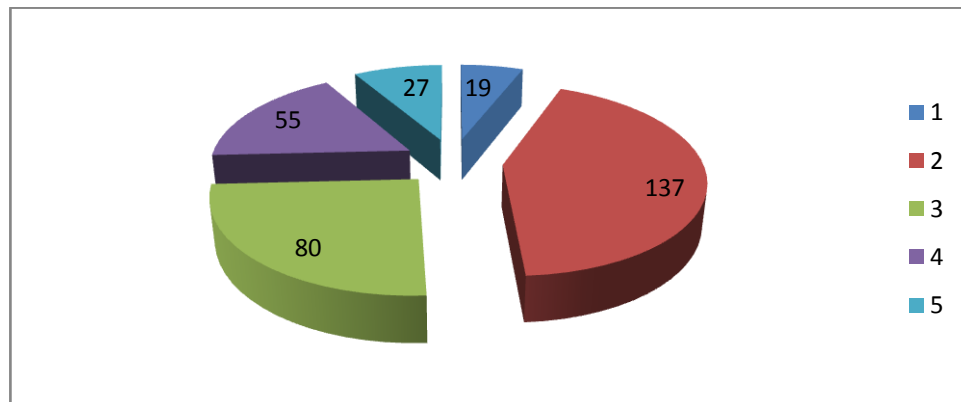


Figure 4.2: Years of Served

This implies that most respondents were being customers of LIB Hello Cash banking services between 6-18 months

4.4. Customer Satisfaction and HelloCash Banking Service

The prime objective of the study is to examine the effect of agent banking service on customer satisfaction in Lion International Bank Share Company. To meet this objective the respondents were asked to state the extent of their agreement based on Likert five scale points and setting up a cut-off point three score or neutral (Likert, 1932). Accordingly, the findings are presented using descriptive statistics included the mean for central tendency and standard deviation (SD) for variability.

4.4.1. Convenience and Customer Satisfaction in Agency Banking

The study sought to establish the extent to which convenience dimensions refine or not and the reflection of the respondents towards this issue presented in the table 4.3 below

Table 4.3: Convenience Dimensions

Item	Mean	SD
Distance from the nearest LIB Hello Cash agent banking.	3.53	1.102
Wide geographical service coverage.	3.58	1.049
Security of agent location.	3.50	1.125
Availability of beyond the normal working hours.	3.74	.929
Short queue in using LIB HelloCash services.	3.75	1.000
Opening and closing working hour of LIB HelloCash.	3.81	1.008
Average	3.65	

Sources: SPSS Output, 2018

As revealed in table 4.3 above regarding the convenience of LIB HelloCash banking services, the respondents were instructed to respond for the statements based on five-point Likert scale: the distance from the respondent's home to the nearest LIB HelloCash agent (Mean=3.53, SD=1.102), HelloCash banking service coverage (Mean=3.58, SD= 1.049), service beyond the normal working hours (Mean=3.74, SD=0.929), short waiting time (Mean=3.75,

SD=1.000) and LIB HelloCash agent opening and closing working hour (Mean=3.81, SD=1.008). Looking at the customers views on agent outlet secured location the clients were somehow agreed and scored the lowest agreement among other convenience dimension (Mean=3.50, SD=1.125).

Grossly, the result of the aggregate mean value for convenience dimensions is 3.65 (73.04%). This inferred that the respondents confirmed agency banking services is convenient to them. More importantly, it is observed that customers agreement on the distance to the nearest LIB agent, agent location security and service coverage were not as such good than other convenience dimensions.

4.4.2. Reliability and Customer Satisfaction on Agency Banking

In line with this, the researcher sought to measure the extent of respondent’s feedbacks on the reliability of LIBHelloCash banking service and the findings are as follow.

Table 4.4: Reliability Dimensions.

Item	Mean	SD
LIB HelloCash agent banking is giving the promised services.	4.54	0.690
IB HelloCash performs the banking services accurately.	4.50	0.695
LIB HelloCash agent keeps the customer record appropriately.	4.45	0.738
LIB HelloCash agent ability to solve customer problems is appreciated.	3.97	1.035
Safe in making transaction with LIB HelloCash agent.	4.43	0.745
Average	4.38	

Sources: SPSS Output, 2018

As indicated that LIB HelloCash agent is giving the promised services had got a mean score values of 4.54 (90.80%) and HelloCash banking service were performing banking services accurately has scored a mean score of 4.17 (90%). As also specified in table 4.4, the competence and ability to solve customers’ problem got a mean value of 3.97 (79.40%) and customers transacted through LIB HelloCash banking service gained mean value of 4.43

(79.4%). Finally, the HelloCash banking agent's capacity to maintain and keep the customers records appropriately registered mean value of 4.45 (89%).

In general, the overall mean score (Mean=4.38) on reliability of LIB HelloCash banking services portrayed that customers were importantly satisfied with reliability of the LIB HelloCash banking services. Besides, the standard deviation for all reliability dimensions is less than one.

4.4.3. Responsiveness and Customer Satisfaction on Agency Banking

The extent to which the respondent's agreement concerning responsiveness dimensions is presented in the table 4.5 using mean and standard deviation.

Table 4.5: Responsiveness Dimensions

Item	Mean	SD
LIB HelloCash agent provides prompt services with no delay.	4.46	0.690
LIB HelloCash agent understands the customer's particular needs.	4.23	0.897
I realized that there is no as such frequent system interruption in getting LIB HelloCash agent banking services.	4.57	0.654
LIB HelloCash agents are willing to help customers problems and queries	4.55	0.675
LIB HelloCash agents give banking services to the customers at a difficult time (night).	4.50	0.704
Average	4.46	

Sources: SPSS Output, 2018

As revealed, the response of respondents toward the getting of HelloCash agents give banking services a difficult time (night) had a mean score of 4.50 with standard deviation 0.704. Furthermore, offering prompt banking services with no delay to the customers and agents willingness to solve the customers problem scored mean value of 4.46 (89.20%) and 4.55 (91%) respectively.

Regarding agents active response to the customer particular needs mean of 4.23(84.60%) with standard deviation of 0.897. The result suggested that there is no as such system interruption while getting LIB HelloCash agent banking services (mean=4.57 and SD=0.654). Obviously, the overall mean values for responsiveness dimensions is 4.46 (89.24%) indicating that service responsiveness dimensions have contributed to customer satisfaction in HelloCash banking services.

4.4.4. Agent Quality and Customer Satisfaction in Agency Banking

In order to show the degree of agent quality on customer satisfaction with HelloCash banking services the customers' reflections towards this issue is presented below the table.

Table 4.6: Agent Quality Dimensions

Item	Mean	SD
LIB HelloCash banking agent has an attractive appearance.	4.11	.916
Agent's side business to accomplish HelloCash banking service.	4.53	.730
Agent's awareness to accomplish HelloCash banking service.	4.68	.580
Agent's knowledge and experience to handle HelloCash banking customers.	4.53	.717
Agent's behavior to provide LIB HelloCash banking service.	4.37	.822
Agent's public trust to provide LIB HelloCash banking service.	4.34	.703
Agent's cash position to satisfy the cash-out request of the LIB HelloCash banking customers.	4.45	.733
Average	4.43	

Sources: SPSS Output, 2018

The finding revealed customers were agreed on the nice looking of agents while giving services (Mean=4.11, SD=.916) and agent's knowledge and experience to handle customers scored mean value of 4.53 with standard deviation 0.730. In aspect of suitability of agent's side business, agent's know-how to hold customers and agent's behavior scored mean score of 4.53, 4.68, and 4.37 respectively. From the data analyzed, mean of 4.34 (86.8%) of the customer's responses indicated that there is high trust to the LIB HelloCash banking services. Furthermore, the statistical numbers showed that the agents of LIB HelloCash banking hold enough cash to satisfy the cash-out request of the customers (Mean=4.45, SD=.733).

In general, the overall agreement level of the towards agent quality dimensions is very good (Mean= 4.43) accordingly, customers of LIB HelloCash banking services were satisfied by agent's quality items.

4.4.5. Service Usefulness and Customer Satisfaction in Agency Banking

Table 4.7 displayed the response for service usefulness items in agency banking services.

Table 4.7: Service Usefulness Dimension in Agency Banking

Item	Mean	SD
HelloCash agent banking improves customer care.	3.61	.901
HelloCash agent banking creates better relationship with LIB.	3.71	.921
HelloCash agent banking creates a number of banking customers.	3.75	.893
HelloCash banking service charge is reasonable	3.95	.867
Average	3.76	

Sources: SPSS Output, 2018

The findings illustrated that respondents agreed for the argument that Lion international share company creates better relationship with customers through HelloCash banking (mean=3.71; SD < 1.000). This because LIB agents served for a number of customer since adoption of agency banking (mean=3.75; SD < 1.000). Further, the study established that respondents were in agreement that LIB HelloCash agents improve customer care (mean=3.61, SD=.901). Equally important, most of the respondents claimed that the service paid for HelloCash banking is reasonable with mean of 3.95 and standard deviation of 0.867. As the whole the majority of the respondents consented that the LIB HelloCash banking service is useful with mean value of 3.76.

4. 5. Correlation and Regression Analysis

4.5.1. Correlation Analysis

Correlation is the measure of strength of association between two variables. In social sciences, based on Cohen's criterion, correlation values of greater than 0.3 are considered as moderate level of association.

The Spearman correlation coefficient can take a range of values from +1 to -1. A value of zero indicates that there is no association between the two variables and value greater than zero indicates positive association.

That is as the value of one variable increases so does the value of the other variable. Hence, in this research Spearman correlation was computed to check whether or not the agency banking measurement variables has any association with customer satisfaction on HelloCash banking services.

Table 4. 8: Correlations between Independent Variables and Customer satisfaction

Variable	Correlation Coefficient	Sig (2-tailed) **	N	Types of Correlation
Convenience	0.712	0.000	318	Spearman Correlation
Reliability	0.323	0.000	318	Spearman Correlation
Responsiveness	0.380	0.000	318	Spearman Correlation
Agent quality	0.447	0.000	318	Spearman Correlation
Service usefulness	0.614	0.000	318	Spearman Correlation

Source: **Spearman Correlation is significant at the 0.05 level (2-tailed) SPSS Output

As depicted in the table 4.8 above customer satisfaction on agency banking is positively and very highly correlated with convenience at a coefficient value of 0.712. The linear relationship between them is statistically significant at the acceptable level of significant $p < 0.05$. This implies that an increases or decreases in convenience dimensions leads to increases or decreases customer satisfaction on agency banking.

The table also shows a positive moderate correlation between the relationship of reliability and Customer satisfaction on agency banking when compared ($r = 0.323$, $p < 0.05$). Besides, the linear relationship between them is statistically significant at $p < 0.05$. This implies that an increases or decreases in reliability dimensions leads to increases or decreases customer satisfaction on agency banking. Concurrently, customer satisfaction on agency banking is moderately and positively correlated to service responsiveness with the coefficient values 0.380 and the linear relationship between them is statistically significant at the significant.

value of $P=0.000$. This implies that an increases or decreases in reliability dimensions leads to increases or decreases customer satisfaction on agency banking. Likewise, customer satisfaction on agency banking is positively and strongly correlated to agent quality variable with coefficient value of 0.447. The linear relationship is statistically significant at the acceptable 5% level of significance. This implies that an increases or decreases in agent quality dimensions leads to increases or decreases customer satisfaction on agency banking.

Lastly, customer satisfaction with agency banking is positively correlated with service usefulness at a coefficient value of 0.614 and the linear relationship between them is statistically significant at the acceptable level of significant $p<0.05$. This implies that an increases or decreases in service usefulness dimensions leads to increases or decreases customer satisfaction on agency banking.

4.5.2. Binary Regression Model

4.5.2.1. Important Assumptions of Binary Regression Model

Before directly dealing with the regression model the researcher check some important assumptions in relating to the Binary regression model. If the assumptions are violated and hence interpreting results from running binomial regression become spurious.

The first assumption is the dependent variable should be measured in dichotomous scale. That means the outcome variable (customer satisfaction in agency banking) is measured with a dichotomous variable in which there are only two possible outcomes, 1 agreed and 0 otherwise. The second assumption is there are one or more independent variables, which can be either continuous or categorical. The third assumption in binary regression model is an independence of observations.

The last assumption is to check the problem of multico linearity. According to Brooks (2008), multico linearity will occur if some or all of the independent variables are highly correlated with one another. It shows the regression model has difficulty in explaining which independent variables are affecting the dependent variable. If multico linearity problem is too serious in a model, either additional important variable should be added or unimportant independent variable should be dropped. The presence of multico linearity in the model is detected by using Variance Inflation Factor (VIF).

As noted by Gujarati (2004), the rule of thumb suggested that if variance inflation factor exactly or exceeds 10 then there is a problem of multicollinearity.

Table 4. 9: Multicollinearity Test

Coefficients			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Convenience	.938	1.066
	Reliability	.940	1.064
	Responsiveness	.928	1.078
	Agent quality	.882	1.134
	Service usefulness	.837	1.195
a. Dependent Variable: customer satisfaction			

Sources: SPSS Output, 2018

As shown in the appendix the output of VIF showed that a value of less than 10 for all the independent variables. Thus, knowing that there is no serious multicollinearity problem among the variables, hence they can be considered in the model estimation. Accordingly, the model passes the entire assumptions of binary regression and interpreting the results is become valid and correct.

4.5.2.2. Model Summary Result

The SPSS result for binary regression in the below table showed that how much of the variance on customer satisfaction in HelloCash banking services is explained by the underlying independent variables.

Table 4. 10: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	191.031	.456	.649

Sources: SPSS Output, 2018

The Pseudo Nagelkerke R Square (NR^2) is a measure of how well the regression equation fits the data. According to the table 4.10 above, the NR^2 is 0.649. This means 65% of variations in customer satisfaction on HelloCash banking services in Addis Ababa, Ethiopia were more likely to be explained by these independent variables (convenience, reliability, responsiveness, agent quality and service usefulness) included in the model. However, the remaining 35% changes on customer satisfaction in HelloCash banking services in Addis Ababa city are caused by other factors that are not included in the model. Therefore, this gives the regression a good fit.

4.5.2.3. Binary Regression Coefficients Result

In this section the independent variables with their respective coefficients are presented in the table-10 below.

Table 4. 11: Binary Regression Result

Dependent Variable: Customer satisfaction in agency banking		
Method: Binary Regression		
Sampled Respondents: 318		
Variable	Exp(B)	Sig. value
Convenience	1.664	.022
Reliability	4.534	.000
Responsiveness	6.243	.000
Agent Quality	7.415	.000
Service Usefulness	19.088	.000
Constant	.011	.000

Sources: SPSS Output, 2018

In light of the summarized model results above the promising explanations for each significant independent variable are given consecutively as follows.

Convenience: The p-value supports that convenience is a significant predictor of customer satisfaction in HelloCash banking.

Also it has a positive relation with the dependent variable. Other things being equal, from the regression result it is observed that a percentage increase in convenience dimension leads to the customer satisfaction in LIB HelloCash banking services more likely to increase by 1.664 percent. Therefore, we reject the hypothesis of there is no positive and significant effect of convenience on customer satisfaction in agency banking services.

Reliability: The t- statistics is 0.000 which is less than the critical level of significance 0.05 and the value of odds ratio for reliability is 4.534. That means reliability and customer satisfaction in agency banking has positive and significant relationship. Also, other things at constant one can deduce that the reliability dimensions (giving the promised services, accuracy, keeping the customer record appropriately, solving customer problems and safe transaction) changed by a percent then the customer satisfaction in HelloCash banking services more probably to be changed by 4.534 percent in the same direction.

Therefore, the study accepts the hypothesis of there is positive and significant effect of service reliability on customer satisfaction in agency banking services.

Responsiveness: it is positively and significantly affects customer satisfaction in agency banking services at 5% critical value. The value of odd ratio; holding other things at constant one can deduced that a one percentage raises in responsiveness variable such delivering prompt services, understands the customer's particular needs, no frequent system interruption, willing to help customers problems and serving the customer at a difficult time (night); then the customers will more likely to increase satisfy by LIB HelloCash banking services.

Therefore, the study accepts the hypothesis of there is positive and significant effect of service responsiveness on customer satisfaction in agency banking.

Agent Quality: At 5% level of significance and 95% level of confidence; agent quality has significant and positive relationships with customer satisfaction in banking services of LIB HelloCash at $P=0.000$. The finding showed that the value of odd ratio; holding other things at constant one can deduced that a percentage increase in agent quality will lead customer satisfaction in HelloCash banking services more likely to increase by 7.415 percent. That means a percentage change in agent attractive appearance, suitability of agent side business, agent awareness to accomplish banking services, knowledge and experience of agent handling customers, agent behavior,

agent public trust, satisfying the cash-out request of the customers, then customer satisfaction in HelloCash banking services will more likely to be changedParallely.

Therefore, the studyaccepts the hypothesis of there is positive and significant effect of agent quality on customer satisfaction in agency banking services

Service Usefulness: the regression result displayed that service usefulness is statistically significant and positive relationship with customer satisfaction in agency banking services at 5% level of critical value. Also the finding showed that the value of the odds ratio; other things at constant one can deduced that a one percentage increase in service usefulness leads to increase the likelihood of customer satisfaction in HelloCash banking service by 19.088 percent. This implies that when there is high customer care, better relationship, customer base expanded and reasonable service charge, then customers of LIB HelloCash banking services become more likely to satisfy. Therefore, the studyaccepts the hypothesis of there is positive and significant effect of service usefulness on customer satisfaction in agency banking services.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter consists of three sections which include summary of the findings, conclusion and recommendations.

5.1. Summary of Major Findings

As a result of the analysis and interpretation, the following are the summary of the findings.

- The result of the aggregate mean value for convenience dimensions is 3.65 (73.04%). This inferred that the respondents confirmed agency banking services is convenient to them however customer's agreement on the distance to the nearest LIB agent, agent location security and service coverage were not as such good than other convenience dimensions.
- The overall mean score on reliability of LIB HelloCash banking services was 4.38 which is customers were importantly satisfied with reliability of the LIB HelloCash banking services.
- By and large, overall mean values for responsiveness dimensions is 4.46 (89.24%) indicating that service responsiveness dimensions contributed to customer satisfaction in HelloCash banking services.
- Largely the agreement level of towards agent quality dimensions is very good (Mean= 4.43) accordingly, customers of LIB HelloCash banking services were satisfied by agent's quality items.
- The majority of the respondents consented that the LIB HelloCash banking service is useful with mean value of 3.76.
- There is positive significant relationship between convenience factor and customer satisfaction in HelloCash banking services at 5% significant level.
- The study also indicates that reliability factor has a significant positive effect on customer satisfaction in HelloCash banking services at 5% significant level.
- There is positive and significant relationship between responsiveness and customer satisfaction in HelloCash banking services at 5% significant level.

- Agent quality is statistically significant and positive relationship with customer satisfaction in HelloCash banking services at 5% significant level.
- Service usefulness is statistically significant and positive relationship with customer satisfaction in HelloCash banking services at 5% significant level.

5.1. Conclusion

In fulfilling its financial objectives and remaining competitive in Ethiopian banking business among other strategies Lion international Share Company has given agent banking services in various areas to decongest the banking halls, widen its market and to enhance financial services closeness to the clients. This study concerned with to analyze the effect of agency banking on customer satisfaction in Lion International Bank Share Company. To achieve the proposed objective binary regression model was used. Based on the summary result of findings; Service usefulness, Agent quality, Convenience, Responsiveness and Reliability have positive and significant effect on customer satisfaction in HelloCash banking services at 5% significant level.

The finding from the correlation result reveals that there is a positive and significant relationship between the Service usefulness, Agent quality, Convenience, Responsiveness and Reliability with customer satisfaction in agency banking. Service usefulness is found to have the highest correlation with customer satisfaction in agency banking followed by agent quality. More importantly, look at the regression model result 65% of variation on customer satisfaction in Lion international HelloCash banking services is explained by the independent variables which imply that 45% of variation in customer satisfaction in HelloCash banking services is explained by other variables.

The regression result also indicated that Service usefulness and Agent quality variables found to be the first and second effect on customer satisfaction in Lion international HelloCash banking services. From the mean result of all dimensions it can be inferred that customers of Lion International S.C were satisfied by HelloCash banking services. However, further activities need to be taken to improve on the aspect of accessibility, security and service coverage of HelloCash banking services.

Therefore, it can conclude that the study accept the hypothesis there is positive and significant effect of independent variables (Service usefulness, Agent quality, Convenience, Responsiveness and Reliability) on customer satisfaction in agency banking.

5.1. Recommendation

Based on the conclusions of the Study, the researcher recommends the following:

In order to maximize the benefits of having HelloCash of banking services, there is need to pay special attention customer needs and expectations. Therefore, the management of Lion International Bank Share Company need to work more in developing additional new product features on the existing HelloCash of banking services to meet the customer expectation and improve public awareness being offered by the HelloCash of banking as these are a one way enhancing the market service coverage of agents of the bank intends to target there by customer of LIB HelloCash of banking services become satisfied.

Obviously, HelloCash of banking services banking service is also associated with economies of scale that is the Bank is in a position of making massive number of transactions through its bank agents. This consequently enhanced their growth both by profitability and customer base aspects. The study recommended that Lion International Bank Share Company ought to further exploit these marketing potential of agency banking through improving the accessibility of HelloCash of banking services by increasing their agent outlets and hence customers satisfaction can be improved.

Indeed, to establish agent banking services outlet, Lion International Bank Share Company gives priority to areas where bank branches or other forms of formal banking services access points are not available. While giving permission for new outlet for LIB HelloCash agent the Bank should improve the assess study the new agent outlet location especially the security issues of both the place around the agent as well as the side business of the agent itself. Moreover, the Bank staffs better to undertake periodic physical visits to ensure that agents operate strictly within the requirements of the law, guidelines and the contract. Finally, the researcher recommends that Lion International Bank Share Company continues to provide HelloCash of banking services to its clients because it played a key role in enhancing customer satisfaction of the Bank. Furthermore, it is useful for the domestic survey who may be interested to undertake the research on the relationship between customer satisfaction and agent banking services.

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APPENDICES

Appendix

St. Mary's University
School of Graduate Studies



Research Questionnaire

Dear respondents:

This survey is developed with an objective to conduct research on *customer satisfaction in LIB HelloCash agency banking*. It helps to complete my Master of Arts in Marketing Management at St. Mary's University. Please take a few minutes to fill out this questionnaire honestly and to the best of your knowledge. The responses given will be confidential and anonymous. Hence, I thank you in advance for your valuable time and cooperation for filling the questionnaire successfully.

If you would like further information about this study, or have a problem in completing this questionnaire please contact me via +251-966-7208-27

Thank you in advance!

Remark

- As for the guarantee of confidentiality you are not required to give your name.
- Please use cross mark (✓) in the relevant boxes to indicate your response

Part One: Demographic Characteristics

1. Gender: Male Female

2. Educational Level:

Below 12th Grade Diploma First Degree Second Degree and Above

3. Age: 18-25 years 25-30 years
 31-45 years Above 45 years

4. Employment status:

Unemployed Employed

Part Two: General Information on LIB HelloCash agent banking services

5. For how long have you been a client of LIB HelloCash agent banking services?

1 months 6 –12 months 12 –18 months

18 –24 mhs other_____

6. Which of the following is the main channel that you obtain information related to LIB HelloCash agent banking?

From my Relatives

From the Bank

From media

From LIB Agent

Others (please specify): _____

Part Three: Factors of customer satisfaction

- Please give your response in terms of level of agreement or disagreement in five levels Likert scale as shown below.

1=strongly disagree 2=Disagree 3=Neutral 4=Agree 5=strongly agree

No.	Convenience	5	4	3	2	1
1.	I recognized that the distance from the nearest LIB HelloCash agent banking is fair.					
2.	I recognized that LIB HelloCash agent banking provide a wide geographical service coverage.					
3.	I recognized that the LIB HelloCash agent banking located at secure place.					
4.	I recognized that a LIB HelloCash service is available beyond the normal working hours.					
5.	I recognized that there is a short queue in using LIB HelloCash services than banking hall.					
6.	I recognized that the opening and closing working hour of LIB HelloCash agent banking is suitable with my daily activities.					

No.	Service Reliability	5	4	3	2	1
7.	I observed that LIB HelloCash agent banking is giving the promised services.					
8.	I observed that agent of LIB HelloCash performs the banking services accurately.					
9.	I observed that LIB HelloCash agent keeps the customer record appropriately.					
10.	I observed that LIB HelloCash agent ability to solve customer problems is appreciated.					
11.	I feel safe in making transaction with LIB HelloCash agent.					

No.	Service Responsiveness	5	4	3	2	1
12.	I realized that LIB HelloCash agent provides prompt services with no delay.					
13.	I realized that the LIB HelloCash agent understands the customer's particular needs.					
14.	I realized that there is no as such frequent system interruption in getting LIB HelloCash agent banking services.					
15.	I realized that LIB HelloCash agents are willing to help customers problems and queries					
16.	I realized that LIB HelloCash agents give banking services to the customers at a difficult time (night).					

No.	Agent quality	5	4	3	2	1
17.	I recognized that LIB HelloCash banking agent has an attractive appearance.					
18.	I recognized that the side business of LIB HelloCash agent is suitable to accomplish banking services.					
19.	I recognized that LIB HelloCash agent has an awareness to accomplish banking services.					
20.	I recognized that LIB HelloCash agent has a knowledge and experience in handling customers.					
21.	I recognized that LIB HelloCash banking agent is well mannered.					
22.	I recognized that LIB HelloCash banking agent has strong public trust.					
23.	I recognized that LIB HelloCash agent has enough cash to satisfy the cash-out request.					

No.	Service Usefulness	5	4	3	2	1
24.	I realized that LIB HelloCash agent banking improves customer care.					
25.	I realized that LIB HelloCash agent banking creates better relationship with LIB.					
26.	I realized that LIB HelloCash agent banking creates a number of banking customers.					
27.	I realized that the service charge paid for LIB HelloCash service is reasonable.					

No.	Customer Satisfaction	5	4	3	2	1
28.	I am satisfied with various range of banking service of LIB HelloCash.					
29.	I am satisfied with performance of LIBHelloCash agent.					
30.	I would like to remain as a customer of LIB HelloCash					
31.	I would like to recommend the LIB HelloCash to friendsand people.					

Reliability Statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
.824	6

Reliability Statistics	
Cronbach's Alpha	N of Items
.775	5

Reliability Statistics	
Cronbach's Alpha	N of Items
.825	5

Reliability Statistics	
Cronbach's Alpha	N of Items
.897	4

Reliability Statistics	
Cronbach's Alpha	N of Items
.858	7

Overall Reliability Statistics	
Cronbach's Alpha	N of Items
.855	27

Descriptive Statistics SPSS Output

	N	Mean	Std. Deviation
c1	318	3.5283	1.10240
c2	318	3.5818	1.04982
c3	318	3.5031	1.12541
c4	318	3.7358	.92939
c5	318	3.7516	1.00059
c6	318	3.8113	1.00892
r1	318	4.5409	.69010
r2	318	4.5000	.69586
r3	318	4.4497	.73809
r4	318	3.9686	1.03516
r5	318	4.4308	.74507
rs1	318	4.4654	.69045
rs2	318	4.2358	.89744
rs3	318	4.5755	.65425
rs4	318	4.5503	.67561
rs5	318	4.5000	.70487
a1	318	4.1069	.91666
a2	318	4.5346	.73041
a3	318	4.6824	.58077
a4	318	4.5346	.71734
a5	318	4.3742	.82253
a6	318	4.3365	.70375
a7	318	4.4465	.73358
u1	318	3.6101	.90154
u2	318	3.7138	.92111
u3	318	3.7547	.89314
u4	318	3.9528	.86701
Valid N (listwise)	318		

Binary Regression Result

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	191.031 ^a	.456	.649

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
							Lower	Upper
convenience	.509	.415	1.504	1	.022	1.664	.737	3.755
reliability	1.512	.383	15.536	1	.000	4.534	2.138	9.614
responsiveness	1.831	.386	22.515	1	.000	6.243	2.930	13.301
agent	2.004	.395	25.700	1	.000	7.415	3.418	16.090
Service usefulness	2.949	.412	51.175	1	.000	19.088	8.508	42.821
Constant	-4.549	.637	51.061	1	.000	.011		

a. Variable(s) entered on step 1: convenience , reliability, responsiveness, agent, service usefulness .