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AGENCY BANKING AND QUALITY OF SERVICE IN THE BANKING SECTOR OF ZIMBABWE - A CASE OF PEOPLE'S OWN SAVINGS BANK (POSB).

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Master's Degree in Business Administration (Finance)

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GSM MBA DISSERTATION

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ABSTRACT

The study sought to establish the impact of agency banking on service quality in the banking sector of Zimbabwe, in particular the People's Own Savings Bank of Zimbabwe (POSB). The study had five objectives. These included, determining the reliability of POSB's agents in providing banking products and services, establishing the level of POSB's bank agents' responsiveness to customer needs, establishing the level of credibility in POSB's agency banking services, determining the level of financial security and customer confidentiality in POSB's agency banking services and establishing strategies that can be used by POSB to enhance service quality. The study employed a survey strategy and a descriptive research design. A questionnaire was the major instrument used to gather primary data, complemented by some personal interviews. The target population for the study included banking customers and branch managers. The research findings show that agency banking has negatively affected reliability, security and credibility service quality attributes. These findings resonate with findings of previous studies reviewed in the literature. On the other hand, the research findings show that agency banking has positively affected the responsiveness service quality attribute. Overall, we conclude that agency banking has adversely affected service quality for POSB. The study recommends a cocktail of strategies in order to ensure that bank agents deliver quality service. Some of the strategies recommended include frequent trainings for bank agents, penalties for non-compliance, revoking licences for non-performers, establishing an agency banking desk or a 24-hour contact centre, conducting customer satisfaction and mystery shopping surveys, among others. Furthermore, the study recommends that agency banks should provide agents with material support like cash and e-value to mitigate cash/e-money shortages being faced by bank agents. For example, POSB can offer an overdraft which agents can utilise so as to boost their e-values. Last but not least, POSB should ensure a seamless interface between its agents and the bank to ensure online and real time transactions. The study recommends future research to establish why the majority of Zimbabwean banks have not embraced agency banking despite documented benefits associated with it as well as the impact of agency banking on the profitability of the banking sector.

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LIST OF ABBREVIATIONS AND ACRONYMS

Agribank	Agricultural Banking Corporation
CABS	Central Africa Building Society
POSB	The People's Own Savings Bank
RBZ	Reserve Bank of Zimbabwe
SPSS	Statistical Package for Social Sciences
ATM	Automated Teller Machines
POS	Point of Sale Machines
KYC	Know Your Customer

CHAPTER ONE: INTRODUCTION

Introduction

The past few years have been characterised by the growth of agency banking in many developing economies. Agency Banking or Agent Banking: refers to the provision of banking services through agents or third-party intermediaries by registered banking institutions (Lozano and Mandrile, 2010). The growth of Agency Banking has mainly been due to the potential of agency banking to provide banking services to the marginalised low income earners in remote arears who are unable to access financial services through the traditional banking channels. Early experiences have shown that agency banking significantly reduces set-up and delivery costs for financial institutions. This it does through offering cash-in/cash-out operations as well as a wider range of financial services to customers who usually feel more comfortable banking at local agents rather than traditional bank branches (Lozano and Mandrile, 2010).

In the contemporary global and highly competitive economy it is disastrous for a business organization to be non-customer-oriented. In order, to thrive business organizations need to provide products of very good quality that yield highly satisfied and loyal customers (Fecikova, 2004). Client satisfaction has been a major objective of business organizations for years, since it has been considered to affect customer retention as well as organisations' market share (Hansemark and Albinsson, 2004).

Previous studies have found that service quality in banks is critical for satisfaction and retention of customers (Jabnoun and Al-Tamimi, 2003). Given the importance of service quality as a means of competitive advantage and organizational sustainability, many banks are pursuing multidimensional approaches to improve service quality in order to attract and retain customers (Newman, 2001).

More and more banks in Zimbabwe are adopting agency banking so as to increase customer spread. The main objective is to ensure that customers do not get frustrated when trying to access financial services. With the arrival of agents, bank clients in marginalised areas can now access banking services closer to home. This is expected to improve customer experience and hence result in higher customer retention for the bank in question. The first bank to adopt agency banking in Zimbabwe was the People's Own Savings Bank (POSB). This it did through the adoption of the services of Zimpost a postal services company. Zimpost has a wide coverage which POSB then took advantage of to reach more clients that were originally marginalised.

This chapter outlines the background to the study, the research problem and how the research seeks to address this problem through objectives, research questions as well as a research proposition. The chapter also outlines the justification of study and scope of the research. A chapter summary then concludes the chapter.

1.0 Background to the Study

Notable strides towards process innovation have been registered in the Zimbabwean Banking Sector. This has been in a bid to enhance service quality. Process innovation is about making beneficial changes to the processes that produce products or services (Sullivan, 2008). Process innovation, according to Reserve Bank of Zimbabwe (RBZ) (2015), is the use of technology to present new delivery mechanisms such as Point of Sale (POS) machines and Automated Teller Machines (ATMs), mobile as well as agency banking in order to validate informal financial systems. This then reduces the access barriers for ostracised communities. Agency banking is the contracting of a retail or postal outlet by a financial institution or a mobile network operator to process bank clients' transactions. What differentiates it from a branch teller is that it is the owner or an employee of the retail outlet who conducts the transactions (CGAP, 2006). According to Parasuraman et al. (1988), service quality is the difference between customer expectations and perceptions of service and/or the customers' satisfaction or dissatisfaction formed by their experience of purchase and use of services.

According to Khamis (2016), agency banking has its origins in Brazil and Kenya where the most successful cases of agency banking have been identified. The Brazilian model is driven by larger banks, such as Caixa Federal, Bradesco and Banco Popular, and it uses more traditional card/POS terminals. The Kenyan model is driven by mobile operator, Safaricom. The trend of agency banking is evident in many nations all over the globe, such as in Australia where Post Offices are used as bank agents, France which utilizes corner stores, Brazil which makes use of lottery outlets to provide financial services as well as Kenya which pioneered the mobile financial services (Siedek, 2008). Banks in countries across the globe are increasingly using agents to provide financial services to customers. In Brazil, for example, banks use about 160,000 agents, many with multiple outlets used to provide financial services to all 5,564 Brazilian municipalities (Kumar and Seltzer, 2011). In 2010, bank agents in Brazil handled 3.1 billion transactions (6% of all bank transactions), 2.85 billion of which involved the movement of funds (Febraban, 2011). In Pakistan, there are about 17,500 bank agents (State Bank of Pakistan, 2011).

There are quite a number of African countries that have since adopted agency banking. These include South Africa, Kenya, Tanzania as well as Zimbabwe. Susan (2011), stated that agency banking is the new way of banking that Kenyans banks are using to take banking services to the unbanked and marginalised at rates which they can then afford. The agency banking in Kenya guidelines were enacted in 2010. Banks must first apply to central bank of Kenya to get approval to conduct agency banking business. The board of directors of each banking institution interested in agency banking must participate in the making of policies thereto (ibid).

Agency Banking in Zimbabwe was pioneered by the People's Own Savings Bank in 2001 when it engaged the services of Zimpost to offer banking services on its behalf. POSB took advantage of Zimpost's wide footprint as it has in excess of 200 post offices nationwide. Banking transactions made through Zimpost were initially offline resulting in transactions taking at times more than three working days before reflecting in clients' accounts. However, in 2010 POSB however embarked on a quest to erect Point of Sale machines in Zimpost offices. This it did in order to improve proficiency in the way transactions were being carried out as well as ensuring real time transactions at the post offices. POSB then went a step further in 2015 by installing its core banking system in all Zimpost offices, allowing Zimpost to do other banking services such as opening of accounts (www.posb.co.zw).

Other banking institutions such as Steward Bank, CABS, FBC, ZB, CBZ as well as Agribank have since implemented agency banking. Steward Bank now leads the pack as it leverages on the extensive EcoCash agency network. EcoCash has more than 26,000 access points countrywide.
According to Avantury and Timothy (2006), agency banking could benefit clients in the following ways: lower transaction costs (closer to their homes), long opening hours and more accessibility to the poor who might feel intimidated in branches compared to agents. Leyman et al. (2008)

supported these sentiments and asserted that agency banking can address the two main problems of access to finance, namely, the cost of roll-out (physical presence) and the cost of handling the low value transactions. Agency banking has enabled bank customers to access the banking services within the comfort of their neighbourhood (Habilolaka, 2013). Researches carried out so far on agency banking and service quality have mainly focused on issues to do with cost reduction, accessibility and convenience as the main benefits of agency banking to customers. Other service quality attributes such as security, reliability, credibility as well as responsiveness have not been fully reconnoitred. It is these that this study intends to explore and hopefully fill the research gap on how agency banking has impacted on these service quality elements as identified by Payne et al. (2001).

According to a Finscope Survey carried out in 2014 only 30% of the Zimbabwean adult population was banked. This translated to 2.1 million out of 7 million bankable adults. These remained unbanked due to various reasons. These included, amongst many others, lack of confidence in the banking sector, low disposable incomes, high bank charges as well as stringent account opening requirements amongst many others. Despite the various steps made in a quest for an inclusive financial sector, there still exist gaps in the level of access to, usage and quality of financial products and services. Impact on the lives of those consuming the products and services has also not been as is anticipated (RBZ, 2016). The stiff competition currently obtaining in the banking sector requires banks to be innovative in order to remain competitive and achieve sustainable competitive advantage.

Quality of service is seen more than ever as a key differentiator in the market place (RBZ, 2016). One question relates to whether automated, mobile, agency and internet banking represent positive change and are delivering enhanced service quality. It is against this background this study sets to look at agency banking and quality of service in the banking sector of Zimbabwe, with an inclination towards the People’s Own Savings Bank.

1.2 Statement of the Problem

Customers are the life blood to any organization. It is, therefore, important for organizations to ensure that their customers are satisfied with the organizations' products and services. The current cut-throat competition in the banking sector of Zimbabwe as well as dynamic customer needs entail that banks provide service that is of high quality so as to retain customers and remain competitive. The stiff competition also pushed banks to be innovative in order expand market share and achieve sustainable competitive advantage. Some banks have adopted agency banking as a way of expanding customer base and reach out to greater markets. The use of agency was also embraced as a strategy to reduce congestion and reaching more customers in remote and unbanked areas. This, notwithstanding, bank agents by nature are a reduced form of extending banking service, whose primary role is to ensure access and availability of banking service at lower costs. As a low cost model, agency banking offer limited services and in cases, the agents combine banking services with other non-banking services, which apparently, might compromise the quality of service. How provision of banking services though this model guarantee quality of service to the level of traditional bank branches is a matter that cannot be ascertained apriori. Thus, it is prudent to carry a study to evaluate the quality of banking service offered through agency banking in Zimbabwe.

1.3 Research Objectives

The main objective of the study is to investigate the effect of agency banking on service quality within the Zimbabwean banking sector, zeroing in on the People's Own Savings Bank and its Zimpost agents. The specific objectives include:

- To determine whether POSB's agents are reliable in providing banking services.
- To establish the level of responsiveness of POSB agents' to customer needs.
- To establish POSB's angents' level of credibility in agency banking services.
- To determine the level of financial security and customer confidentiality in agency banking services
- To establish the strategies that POSB can use in order to augment the quality of service of its agents.

1.4 Research Questions

The study seeks to provide answers for the following questions:

- How reliable are POSB's bank agents in providing banking products and services?
- Are POSB's bank agents responsive to customer needs?
- Are POSB's banking agents honest and trustworthy?
- How secure and confidential are customers' information and financial transactions at POSB's bank agents?
- Which strategies could enhance service quality at POSB's bank agents?

1.5 Study Proposition

It is proposed that POSB's agents enhance service quality for the bank's clients.

1.6 Research Justification

Not much research has been conducted in this field of study, especially in Zimbabwe. The researcher, therefore, seeks to find out the impact agency banking has had on the quality of service in the banking sector, especially so for POSB, as this gap seems not to have been covered in the studies conducted so far. The study is anticipated to generate new information that advances existing knowledge on the relationship between service delivery dimensions and customer satisfaction, with particular focus on the effect of service quality, service convenience, and service reliability on customer satisfaction at the People's Own Savings Bank (POSB).

It is the hope of the researcher that the study adds on to the existing body of knowledge on agency banking in Zimbabwe and creates a basis for further studies to be carried out on this topic by other researchers. The research may also assist POSB executives to decide on whether or not to continue pursuing agency banking in a bid to enhance service quality. It is also the belief of the researcher that other banking institutions shall be equipped with the requisite knowledge on agency banking so as to ensure their viability and the growth of the economy as a whole. Furthermore, this study may aid in offering recommendations to banking institutions so as to enhance service delivery.

The findings of this study could provide invaluable insights and a guide to enhance quality of service in the banking sector. The study could also assist banking institutions by providing information that allows them to improve service delivery and provide better services. It could also unearth the dimensions of service quality that consumers consider, as well as customer switching intentions thereby enabling banks to improve on service delivery and retain customers

Furthermore, the findings of this research may aid banking regulators to identify areas that need regulation in terms of how agency banking services are offered. The study could assist the Reserve Bank of Zimbabwe to ensure that the operations of bank agents are in line with the set banking regulations. The authorities can also be aided in establishing regulations which improve the efficiency of agency banking platforms while also monitoring the implementation of the banking model in commercial banks to safeguard both the banks and their customers. The study could also unearth areas for further studies for other researchers. In addition, the study can be used as a foundation upon which other studies on the same area can build from.

1.7 Assumptions

The study was based on the following assumptions:

- Customer preferences would remain constant during the course of the study.
- Customers' expectations and perceptions of service can be defined and customers are also capable of rating the level of service they get.
- The political and economic environment remains stable during the course of the study.
- Customers are aware of the various process innovations that exist in the banking sector.

1.8 Delimitations

This research investigates the impact of agency banking on service quality in the Zimbabwean banking sector. The research mainly focused on banking customers for POSB as it was extremely difficult to gather data for all the banks offering agency banking due to restrictions imposed by the COVID 19 pandemic. In terms of geographic distribution, POSB has more branches as well as agents in the capital city hence the study was concentrated in Harare so as to cut on time and financial constraints during the study. According to FinScope Survey (2014), the level of financial inclusion is skewed in favour of the urban population (89%) as opposed to the rural population (62%).

1.9 Limitations

Quite a number of challenging situations were encountered during the course of this research. Of major significance were the issues to do with time and financial constraints. Permission to interview branch managers proved difficult to obtain, as they had many pressing issues to attend to. Furthermore, it was difficult to reach a larger sample due to restrictions posed by the COVID 19 epidemic. Of the sample that was then used, it was still difficult to physically reach the respondents. Time and financial constraints also forced the researcher to conduct this study in Harare only thereby leaving out other areas.

1.10 Conclusion

The chapter gave a brief understanding of the study by outlining background issues and the problem underlying the research area of study identified by the researcher. It explored the scope of the study as well as the objectives to be achieved in the study. The chapter also stated the significance of the study and the limitations that the researcher might come across in conducting the study. The following chapter reveals the theoretical framework of the study and attempt to answer theoretically the research questions raised in under the study.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

The preceding chapter provided a framework upon which the study follows and the issues raised are developed further to explore agency banking and service quality. The study focuses on agency banking and quality of service in the banking sector of Zimbabwe with focus on POSB as an entity. This chapter will review literature on similar studies with the aim of highlighting convergent and divergent views on the research topic.

2.1 Theoretical Framework

2.1.1 Agency Banking

Ivatury et al. (2006) locates agency banking as an emerging distribution channel that allows financial institutions to offer services outside traditional bank. They cite models of branchless banking other than agency banking such as internet banking and automated teller machines (ATMs) as modest extensions of conventional branch-based banking. They postulate that branchless banking through retail agents appeals to policy makers and regulators because it has the potential to extend financial services to unbanked and marginalized markets.

Mas and Siedek, (2009) posit that agency banking is the contracting of retail or postal outlets by a financial institution or a mobile network operator to process cliental transactions. Banking agents may include: pharmacies, supermarkets, convenience stores, lottery outlets and post offices (CGAP, 2006). The trend of agent banking is global, such as post offices in Australia, corner stores in France, Brazil making use of lottery outlets to provide financial services, Kenya pioneering the mobile financial services, Nigeria, South Africa and the Philippines (Siedek, 2008).

Neil and Leishman (2010) assert that agency banking opens financial services to small businesses allowing them to operate as satellite branches allowing financial inclusiveness in developing countries. Neil and Leishman (2010) note that policy makers and regulators have taken interest in agency banking, but the concept has yet to demonstrate pro-poor, pro-growth impact for households, communities and national economics (Morawczynski, 2009). According to Layman et al. (2008), agency banking has enabled bank customers to access services in the comfort of their neighbourhood.

According to Kitali et al. (2015), banking agents are usually equipped with a combination of point of sale (POS) card reader, mobile phone, barcode scanner to for bill payment transactions, Personal Identification Number (PIN) pads, and sometimes personal computers (PCs) and laptops that connect with the bank's server using personal dial up or other data connection. Clients that transact at the agent use a magstripe bank card or their mobile phone to access their bank account. Identification is normally done through a PIN, but could also involve biometrics. With regard to the transaction verification, authorization, and settlement platform, banking agents are similar to any other remote bank channel.

Theories of branchless banking are classified into three broad categories, namely bank-focused, bank-led and nonbank-led theory.

2.1.1.1 Nonbank-led Theory

In this theory, customers do not deal with a bank nor do they maintain a bank account. Instead, 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 (Bean, 2009). Customers exchange cash for e-money 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), in Zimbabwe, such services are offered on the EcoCash and One Wallet mobile money platforms, although some accounts are linked with bank accounts.

Kapoor (2010) argues that the model is riskier as the regulatory environment 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. Thus nonbanks do not have a culture of Know Your Customer (KYC) creating a breeding ground for money laundering, terrorist financing and drug trafficking. Beck et al. (2010) concur that nonbanks are not much regulated in areas of transparent documentation and record keeping, which is a prerequisite for a safe financial system.

According to CGAP (2010), regulators are often caught off-guard by disruptive innovations and most regulators tend to be reactive to circumstances. For instance, in Zimbabwe, the Central Bank has been questioning the operations of EcoCash resulting in a policy shift. Allowing a nonbank-led model to operate is an unnecessarily big leap and an unjustifiably risky proposition. On the other hand, Flaming et al. (2011) argue that the nonbank-led model becomes viable since regulators have gained sufficient experience in managing agent related risks using the bank-led model and that there is a need to think about mitigating only e-money related risks.

Hogan (2011) argues that to mitigate the e-money risks changes in the existing regulations are due and it starts by bringing non-banks under financial regulatory net by giving such entities special status of quasi-bank or remittance agent. Granting of such status depends on meeting standards of transparency, financial strength and liquidity. Hogan posits that there should be clear, well-defined limits on nature, type and volume of transactions that such entities can undertake. To avoid insolvency, the nonbanks may be required to deposit their net e-banking surplus funds with scheduled banks meeting certain minimum rating criteria (State Bank of Pakistan, 2011). The nonbank-led theory offers an understanding of agency banking and client behaviour.

2.1.1.2 Bank-focused Theory

According to Lozano and Mandrile (2009), the bank-focused theory emerges when a traditional bank uses non-traditional low-cost delivery channels to provide banking services to its customers. Examples include ATMs to internet banking or mobile banking to provide certain limited banking services to customers. Kinyanjui (2011) argues that the bank-focused model is additive in nature and may be seen as a modest extension of conventional branch-based banking.

Although the bank-focused model offers more control and branding visibility to the financial institution, it is not without its challenges (Clara, 2010). Customers' primary concerns are to do with the quality of experience, security of identity and transactions, reliability, accessibility of service and extent of personalization allowed (Kapoor, 2010). Bill (2012) proposed ways in which banks can curb these challenges which include providing branchless banking service with an easy to use interface, enhancing security with the help of multi-factor authentication and other technologies capable of running uninterrupted. The bank-focused theory targets bank customers utilizing delivery channels other than bank agents such as ATMs, internet banking and mobile banking.

2.1.1.3 Bank-led Theory

Layman et al. (2006), state that the bank-led model emerges when a licensed bank delivers financial services through retail agents who handle all or most customer interaction and the bank is the ultimate provider of financial services including handling of customer accounts.

Owens (2006) expounds that retail agents have face-to-face interaction with customers and handle deposits and withdrawals functions. In some countries, retail agents handle all account opening procedures and identify and service loan customers. Omumi (2010) argues that any cash handling outlet that is easily accessible to the public can be used as an agent and each retail agent is bound to communicate electronically with the bank either through a mobile phone or an electronic POS terminal that reads cards.

According to Pickens (2009), the bank-led model offers an alternative to conventional branch-based banking in that customer conducts financial transactions at an extensive bank agent network. Tomášková (2010) concurs and states that this model has the potential to extensively increase financial services outreach by using a different delivery channel, a different trade partner having experience and target market different from traditional banks, and may be cheaper than the bank-based alternatives. He added that, in this bank-led model, customer account relationship rests with the bank.

On the contrary, the State Bank of Pakistan (2011) warns that there are associated risks which arise from substantial outsourcing of customer contact to retail agents. The Bank argues that entrusting retail customer contact to the types of retail agents used in both the bank-led and nonbank-led models would seem riskier than these same functions in the hands of bank tellers in a conventional bank branch. The understanding is that these agents would not be able to offer a service as the actual bank would. These retail agents may operate in hard-to-reach or dangerous areas and they lack physical systems and specially trained personnel (ibid). Kumar et al. (2006) also pointed out that the use of retail agents raises concerns in regards to combating money laundering and financing of terrorism.

The bank-led model is relevant to the study since it focuses on how a bank delivers its financial services through a retail agent, where the bank develops financial products and services, but distribute them through retail agents who handle all or customer interaction. For example, POSB distributes its financial products through Zimpost Offices, TM and Pick n Pay stores as well as Wisrod Investments where the agents have face-to-face interaction with customers.

2.2 Agency Banking Transaction Process

Collins (2010) posits that for a client there is no difference in accessing a service at an agent or in a branch or at an ATM. However, besides signing a contract with the financial institution, the banking agent also has to open a bank account at the same time (ibid). Kitali et al. (2015) added that the agent has to deposit a certain amount of cash, which will serve as the working capital. In many cases, rather than asking the agent to come up with the cash deposit, the bank will extend the agent a credit line. The size of the credit line is normally not standardized, but is tailor-made to each agent depending on its size, the expected volume of transactions and how long the agent already been working with the bank (ibid).

Two main agency banking transactions are cash-ins and cash-outs (Bold, 2011) and when making a withdrawal (cash-out) an agent's account is simultaneously credited. Similarly, when making a deposit (cash-in) an agent's account is debited the same amount. In the event that an agent's credit line had reached its limit, and the agent's bank account does not have sufficient funds to cover the received funds, the transaction will not go through. Similarly, if the agent does not have enough cash required by the customer, the withdrawal transaction will not take place (ibid). Okuthe (2010) depicts the transaction process for banking services using a bank card as follows:

i. An existing bank customer presents his/her card at the agent and requests a specific transaction and the amount to be withdrawn, deposited or transferred.
ii. The agent selects the type of transaction on the POS device or personal computer, enters the amount, swipes the client's card through the device, and lets the client enter his PIN.

iii. A General Packet Radio Service (GPRS), dial up, or satellite communication connects with the bank's server to authorize the transaction.
iv. Once the transaction has been authorized the device prints the client's receipt.

2.3 Service Quality Concept

Ahmed et al. (2010) define service quality as a term which describes a comparison of expectations with performance and a bank with high service quality will meet customer needs whilst remaining economically competitive. This is possible by understanding and improving operational processes, identifying problems quickly and systematically, establishing valid and reliable service performance measures and measuring customer satisfaction and other performance outcomes (Kenzelmann, 2008). According to Parasuraman et al. (1988), as quoted in Akbar and Parvez (2009), service quality is the difference between customer expectations and perceptions of service and/or the customers' satisfaction or dissatisfaction formed by their experience of purchase and use of service.

Similarly, Haroon (2010) defines service quality as a casual antecedent of customer satisfaction and customer experience due to the fact that service quality is viewed at transactional level and satisfaction is viewed to be an attitude. Prescriptions of service quality could occur at multiple levels in an organization, for example, with the core services, physical environment and interaction with service providers (Jumaev, 2012). On the other hand, a customer's overall satisfaction with the service organization is based on a function of all the encounters or experiences of the customers with that of the organization (ibid).

Mohsan (2011) asserts that in service environments, customer satisfaction will be built on a combination of two kinds of quality aspects, namely technical and functional. Technical quality or quality of the output corresponds to traditional quality of control in manufacturing. It is a matter of properly producing the core benefit of the service. Functional quality or process quality is the way the service is delivered. According to Wiele et al (2002), functional quality is a process in which a customer is a participant and co-producer, and in which the relationship between service provider and customer plays an important role. Technical quality is related to what customer gets (transaction satisfaction), functional quality is related to how the customer gets the result of the interaction (relationship satisfaction).

According to Mosahab (2010), service quality can be classified as essential and subsidiary. Essential service quality refers to the service offered and subsidiary includes factors such as accessibility, convenience of location, availability, timing and flexibility as well as interactions with the service provider and customers. Ojo (2010) argues that the gap that may exist between the customers' expected and perceived service quality is a vital determinant of customer satisfaction or dissatisfaction, and not just only a measure of the quality of the service. A customer will have an expectation of service determined by factors such as recommendations, personal needs and past experiences. The expectation of service and the perceived service result may not be equal, thus leaving a gap. Ten determinants which may influence the appearance of a gap were described by Parasuraman, Zeithaml and Berry (1996). Later, the determinants were reduced to five: tangibles, reliability, responsiveness, service assurance and empathy.

Parasuraman et al. (1988), as quoted in Yu et al. (2005), identified five dimensions of service quality that must be present in any service delivery. SERVQUAL helps to identify clearly the impact of quality dimensions on the development of customer perceptions and the resulting customer experience. SERVQUAL include:

- Reliability – the ability to perform the promised services dependably and accurately.
- Responsiveness – the willingness to help customers and provide prompt service.
- Assurance – the knowledge and courtesy of employees as well as their ability to convey trust and confidence.
- Empathy – the provision of caring, individualized attention to customers.
- Tangibles – the appearance of physical facilities, equipment, personnel and communication materials.

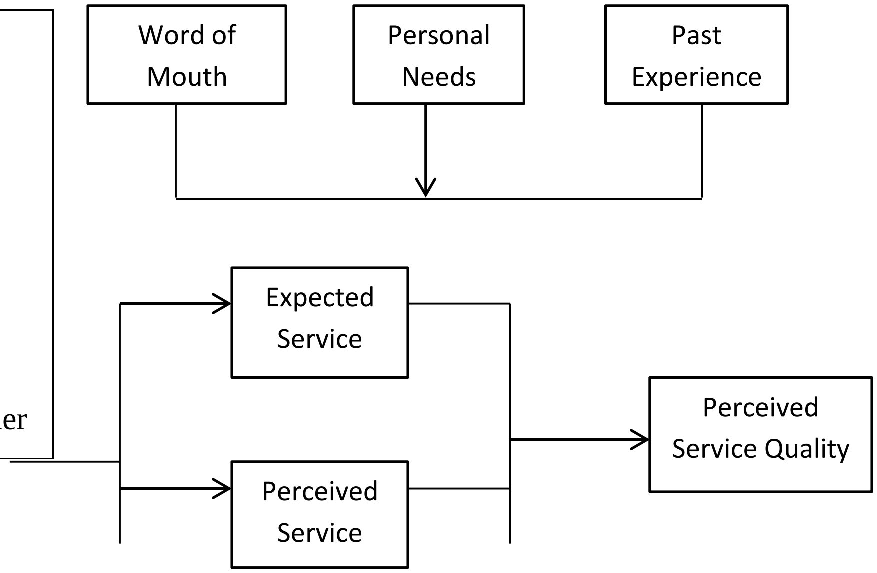
The SERVQUAL model conceptualizes services quality as a gap between customer's expectations (E) and the perception of the service providers' performance (P). Thus according to Parasuraman et al. (1985), service quality is measured by subtracting customer's perception scores from customer expectation scores, that is, Q = P-E. The greater the positive score mark means the greater the positive amount of service quality or the greater the negative score mark, the greater the negative amount of the service quality.

However, for the purpose of this research, we have adopted the seven determinants of service quality as depicted by the following diagram.

Figure 2.1: Determinants of Service Quality

Determinants of Service Quality

Access
Communication
Credibility
Reliability
Responsiveness
Security
Understanding or knowing the customer



Source: Yu et al. (2005): page 709

Regardless of the types of services, consumers use basically similar criteria in evaluating service quality. The criteria seem to fall into seven key categories which are labeled service quality determinants as described below (Yu et al., 2005).

Reliability: This involves consistency of performance and dependability. It means that the firm performs the service right the first time. Specifically, it involves accuracy in billing, keeping records correctly and performing the service at a designated time.

Responsiveness: Concerns the willingness or readiness of employees to provide service. It involves timeliness of service, for example, mailing a transaction slip immediately, calling the customers back quickly and giving prompt service.

Access: Involves approachability and ease of contact. It means the service is easily accessible by telephone; waiting time to receive service is not long, convenient hours of operations and convenient location of service delivery.

Communication: This entails keeping customers informed in languages they can understand and listening to them. It may mean that the company has to adjust its language for different customers – increasing the level of sophistication with a well-adjusted customer and speaking simply and plainly with a novice. It involves explaining the service itself, explaining how much the service will cost, explaining the trade-offs between service and cost, and assuring the customer that a problem will be handled.

Credibility: Involves trustworthiness, believability and honesty. It also involves having the customers' best interests at heart. Factors which affect credibility include company's name, company's reputation, personal characteristics of the contact personnel and the degree of hard sell involved in interactions with the customer.

Security: This is the freedom from danger, risk or doubt. It involves physical safety, financial security and confidentiality.

Understanding/knowing the customer: This encompasses making the effort to understand customers' needs, learning the customers' specific requirements, providing individual attention as well as recognizing the regular customer.

According to Bowen and David (2005), service quality is the extent to which customers' perceptions of service meet and/or exceed their expectations. Thus service quality can be the way in which customers are served in an organization and the aim of quality services is to satisfy customers.

In a study by Berry et al. (2004) with more than 1 900 customers of five large famous US corporations, they found that thirty-two out of a hundred placed emphasis on reliability (32%), followed by responsiveness (22%), assurance (19%), empathy (16%) and tangibles (11%). Thus, reliability is considered the essential core of service quality. In addition, other dimensions will matter to customers only if a service is reliable, for example, responsiveness and empathy from service staff cannot compensate for unreliable service delivery (ibid).

2.4 Customer's Perception of Quality

Service quality as perceived by the customer may differ from the quality of the service actually delivered (Yang and Peterson, 2004) and services are subjectively experienced processes where production and consumption simultaneously occur. Interactions, including a series of moments of truth between the customer and service provider happen. Such buyer-seller interactions or service encounters have a critical impact on the perceived service (ibid).

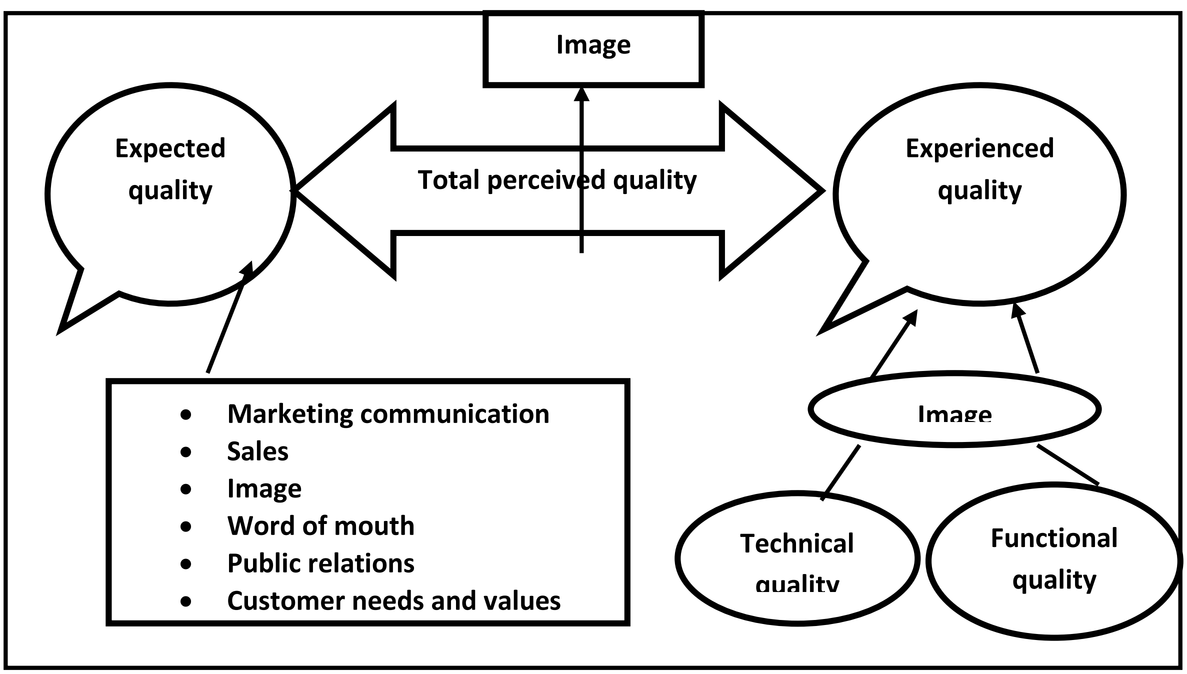
The Nordic Model, originated by Gronroos (1984), as quoted by Gopalkrishnan et al (2011), adopts a disconfirmation of expectations approach as customers have certain expectations of service performance vis-à-vis their actual experience. If the expectations are met, this is confirmation, if they are over performed, this is positive disconfirmation, and if they are underperformed this is negative disconfirmation (ibid).

According to Siddiqi (2011), the quality of service as perceived by customers has two dimensions, namely a technical or outcome dimension and a functional or process-related dimension. What customers receive in their interaction with a firm is clearly important to them and their quality evaluation. This is one quality dimension, the technical quality of the outcome of the service production process. However, as there are numerous interactions between the service provider and customers, including various series of moments of truth, the technical quality dimension will not count for the total quality which the customer perceives he has received. The customer will be influenced by the way in which the outcome of the process is transferred hence creating an impact on the process experience.

An organization's image is an important variable that positively or negatively influences marketing activities and (Sondoh et al, 2007) argue that image has the ability to influence customers' perception of the goods and services offered thus impacting on customers' buying patterns. Image is considered to influence customers through the effects of advertising, public relations, physical image, word-of-mouth, and their actual experiences with the goods and services (Hafeez and Muhammad, 2010).

Similarly, Khalid et al. (2011), using numerous researches on service organizations, observed that service quality was a major determinant of image. Thus, a customer's experience is considered to be the most important variable that influences the mind in regard to image. It is not the experiences of the quality dimensions alone that determine whether quality is perceived as good, neutral or bad. Figure 2.3 below illustrates how quality experiences are connected to traditional marketing activities resulting in a perceived service quality. Good perceived quality is obtained when the experienced quality meets the expectations of the customers. If expectations are unrealistic, the total perceived quality will be low, irrespective of the experienced quality measured in an objective way being good. As illustrated below**,** the expected quality is a function of factors, namely, marketing communication, word of mouth, company/local image, price, customer needs and values.

Figure 2.2: Total Perceived Quality

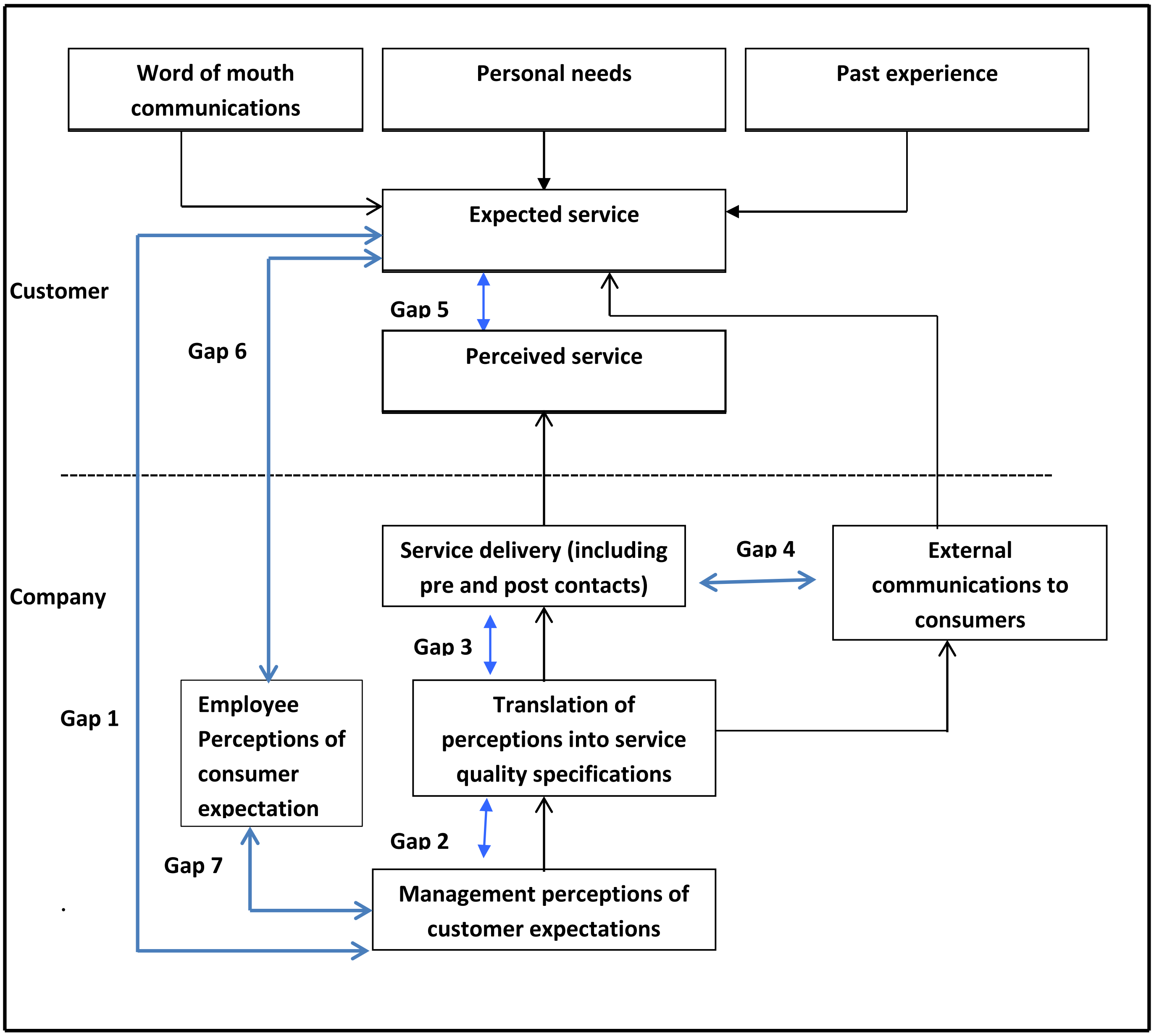


Source: Khalid et al. (2011), page 168

2.5 Gaps between Customer Expectations and Perceptions

In a bid to explain the gap between expected service quality and perceived service quality, Parasuraman et al. (1985), as quoted in Layton (2002), has a 'gap model' used for analyzing sources of quality problems and help managers understand how service quality can be improved. Figure 2.3 below depicts the service gap model.

Figure 2.3: Model of Service Quality Gaps



Source: Layton (2002), page 111

The above figure depicts seven major gaps in the service quality concept. According to Layton (2002), the three major gaps which are more associated with the external customers are Gap1, Gap5 and Gap6 since they have a direct relationship with customers. Brown and Bond (2005) propound that the gap model is one of the best received and most valuable contributions to the service literature. The gap model identifies seven key gaps relating to managerial perceptions of service quality and tasks associated with service delivery to customers. They identified the first six gaps as functions of the way in which service is delivered whereas Gap5 pertains to the customer and as such is considered to be the true measure of service quality (ibid).

Cheng et al. (2011) concur and expound that the service gap model demonstrates how service emerges and the upper portion of the gap model caters for issues related to customers whilst the lower portion includes phenomena related to the service provider. The expected service is a function of the customer's past experience and personal needs and a word of mouth communication as well as market communication activities of the firm (ibid).

Yang and Peterson (2004) view service experienced or perceived service as the outcome of a series of internal decisions and activities. Management perceptions of customer expectations guide decisions regarding service quality specifications to be followed by the company when service delivery occurs (ibid). The customer experiences the service delivery and production process as a process-related quality component and the technical solution received by the process as an outcome-related quality component.

2.6 Agency Banking and Service Quality Determinants

Maeri (2012) asserts that agency banking has the ability to reduce waiting time for customers. He argues that in conventional banking, customers travel long distances and queue for long hours to get a service. Habilolaka (2013) further argues that days of queuing in banking halls waiting to pay utility bills, school fees or any other financial transactions are over as agency outlets now offer convenience. Agency banking has enabled customers to access services in the neighbourhood, thereby reducing the cost of delivering financial services.

Leyman et al. (2008) postulate that agency banking can fix the two main problems of access to finance, namely, the cost of roll-out (physical presence) and the cost of handling the low value transactions. This is achieved by leveraging networks of existing third party agency for cash transactions and account opening and by conducting all transactions online. This sharp cost reduction creates the opportunity to significantly increase the share of the population with access to formal finance and, in particular, in rural areas where many people in developing countries live (ibid).

On the other hand, Mwangi and Wanyoike (2012) argue that agency banking has helped to tap the low income customers and rural-based customers by making banking convenient as they can access financial services at the agents without the pressure of feeling intimidated to enquire their bank balance as it is low or even be unable or uncomfortable to withdraw cash as the amount that they seek to withdraw is small. Agency banking has opened the rural areas greatly as the inhabitants can access the financial services which they had desired which would have taken longer to enjoy if they were to rely on banks to open up new branches of brick and mortar in the rural areas (Stapleton, 2013).

2.6 .1 Security

Branchless banking is growing faster and has become the key factor in modern technologies. Given this, there is need for it to be secure from each and every perspective, whether bank security or even customer security. Due to the dynamism of technology, there arises the question of security, not only for the bank but its retail agents as well (Musau, 2013).

Physical security is a common concern of regulators around the globe. In Brazil, for example, agents must deposit the cash received from clients in a bank branch no more than every other business day. This is intended to limit cash accumulation that can lead to robbery by third parties or even by the agent itself (Lyman et al., 2008). The Mexican regulator, by requiring every agent transaction to be made against the agent’s account at the contracting bank, does not reduce the risk of third-party robbery, but eliminates the risk of agents misappropriating the accumulated cash, since the cash is in fact the agent's own (ibid).

The simplest measure to reduce cash accumulation and its related risks may be requiring providers to set daily and monthly transaction limits for each agent and client (Ivatury and Timothy, 2006). Cases of agent fraud and misbehaviour were reported in many countries. For example, "churning" was identified in Brazil (i.e., individuals subcontracted by agents offered credit to pensioners and subsequently resold the loan several times to different banks without the client's consent, to generate additional fees) (ibid). Agents may steer customers towards certain products to maximize fee income, regardless of the clients' needs. Such problems can result from the provider's limited ability (or unwillingness, given the costs involved) to oversee a large number of agents adequately (Ivatury and Staschen, 2006).

Furthermore, as transaction and personal data are transmitted increasingly through means such as mobile phone networks, handled more often by third parties such as agents, and accessed remotely by customers and financial institution employees, the risk of inappropriate access and usage rises. Besides the technological aspect, consumers' lack of education and experience with formal financial services and technology may raise data security risks. Collins (2010) reveals that some customers were giving account passwords to bank agents, and while there is no evidence this has led to loss of funds or misuse of customer information, the risk could be significant (Ignacio and Hannah, 2008).

According to Maina (2014), a brief examination of data privacy and bank secrecy regulations in developing countries reveals a patchwork of rules issued by a variety of agencies with overlapping jurisdiction and oversight. Bank secrecy rules do not explicitly apply to agents in India, whereas they do in Brazil, Peru, Colombia, and Mexico. In India providers are liable for the acts of omission and commission of their agents in all respects, including bank secrecy. (ibid).

2.6.2 Reliability

One shortcoming typical of informal financial services is lack of reliability and continuity in the long run. Formal providers have clearer incentives to offer more reliable and safer services. Technology-enabled mechanisms may help achieve that goal. Evidence from previous studies suggests that technical failures (e.g. equipment malfunctioning and other errors occurring during a transaction) are a major issue in branchless banking. Similarly, research on consumer experience in Brazil shows that less than 5 percent of users have made a mistake and paid the wrong bill at an agent, sent money to the wrong account, or noticed that a payment or a deposit was never processed or received (Mas and Hannah, 2008).

According to CGAP (2010), agency banking success will largely depend on reliability and one major measurement of reliability is connectivity. Available data, suggest that the majority of developing countries are lagging behind in the information revolution (Zhao and Frank, 2003). The system will determine whether a customer request is frustrated or satisfied at the agent location (ibid). Godana (2012) warns that banks and their agents have to contend with customer complaints in cases such as, customer being debited with cash he/she did not receive because of incomplete withdrawal transactions; a deposit hanging due to a system failure or where the agent has erroneously entered the wrong account number or bill account.

Apart from system failures, agents may not have enough cash required by customers. Even if customers are willing to put up with the inconvenience of having to return to an agent to access their capital, liquidity management is a huge expense for the retail agent and puts a strain on the attractiveness of agent banking as a viable business for them. In a research conducted by CGAP (2010), the primary cost of the agency business for retail agents is liquidity management, which consumes 20-30% of the total expenses. In the Philippines, three out of five categories of retail agents are traveling to the bank more than three times a week (Jayo et al., 2012). Cutcher (2014) indicates that liquidity management actually takes two forms: management of electronic value in the wallet and cash management. As the agent provides financial services, the cash amount on their POS or phone fluctuates and when the amount in the retail agent's e-wallet is used up, the agent cannot perform additional services and needs to refill their account.

In his study on challenges of agent banking experiences in Kenya, Atandi (2013) established that lack of mobile network services and float, lack of capital, issues of insecurity and fear of robbery affect agency banking growth. However, these findings only focused on Equity bank clients in Kenya and hence its findings cannot be generalized to other countries like Zimbabwe.

2.6.3 Accessibility

According to Kithuka (2010) distance does not influence the frequency of customer transactions and this cannot be interpreted to mean proximity has zero effect on agency adoption. Customers will not incur more in terms of time and financial cost to do a transaction at the bank unless it is not available at the agent (CBK Governor, 2011). Furthermore, agencies are more accessible for illiterates and the very poor who might feel intimidated in branches (Ombutura and Mugambi, 2013).

Ndungu (2014), stated that agency banking offers numerous benefits to SMEs as they can check account balances, transfer money, pay bills, collect receivables and ultimately reduce transaction costs and establish greater control over bank accounts. Agency banking in Kenya has had to go an extra mile to be able to match such convenience. These initiatives include extended banking hours with some agents reportedly opening as early as 06.00hrs and others closing as late as 01.00hrs.

The mobile banking platform which for most banks is a prerequisite for using the agency banking is whipping masses into convenience banking with as much control of one's bank account as would a telco service. Competition for customers has pushed banks to extend their opening hours to late evening, with an increasing number of lenders now serving customers over weekends and public holidays (ibid)

2.6.4 Credibility

Credibility involves trustworthiness, believability and honesty and it involves the customer's best interest at heart. Factors which affect credibility include company's name, reputation, personal characteristics of the contact personnel and the degree of hard sell involved in interactions with the customer (Parasuraman et al. 1985). According to Mittal et al. (2014), lack of transparency can lead to customer dissatisfaction. They further asserted that ‘outcome based – reward system’ is a major reason for ethical misconduct as employees try to meet set targets.

In agency banking, most reward systems are outcome based and not service or behaviour-based. To fulfil the assigned target or to get recognition, employees often engage in practices to misguide the customer. The incentive structures governing the sale of different financial products and services tend to result in mis-selling. It is frightening to imagine a situation where the front line staff at banks may be more interested in pushing insurance and bancassurance products instead of promoting core banking products. When an individual feels the pressure to succeed and achieve the targets, they tend to compromise their own personal values and ethics (ibid).

2.6.5 Responsiveness

Jayaraman et al. (2010) articulate that responsiveness is the timely reaction towards customers’ needs. In their study titled, “Service Quality Delivery and Its Impact on Customer Satisfaction in the Banking Sector in Malaysia”, they found out that responsiveness has a relationship with, but no significant effect on the customer. They concluded that responsiveness is a need in providing quality service, but not a must. Their result findings revealed that bank customers prefer to deal with machines rather than human beings. Usually, machines are made to have a shorter response time compared to human beings and are continually improved every day. They argued that human responsiveness sometimes can be affected by emotion which can lower productivity. Furthermore, customers can understand that machines can breakdown, but they cannot accept if they are not served in time by bank staff. Thus there are varying perceptions from customers between dealing with machines (ATMs) and human beings (ibid). On the other hand, Johnston (2005) identified responsiveness as a key service quality determinant. He emphasized that responsiveness is crucial and it is a key component in providing satisfaction and the lack of it is a major source of dissatisfaction.

Customers expect responsive customer service. A 2012 Oracle study found that customers expect responses to inquiries within two hours. Customers often expect an immediate resolution via other channels such as chat, phone and in-person and tend to define customer service excellence through the response rate (Gilbert, 2006). Furthermore, not responding quickly to customers can be bad for business. It is estimated that the cost of waiting one extra day to respond to a customer can increase the cost of resolving that problem by 66% (ibid).

2.6.6 Strategies

According to Khamis (2016) a competitive strategy is the search for a favourable competitive positioning in the industry. It is concerned with how a company can gain advantage through a distinctive way of competing. It aims at establishing a profitable and sustainable position against the forces that determine industry competition. Porter (1980), as quoted in Khamis (2016), explains that developing a competitive strategy is developing a broad formula on how business is going to compete, what its goal should be and what policies would be needed to carry out these goals.

The Alliance for Financial Inclusion (2012) argues that even though agent banking has been identified as the most appropriate strategy of extending financial services to the poor and rural areas, the model has yielded different results in different countries and such differences contribute to the disparities in the extent to which agent banking is actually bridging the financial inclusion gap.

Nikols (2011) asserts that a commitment to quality service entails accountability, allocation of appropriate resources, clear time frames, measurement, effective communication, reward and recognition of achievements. These elements of the implementation plan are essential to the overall success of the strategy. He further added that in order to improve service delivery it is important to understand how people rate your product/levels of service and to be aware of what they believe needs improvement.

2.7 Empirical Studies on Agency Banking

Bold (2011), in Brazil, found that some countries restrict the location of agents, though such restrictions are sometimes eased when regulators recognize that the regulations create obstacles to financial inclusion. For example, due to concerns that agents could threaten bank branches, Brazilian regulation originally allowed agents only in municipalities that did not have bank branches. He also found that Indian regulators initially required agents to be located within 15 kilometers of a "base branch" of the appointing bank in rural areas, and within five kilometers in urban areas. This policy, intended to ensure bank supervision of agents, limited the use of agents by banks with only a few branches.

Mwangi (2011) evaluated the role of agency banking in the performance of commercial banks in Kenya in a study of four banks offering agency banking services using questionnaires distributed to branch managers. The study revealed that infrastructure cost and security influence the performance of commercial banks attributable to agency banking to a very larger extent. The study recommends that agency banking should give attention to security measures including risk-based approach and banks should find better ways of screening their agents. Mwangi posits that this ensures that large cash transactions handling is effectively carried out on their behalf; securing operating systems capable of carrying out real time transactions, generating an audit trail, and protecting data confidentiality and integrity.

Tarazi and Breloff (2011) revealed that regulations often impose some form of "fit and proper" requirements, mandating a form of agent due diligence that requires financial institutions to verify that would-be agents have good reputations, no criminal records, and no history of financial trouble or insolvency. While fit-and-proper criteria listed in regulation often is not problematic, providers and agents have occasionally argued that compliance with particular details can impose significant cost, particularly with respect to gathering documentation. Central banks regulations on agency banking hamper the growth of agency banking, these regulations slow down the penetration of agency banking which negatively affect the performance of commercial banks. The Central Bank has stringent regulations on agency banking which slow down the growth of agency banking thus affecting the performance of commercial banks in Kenya.

Aduda, Kiragu, Ndwiga (2013) studied the correlation between agency banking and financial performance of commercial banks in Kenya, the objective being to explore the relationship between agency banking and financial performance. The study used the descriptive design method using secondary data gathered from the commercial banks in Kenya that had adopted agency banking in Kenya. The findings indicate that out of a total of 43 banks, 8 have rolled out the agency banking service. The findings further showed that yearly performance improved significantly from 2008 to 2011. This meant that agency banking is continuously improving leading to significantly increased financial performance in those banks that have rolled up the service due to its convenience and efficiency in operation. The findings showed that commercial banks that had rolled up agency banking were more effective based on the number of agents signed by the commercial bank. It further indicated that agency banking has positively and significantly influenced performance of commercial banks.

However, from the study there is need for further research to be undertaken which may include studies on the factors affecting the financial performance of the agent banks, the role of the government or regulatory framework in supporting the adoption of agency banking and the impact of agency banking to the financial sector deepening or financial inclusion and other related studies. The study also recommended development of a roadmap to agency banking development in Kenya, and further studies to be done on customer perception of agency banking so as to determine what affects banking agents' performance from the demand side.

Chiteli (2013) studied agent banking operations as a competitive strategy of commercial banks in Kisumu city. The objective was to investigate agent banking operations as a competitive strategy for commercial banks in Kisumu. Both primary and secondary data was used through questionnaires and a census and a descriptive research design was used. According to the study, the agents also encountered challenges such as liquidity risk, whereby retail agents may not have enough cash to meet withdrawals. Furthermore, these agents may lack experience in the more complex liquidity management required for offering financial services.

It was recommended that for operations to be effective as a competitive strategy for commercial banks, strong internal control systems should be put in place. Furthermore, the study recommended that there should also be frequent updates of policies and procedures used in the industry by Kenya Bankers Association in consultation with the Central Bank of Kenya. Frequent audits were to be carried out on the bank system and automation of all processes done at least quarterly to plug any loopholes. During the study, it was also noted that more commercial banks countrywide had embraced agent banking.

Watiri (2013) did a study on the adoption of agency banking by Equity Bank of Kenya Limited in its international business operations. The objective of this study was to determine the adoption of agency banking by the equity bank in its international business operations. Data was collected using an interview guide and data collected was in both qualitative and quantitative form. The study realized that agency banking is continuously improving and growing and as it grows, the level of financial inclusion also grows. The study findings showed that increasing the area covered by agents outside the country has had the effects of increase of reach. From the study, it was concluded that agency banking has contributed to growth in financial inclusion. The study also revealed that agent banking has improved the banks performance and also transformed the lives of customers and agents. Agency security is a major contributor to performance as per the study. The banks do understand application of level security in agency banking in its business operations.

The study recommended that there is need to support agency banking by all players: the banks, government, and licensing bodies, especially local authorities; so as to reduce the high compliance costs and bureaucracy in registration. The study further recommended the adoption of agency banking by all banks operating in the retail market and that agency banking be marketed more as it's an area with great growth potential as it uses the already established private enterprises and saves the bank huge capital outlays of opening a branch.

Kiura (2014) studied the role of technology in the implementation of agency banking in Kenya. The general objective of this study was to assess the challenges facing the implementation of agency banking in Kenya. The study employed the descriptive research design and the target population was the 44 commercial banks in Kenya. Data was collected by use of questionnaires from primary sources, while secondary data was collected from bank reports, research articles, and books, corporate strategic plans of the various banks, bulletins, and in-house newsletters. Qualitative data was analyzed using descriptive statistics while quantitative data was analyzed using inferential statistics.

According to the study, application of technology has ensured quick and effective services to the clients, although the use of technology systems has been associated with data and network security risks. This causes clients to be more susceptible to theft when conducting financial transactions as it is not clear to consumers how they can protect themselves. However, banks can apply proper technology infrastructure backup, disaster recovery plan and technical security infrastructure in ensuring timely services availability to all clients. This study recommended that though all banks are using fully automated systems in rendering financial services in the country, they should ensure that those systems are of high and quality state ensuring that they are up to date.

2.8 Conceptual Framework

The research problem involves examining the relationship between agency banking and service quality in the Zimbabwean banking sector in as far as provision of financial services is concerned. Service quality attributes will be measured by use of a questionnaire whereby questions on the measurable objectives, that is, responsiveness, reliability, credibility and security will be rated from a scale of (1) very poor to (5) very good so as to gauge the level of quality of service on provision of agent banking services to customers.

Majority of banks in Zimbabwe have introduced agency banking to increase the provision of their financial products and services. Prior to agency banking, many banks were associated with congestion, queuing in banks and centralized service delivery sites in banking halls (RBZ, 2016). Consequently, many customers developed a negative opinion over service delivery by financial institutions (ibid). Some Zimbabwean banks have identified the existing gap in the market and have made their financial services accessible, efficient and effective by creating agent banking outlets in unbanked and underbanked communities.

The diagram below depicts the conceptual framework.

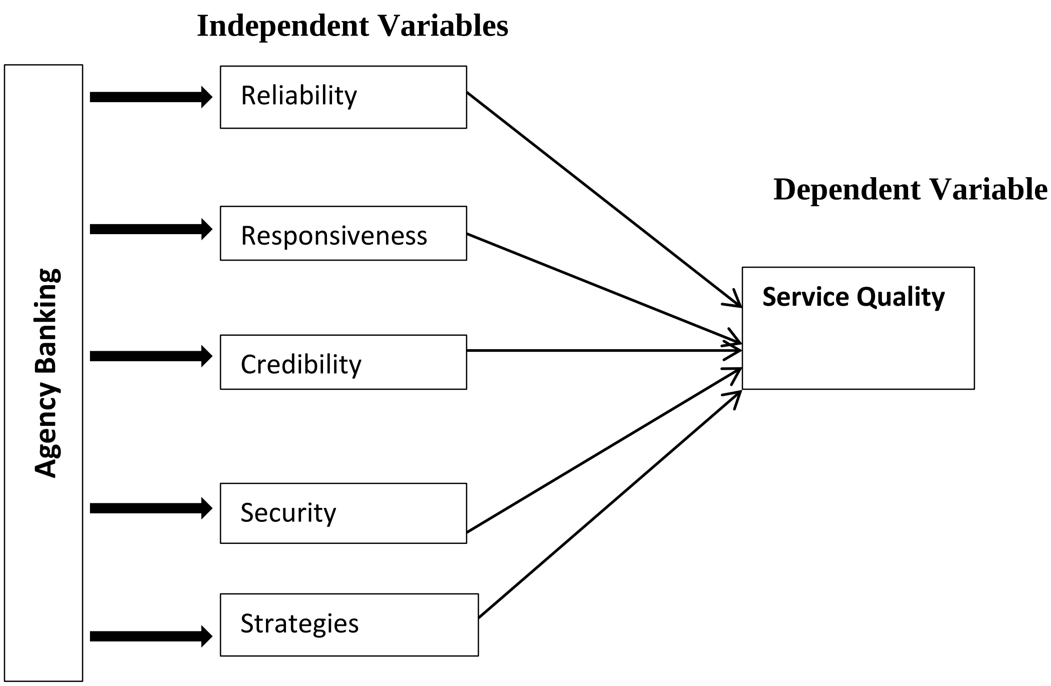


Figure 2.4: Conceptual Framework

The conceptual framework depicts a relationship between independent variables (reliability, responsiveness, credibility, security and strategies) and the dependent variable (service quality). The framework presumes a positive relationship between the independent variables and the dependent variable. For example, reliable agency banking services will have a positive effect on the service quality whilst unreliable agency banking services will negatively affect service quality. Similarly, good strategies employed by banks in managing agency banking will enhance service quality whilst the opposite is true.

2.9 Chapter Summary

Previous studies on agency banking and service quality have concentrated on accessibility, cost reduction and convenience as the only benefits associated with agency banking enjoyed by customers. It appears that other service quality determinants like reliability, responsiveness, credibility and security have not been explored. Thus the study intends to fill this research gap and find out how agency banking impact on the aforementioned service quality determinants. Since bank agents are paid on commission, it is prudent for this study to find out the level of credibility presented by agents when serving customers. Furthermore, there is no evidence of literature on the impact of agency banking on this service quality determinant. Hence the need to find out if bank agents undermine their credibility levels by misleading customers in order to sell products and earn more commission.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the research design adopted in this study. It also points out the population, research instruments as well as the sample and sampling techniques used. Processes adopted for collection of data, its analysis, presentation and interpretation are also explained. Furthermore, the chapter provides an in-depth analysis of, and arguments for, the design, techniques and methods that were used in collecting data for this research. Thus it looked at how the existing body of knowledge identified in the subsequent chapter was bridged. The chapter further explains the instruments used and this is important to ensure their validity and reliability.

3.1 Research Philosophy

For the purpose of this study, a positivist research philosophy was adopted. The positivist philosophy is derived from natural sciences and is characterised by the testing of hypothesis developed from existing theory through measurement of observable social realities. This philosophy presumes that the social world exists objectively and externally, that knowledge is valid only if it is based on observations of this external reality and that universal or general laws exist or that theoretical models can be developed that are generalizable, can explain cause and effect relationships, and which lend themselves to predicting outcomes. Positivism is based upon values of reason truth, and validity and there is a focus purely on facts, gathered through direct observation and experience, and measured empirically using quantitative methods, surveys and experiments and statistical analysis (Blaikie, 1993).

The positivist approach employs deductive reasoning wherein a hypothesis or research proposition is proffered first then data is collected. It is linked to quantitative research and places much emphasis on numerical analyses and objectivity, reliability and replication of findings. Quantitative research is useful in supporting and illustrating the quantitative data obtained from a survey. It is also used to study research problems requiring a description of trends or an explanation of the relationship among variables. In summary, quantitative research is appropriate if the research problem requires: measurement of variables, assessment of impact of variables on an outcome, testing theories or broad explanations and applying results to a large population.

3.2 Research Strategy

The study employed a survey. The research strategy was chosen because it is not expensive. The survey allows data to be collected in large amounts from not so big a population in an economical way (Saunders et al, 2007). Furthermore, empowers the researcher to have control over the research process.

3.3 Research Design

The study used a descriptive research design. A descriptive design is used to describe characteristics of a population or phenomenon being studied. Descriptive research design was chosen since relatively large sample size could be handled at one time and this somewhat made it easy to conclude the views of the whole population. Furthermore, descriptive research enables the researcher to determine the proportion of customers using agency banking and enables the study of frequencies and averages.

3.2 Target Population

The target population for this study were banking customers and branch managers for POSB branches in Harare. Currently, POSB has eleven branches in Harare and of these, only six oversee agency banking operations. Bank customers for these agency banks were targeted for this study since they have access to agency banking and hence were most appropriate for answering the research questions. Furthermore, branch managers for these branches were also chosen to participate in the study since they supervise bank agents and have a better understanding on how they operate. The study was confined to Harare since this is where the researcher was based. In addition, Harare has the highest number of banking customers compared to other areas.

3.3 Sampling Methods and Techniques

The study used a combination of stratified random sampling, purposive and quota sampling to come up with a representative sample. The sample frame, sample unit, sample size and the respective sampling procedure are discussed in the ensuing paragraphs.

3.3.1 Sampling Frame

The following table shows the sample frame for this study.

Table 3.1: Sampling Frame for the Study

Branch	Total Individual Customers
Harare Main	8,921
Highglen	4,932
Kopje Plaza	8,028
Mbare	3,595
Nelson Mandela	4,048
Southerton	3,945
Total	**33,469**

Source: POSB Branch Performance Report (2020)

3.3.2 Sampling Unit

The sampling unit comprise of POSB bank customers and branch managers. For this study, a bank customer refers to a customer who accesses banking services through a bank agent and/or bank branch. These customers were selected because they have access to banking services through bank agents or branches. Thus they are in a better position to provide information relating to their experiences, with bank agents, with respect to quality of service. Similarly, branch managers were selected as they interact with customers and get feedback from agency banking customers. Furthermore, branch managers monitor the operations of the bank agents so as to ensure that they are operating within the prescribed and agreed terms.

Bank agents were left out because they were likely to give out inaccurate and biased information since the study is centred on how they (bank agents) deliver service to customers.

3.3.3 Sample Size

Irrespective of the sampling methods finally used, the sample size drawn from the population should be representative. Sample size and frame for this study is outlined in the table below.

Table 3.2: Sample Frame and Sample Size

Respondent Category	Sample Frame	Sample Size
Branch Managers	6	6
Banking Customers	**33,469**	120

For the branch manager's respondent category, the researcher used a sample of 6 which is 100% of the population. This is a good representation of the population. Generally, inferential statistics predict that the sample size should be at least 10% of the population (Creswell, 2005). For banking customers, the researcher targeted 120 bank customers. Due to the COVID pandemic it was extremely difficult to reach a larger sample.

3.3.4 Sampling Procedure

The study used purposive sampling and quota sampling. Purposive or Judgemental sampling was used to choose the branches and respective branch managers. Purposive sampling was considered appropriate as it ensures a balance of group sizes when multiple groups are to be selected. The power of purposive sampling was that it enabled the researcher to select information-rich cases for in-depth analysis related to the relationship between agency banking and quality of service. For instance, POSB branches that oversee the activities of Zimpost agents were already known and hence the managers were purposively selected. The banking customer sample size was determined by the proportional representation as shown below.

Table 3.3: Branch Customer Sample Size by Proportional Representation

Stratum	**Population Size**	**Sample Size**
Harare Main	8,921	31
Highglen	4,932	18
Kopje Plaza	8,028	29
Mbare	3,595	13
Nelson Mandela	4,048	15
Southerton	3,945	14
Total	**33,469**	**120**

The sample size of each branch is proportionate to the population size of the branch. This means that each branch has the same sampling fraction. For example, the sample size for Southerton is: (3,945/33,469) x 120 = 14. The following table depicts the cumulative sample sizes for the study.

Table 3.4: Cumulative Sample Sizes for the Study

Bank	**Sample Size**		
	Branch/Branch Managers	**Banking Customers**	**Cumulative**
Harare Main	1	31	**32**
Highglen	1	18	**19**
Kopje Plaza	1	29	**30**
Mbare	1	13	**14**
Nelson Mandela	1	15	**16**
Southerton	1	14	**15**
Total	**6**	**120**	**126**

The cumulative sample size for the study was 126, comprising 6 branch managers and 120 banking customers.

3.4 Data Collection Methods and Instruments

This research was based on primary data sources in order to come up with a valuable and meaningful conclusion. The primary data sources included questionnaires to banking customers who have accessed banking services through POSB agents. These were sent to the client's emails which were accessed from the POSB database. Personal interviews were conducted over the telephone with branch managers. The collected data was very useful and direct, thus meeting the exact needs of this study. Due to the nature of the data obtained, that is first hand detail, the data was presumably reliable to use, as it was coming directly from the various parties involved. However, the primary data method of collection was very costly and time consuming. It took quite a lot of financial input and time to administer the questionnaires, conduct interviews as well as obtain feedback from the various respondents. Furthermore, it was extremely difficult for the researcher to administer the questionnaires to bank clients due to the prevailing COVID 19 pandemic. The study used two instruments to collect primary data. The survey was a combination of questionnaires and personal interviews. This overcomes the potential bias and sterility associated with a single approach.

3.4.1 Questionnaires

Two types of questions were used in questionnaire: closed and open ended questions. Closed-ended questions forced the respondents to choose from two or more fixed alternatives. Open-ended questions provided no restrictions on the content or the manner of the reply other than on the subject area. A questionnaire on agency banking and service quality was designed specifically for agency banking customers.

The researcher adopted the use of questionnaires after considering their numerous advantages. The responses are gathered in a standardized way, so questionnaires are more objective than other data collection methods. It is easier to compare responses from questionnaires as the questions are standardized. Questionnaires are a cost-effective way to collect standardized information. They can be administered to a large number of respondents at a low cost. Questionnaires are usually more versatile than other methods. They can be used to collect more types of information from a wider variety of sources than other methods. Questionnaires enable the gathering of facts, figures, amounts, statistics, dates, attitudes, opinions, experience, events, assessments and judgements during a single contact. Open ended questions also result in unexpected or unanticipated answers which suggest hitherto unthought-of relationships or hypothesis. Personal administering of the questionnaires enabled the researcher to explain and clarify some questions which were not understood by the customers.

3.4.2 Personal Interviews

The interview is a conversation with a purpose. It is one initiated by the interviewer for the specific purpose of obtaining research related information. It focuses on content specified by research objectives of systematic description, prediction or explanation (Saunders et al, 1997). The interview guides were used as a complementary tool to questionnaires. One personal interview was targeted for each of the 6 branch managers chosen to participate in this study. During the personal interviews, the interview guide questions were read out in the same tone so as to eliminate any bias emanating from any changes in tone of voices.

Interviews involved one-to-one verbal interaction between the researcher and the key informants thus there was instant feedback. This enabled the researcher to effectively appraise the validity of the responses that were given. Questions that were not understood were rephrased and repeated for better apprehension. The method was efficient in collecting relevant data since the researcher could ask more questions and read additional observations about the respondent such as body language. However, personal interviews were time consuming and they permit interviewer and interviewee bias.

3.5 Data Collection Procedure

The researcher distributed the questionnaires via email. It was not possible to personally administer the questionnaires due to restrictions posed by the COVID pandemic. Similarly, personal interviews could not be carried out. The researcher had to resort to carrying out the interviews over the telephone. With the consent of the interviewees, all interviews were recorded by the researcher.

The recordings helped the researcher to capture other issues or points that the researcher could have missed during the interview.

3.6 Reliability and Validity of Results

Reliability is the consistency or repeatability of the research measures (Nettom, 2006). To guard against this a representative large sample was used to ensure data validity and reliability. The success of this research depended on the full participation from respondents, where complete anonymity assured to all the customers who participated in the survey. The questionnaires had no individual names and address which instilled confidence among the participants. The researcher used test-retest method to test the reliability of the instrument. To this end, the wording of the questionnaire was interchanged whilst maintaining the same meaning and administered to the same respondents chosen for the pilot study in order to ascertain the reliability of the instrument. The initial responses and final responses were compared to ascertain consistency and reliability.

Validity of research is the techniques and methods for collecting quality data and the analysis of the data in a valid and reliable fashion. It also pertains to the credibility of the researcher, the level of education, experience, track record, status and the level of self-expression when it comes to the topic being handled (Patton, 1999). To this end, the researcher sought the opinions of experts in the field of study, especially the supervisors. The researcher also made corrections according to the supervisor's guidelines and ensured that the questions were in accordance with the objectives of the study.

Furthermore, a pilot survey was conducted at two branches where four questionnaires were completed by agency banking customers. A pilot survey enabled the researcher to weed out some confusing questions and mistakes that could have caused great challenges in meaning and interpretation. After reviewing the questionnaire, all areas of concern were discussed with the test users to ensure suitability and reliability of the questions.

The researcher also maintained trustworthiness and authenticity during the course of the study. Trustworthiness implies issues of credibility (triangulation), transferability (richness of data), dependability (testing of the outcome) and conformability (avoiding bias). According to Lincoln and Cuba (1994), authenticity covers issues of fairness (to all the parties concerned), educative authenticity (ensuring that learning is taking place), catalytic authenticity (the study outcome encourages change), and tactical authenticity (the study creates empowerment for change).

3.7 Data Analysis and Presentation Plan

Microsoft Excel was employed in presenting and analysing the findings of the study. The study employed the use of Excel because of the ease with which it produces charts and graphs. Content analysis was used to analyse qualitative data. Content analysis was chosen as some respondents either gave suggestions or expresses their opinions. This technique explained, analysed and commented on information provided by the various respondents.

3.8 Chapter Summary

The study used a positivist research philosophy. Positivist philosophy was chosen because it is linked to quantitative research and places much emphasis on numerical analyses and objectivity, reliability and replication of findings. Survey research strategy was used because it is economical and allows data to be collected in large amounts from not so big a population. The study employed a descriptive research design since relatively large sample size could be handled at one time and this somewhat made it easy to conclude the views of the whole population. The cumulative sample population was 126 comprising of 120 banking customers and 6 branch managers. The study used purposive sampling and quota sampling as these were deemed more appropriate to the study. The next chapter presents the findings of the study and their subsequent discussion.

CHAPTER FOUR: ANALYSIS, PRESENTATION AND DISCUSSION OF RESULTS

4.0 Introduction

The preceding chapter outlined how the research was carried out. This chapter presents researched data and its analysis in a way that reveals the findings and these findings relate to the research objectives and questions. The chapter begins by presenting the response rate followed by a brief demographic profile of the respondents. The research findings analysis and discussion constitute the greater part of this chapter, including the testing of the research proposition outlined in the introductory chapter. The chapter focuses on data presentation, description, analysis and interpretation.

4.1 Analysis of Questionnaire Response Rate

The researcher personally distributed four hundred (120) questionnaires. Table 4.1 below depicts the summary of the instruments' response rates.

Table 4.1: Questionnaire Response Rate

Customers	Distributed Questionnaires	Completed Questionnaires	Response Rate (%)
Harare Main	31	30	97%
Highglen	18	16	89%
Kopje Plaza	29	26	90%
Mbare	13	10	77%
Nelson Mandela	15	15	100%
Southerton	14	13	93%
Total	**120**	**110**	**92%**

Source: Raw Data

A total of 110 out of a possible 120 questionnaires were completed. This translates to a response rate of about 92%, which is fair to generalize about the population. Any response rate of 50% and above is adequate for analysis (Babbie, 2002). The high response rate is attributed to the fact that the researcher personally distributed the questionnaires and respondents were encouraged to complete on the spot. However, some were reluctant to complete on the spot and requested to carry the questionnaires so that they could complete during their spare time. Unfortunately, those who chose to carry the questionnaires did not manage to complete and return the questionnaires in time leading to a non-response rate of about 8%.

4.2 Interview Response Rate

The study also involved interviewing branch managers of POSB branches in Harare. The researcher managed to interview all of the sampled 6 branch managers, translating to a response rate of a 100%. Despite their busy schedules branch managers agreed to be interviewed. The branch managers highlighted that the research was important as it would proffer ways in which they could manage their bank agents and aid in improving service quality. Table 4.2 below shows the interview response rate.

Table 4.2: Interview Response Rate

Planned interviews	Interviews held	Response Rate
6	6	100%

Source: Raw data

4.3 Background Information

The following table shows the statistics (frequencies and percentages) of the respondents who participated in the study.

Table 4.3: Background Information

Socio-demographic Characteristic	Frequency	Percentages
Gender		
Male	60	55%
Female	50	45%
Age		
18-26 yrs	17	15%
27-35 yrs	42	39%
36-45 yrs	40	36%
Above 45yrs	11	10%
Educational Qualification		
Secondary	23	21%
A Level	37	34%
Diploma	28	25%
Degree	22	20%

Source: Raw Data

As depicted by the table above 55% of the respondents were male while the other 45% were female. The respondents were asked to indicate their respective ages. The findings show that 39% of the respondents were aged between 27 and 35, 36% were aged between 36 and 45, 15% were aged between 18 and 26 whilst 10% were 46 years and above. The results show that most of the bank customers were aged between 27 and 35. Thus the respondents were fairly distributed in terms of their age.

The respondents were also asked to indicate their highest qualification. From the findings, 34% of the respondents indicated that their highest academic qualification is an 'A' Level certificate. Twenty-five per cent (25%) of the respondents have a diploma whilst 21% have secondary education qualification. Twenty per cent (20%) of the respondents indicated that they have degrees. This is an indication that most of the respondents engaged in this study were highly literate, with the least educated being holders of an 'O' Level qualification whilst the highest educated had a degree qualification. This level of literacy made the job easier for the researcher as the respondents were familiar with the issues under study and they were able to answer questions freely without assistance from the researcher, thereby eliminating some level of interviewer bias.

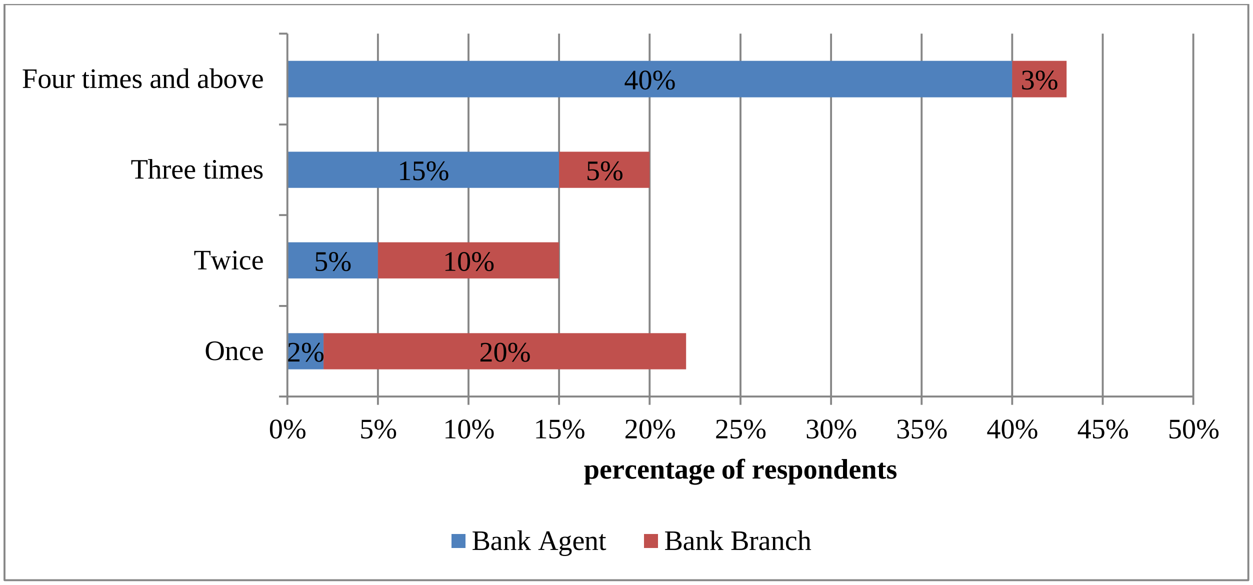
4.4 Agency Banking

The respondents were asked questions relating to agency banking and the respective results are presented and analysed below.

4.4.1 Bank Branch or Bank Agent Usage Frequency

In a bid to determine the level of agency banking usage, respondents were asked to indicate the number of times per month they do banking transactions at either a bank branch or bank agent. Figure 4.1 below depicts the respective study findings.

Figure 4.1: Bank Branch or Bank Agent Usage Frequency



Source: Raw Data

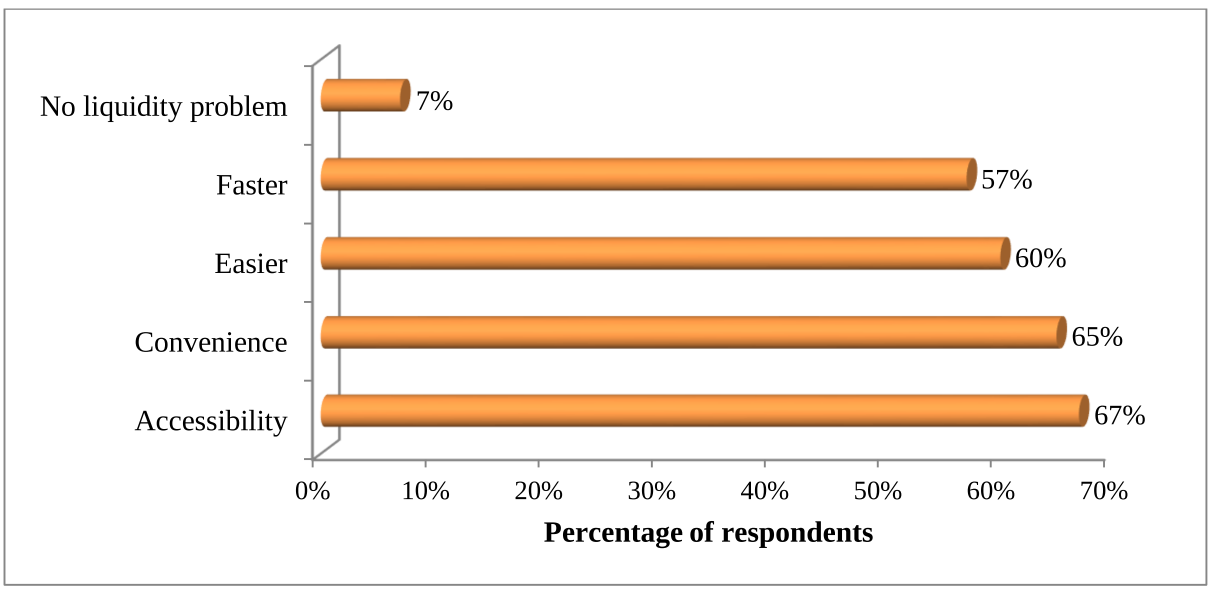
From the research findings, majority of respondents (62%) indicated that they use a bank agent more often as compared to the bank branch whilst the remaining 38% of the respondents indicated that they frequently use bank branches compared to agents. Further analysis of those who use bank agents reveals that 40% of the respondents visit the agent at least 4 times per month, 15% visit the agent thrice per month, 5% twice pre month and 2% visit only once per month. On the other hand, of the 38% of the respondents who use bank branches, 20% indicated that they visit a branch only once per month, 10% twice per month, 5% visit three times per month and 3% visit a bank branch at least 4 times per month.

The above results show that customers visit bank agents more frequently than bank branches. This is attributable to the fact that bank agents are accessible to the customers and are more convenient compared to branches as customers have to travel long distances and also endure transport costs. Customers will not knowingly incur more in terms of time and financial cost to do a bank transaction at the bank unless it is not available at the agent (CBK Governor, 2011).

4.4.2 Benefits of Using Bank Agents Compared to Bank Branches

Furthermore, respondents were asked to indicate the benefits of using agency banking compared to banks. The study findings reveal that 67% of the respondents who had made use of agency banking indicated that bank agents were accessible compared to bank branches. These findings concur with Barasa and Mwiringi (2013) findings that agency banking enhances accessibility of financial products. Figure 4.2 below shows the benefits of agency banking mentioned by the respondents.

Figure 4.2: Benefits of Agency Banking Compared to Banks



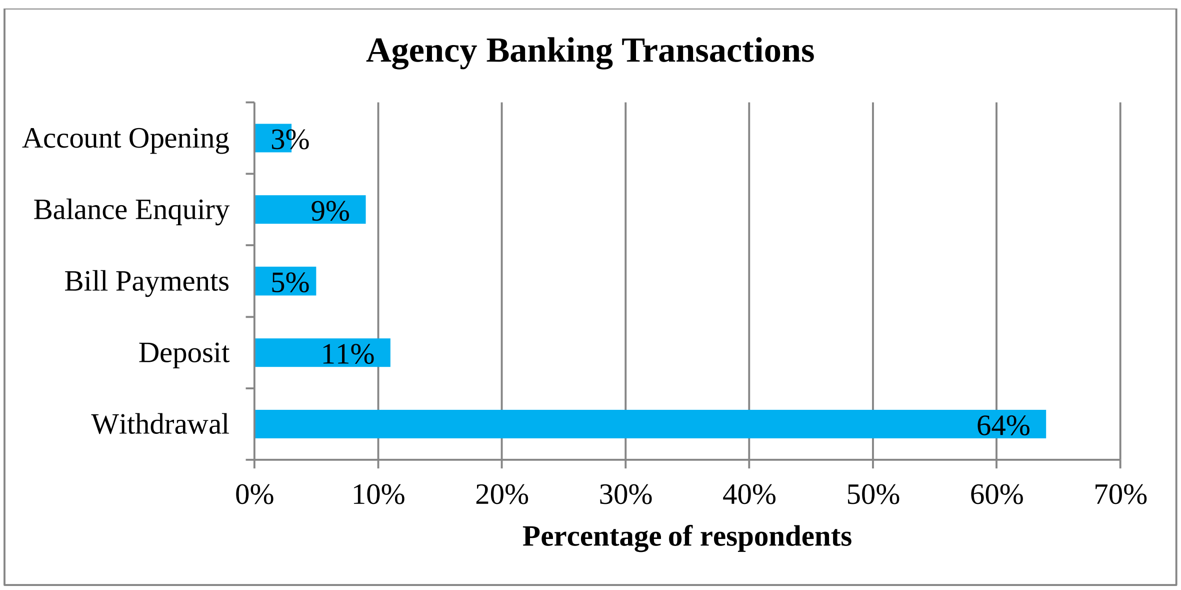
Source: Raw Data

As is indicated above, majority of the respondents mentioned that agency banking was more convenient than banks. Similarly, 60% of the respondents indicated that agency banking is easier to use as compared to banks. Fifty-seven (57%) of the respondents reported that agency banking is faster compared to banks whilst 7% of the respondents indicated that bank agents are highly liquid. These results confirm the reasons presented above as to why customers frequent bank agents more times compared to bank branches. Convenience and accessibility remain the major benefits associated with agency banking. This is especially so for POSB clients who are at the low end of the market and are mostly from marginalised areas. Instead of having to travel to the city centre to access banking services they can easily access banking services at the nearest Post Office. Thus, these results concur with Ombutura and Mugambi (2013), who alluded that agencies are more accessible for illiterates and the very poor who might feel intimidated in branches.

4.4.3 Agency Banking Transactions

Respondents were further asked to indicate the type of banking transactions they usually perform at bank agents. The following bar graph (Figure 4.3) shows the respective findings.

Figure 4.3: Agency Banking Transactions



Source: Raw Data

From the study findings, 64% of the respondents indicated that they usually do withdrawals at bank agents. Eleven per cent (11%) of the respondents normally make deposits whilst 5% indicated that they usually make bill payments at bank agents. Nine per cent (9%) of the respondents usually do balance enquiries whilst 3% opened accounts through bank agents. It is evident from the findings that some respondents have made at least one type of transaction through bank agents. Furthermore, withdrawals are the most popular banking transaction done at bank agents, followed by deposits. Account opening, is the least popular banking transaction done through bank agents. From the study findings, we can safely deduce that majority of bank customers access basic banking services such as deposits and withdrawals through bank agents. Specialised banking services like loans are not yet being offered through bank agents. This was confirmed by branch managers who indicated that they were not yet offering loans through bank agents.

4.5 Service Quality

In order to gauge the levels of service quality offered by bank agents, the respondents who used agency banking were asked to rate some service quality attributes using a scale ranging from very poor (1) to very good (5). The service quality attributes under study included reliability, responsiveness, credibility and security.

4.5.1 Reliability of Agents in Providing Banking Products and Services

With respect to reliability, respondents were asked to rank bank agents on agent resources/liquidity, system availability and connectivity, accuracy in billing, keeping records correctly and performing service at designated time. Table 4.4 shows the percentage of respondents per each reliability attribute.

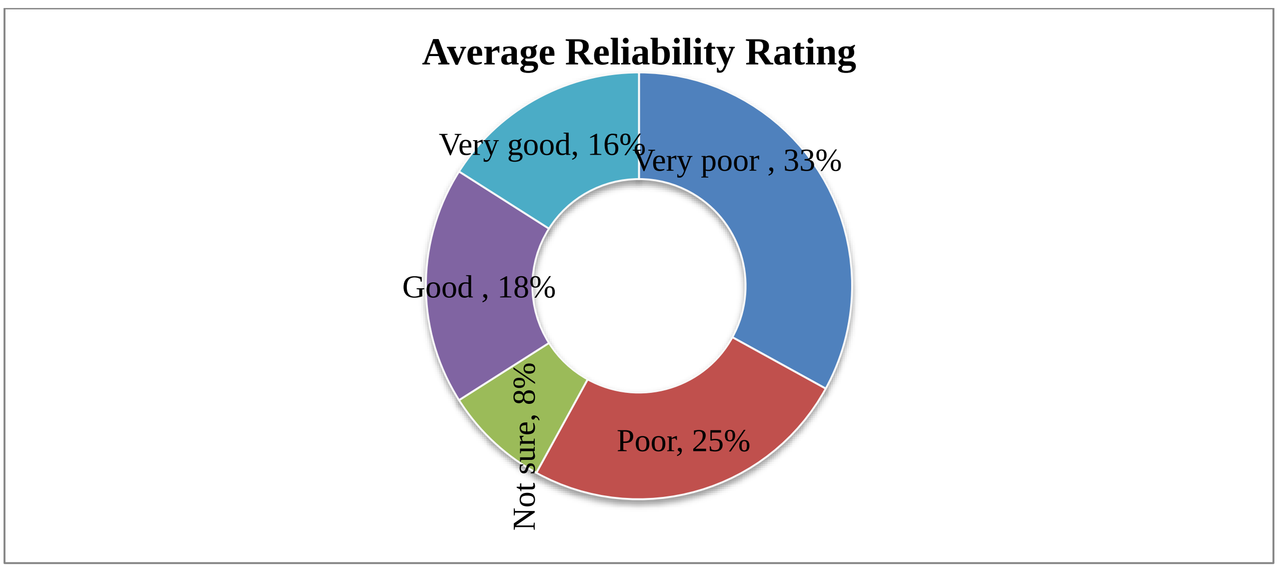
Table 4.4: Reliability of Agents in Providing Banking Products and Services

Reliability Aspect	Very Poor	Poor	Not Sure	Good	Very Good
Bank agent resources (e.g. cash, e-money)	45%	24%	6%	15%	10%
System availability and connectivity	27%	31%	8%	21%	13%
Accuracy in billing	16%	24%	7%	23%	30%
Keeping records correctly	15%	20%	10%	32%	23%
Performing service at designated time	12%	24%	8%	38%	18%

From the findings, majority of the respondents indicated that they were not happy with bank agent resources whilst 6% of the respondents indicated that they were not sure. Only a mere 25% were happy. The respondents mentioned that liquidity availability has an effect on the use of agency banking. Unavailability of cash has an adverse effect on the use of agency banking as the amount to withdraw or deposit is limited. These findings concur with Kumar and Mohanty (2012) who stated that in some cases customers fail to get cash from agents who sometimes have limited amounts. To this end, service quality will be adversely affected as customers will have to wait for a long time for the cash. Furthermore, customers indicated that they become upset if they do not find cash on time. These revelations agree with Birch (2008)'s argument that liquidity problem leads to frustration and is one of the reasons derailing the uptake of agency banking.

The study findings also revealed that the majority of respondents (58%) rated poorly on the system availability and connectivity of bank agents whilst 34% of the respondents indicated that they were happy with system availability and connectivity of bank agents and 8% were not sure. On the other hand, the majority of respondents (53%) indicated that they are happy with accuracy in billing by agents whilst 7% were not sure and 40% of the respondents were not happy. Similarly, 55% and 56% of the respondents are happy with how bank agents keep their records and how they stick to business opening and closing times, respectively. The following graph (Figure 4.4) shows the average rating of the reliability service attribute.

Figure 4.4: Reliability of Agents in Providing Banking Products and Services



Source: Raw data

On average, 88% of the respondents rated the reliability attributes as poor whilst 34% rated them as good. The remaining 8% were not sure. Basing on the averages, majority of respondents indicated that the overall reliability service attribute at bank agents is poor. This conflicts with research carried out in Brazil, on consumer experience, which showed that less than 5 per cent of users have made a mistake and paid the wrong bill at an agent, sent money to the wrong account, or noticed that a payment or a deposit was never processed or received (Mas and Hannah, 2008).

4.5.2 Financial Security and Customer Confidentiality in Agency Banking Services

With respect to security and confidentiality, respondents were asked to rank bank agents on financial security and confidentiality. Table 4.5 shows the percentage of respondents per each security attribute.

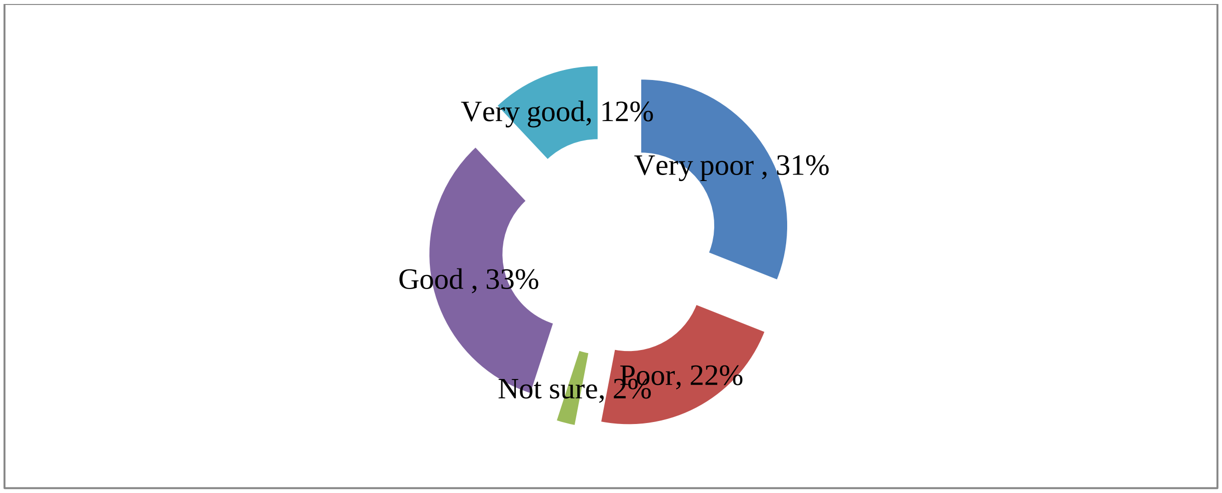
Table 4.5: Financial Security and Customer Confidentiality in Agency Banking Services

Security and Confidentiality	Very Poor	Poor	Not Sure	Good	Very Good
Security on bank agent's premises	35%	20%	2%	30%	13%
Confidentiality on customer information	30%	23%	3%	34%	10%
Security measures to guard against fraud or money laundering	29%	22%	1%	36%	12%

Source: Raw Data

From the findings, majority of respondents (55%) rated the security on bank agents' premises negatively. Of this, 35% of the respondents indicated that the service was very poor whilst 20% rated security as poor. Two per cent (2%) of the respondents said were not sure. On the other hand, 43% of the respondents indicated that they were happy with the security at bank agents. With respect to confidentiality on customer information, 44% of the respondents indicated that they are happy with the security at bank agents whilst the 53% of respondents rated the security at bank agents as poor. Three per cent (3%) were not sure. Furthermore, 51% of the respondents indicated that they were not happy with security measures, to guard against money laundering and fraud, at bank agents. The following pie chart (Figure 4.5) shows the average of the security attribute by respondents.

Figure 4.5: Financial Security and Customer Confidentiality in Agency Banking Services



Source: Raw Data

On average, the security attribute was rated poorly by the majority of respondents (53%) whilst 45% of the respondents indicated that they were happy with security at bank agents. From the findings, we can infer that security at POSB's agent banks is poor. These findings concur with Musau (2013) who argues that as the technology evolves customers become more worried about the security of their money.

4.5.3 Responsiveness of Bank Agents to Customer Needs

In order to gauge the responsiveness of bank agents, respondents were asked to rank bank agents on responsiveness attributes. Table 4.6 shows the percentage of respondents per each responsiveness attribute.

Table 4.6: Responsiveness of Bank Agents to Customer Needs

Responsiveness	**Very Poor**	**Poor**	**Not Sure**	**Good**	**Very Good**
Willingness or readiness of bank agent to provide service	10%	15%	3%	42%	30%
Timeliness and prompt service	5%	6%	2%	55%	32%
Query or complain handling	15%	22%	5%	35%	23%

Source: Raw Data

Seventy-two per cent (72%) of the respondents indicated that they were happy with willingness and readiness shown by bank agents when providing service. On the other hand, 25% of the respondents felt otherwise and rated the bank agents negatively whilst 3% were not sure. Similarly, 87% of the respondents positively rated the timeliness and prompt service attribute. Still on this attribute, 55% of the respondents rated bank agents as good whilst 32% rated bank agents as very good. On the contrary, 11% of the respondents indicated that bank agents are not time conscious and slow when delivering service.

With respect to query and complaints handling, 58% of the respondents said the bank agents were not good whilst 37% of the respondents indicated that bank agents were good. Five per cent (5%) chose not to rate the agents and said they were not sure. Overall, the responsiveness attribute was rated positively. These findings agree with Gilbert (2006) assentation that customers often expect an immediate resolution via other channels such as chat, phone and in-person and tend to define customer service excellence through the response rate.

4.5.4 The Level of Credibility in Agency Banking Services

The study also sought to find out the credibility shown by banking agents. To this end, respondents were asked to rate bank agents on credibility attributes such as honesty, trustworthy and transparency. Table 4.7 shows the percentage of respondents the credibility attribute.

Table 4.7: Credibility of Bank Agents

Credibility	**Very Poor**	**Poor**	**Not Sure**	**Good**	**Very Good**
Bank agent honesty, trustworthy and transparent	21%	31%	3%	32%	13%
Average Score	**21%**	**31%**	**3%**	**32%**	**13%**

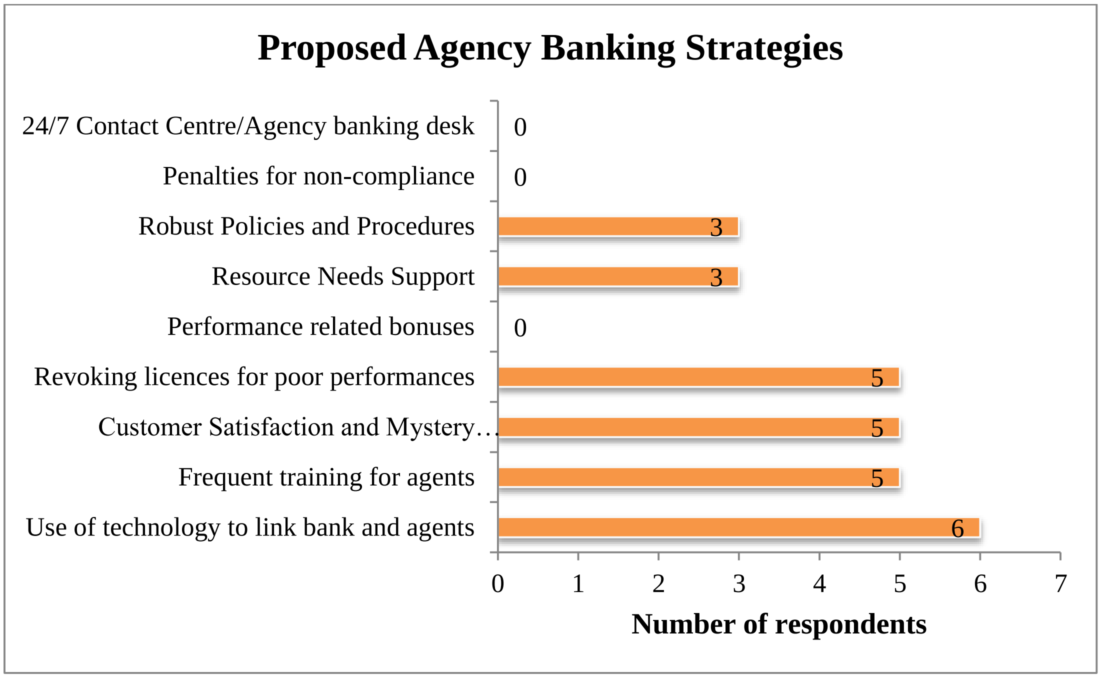
Source: Raw Data

According to the study findings, 52% of the respondents indicated that bank agents were not credible whilst 45% said the bank agents were credible. Three per cent (3%) of the respondents were not sure. The lack of credibility of bank agents often leads to customer dissatisfaction according to Mittal et al (2014). They also added that ‘outcome based – reward system’ is a major reason for ethical misconduct as agents try to meet set targets.

4.5.5 Agency Banking Strategies to Enhance Service Quality

The study also sought to establish the strategies that can be used by agency banks to enhance service quality. To this end, the researcher held personal interviews with 6 branch managers. The proposed strategies are depicted in Figure 4.6 overleaf.

Figure 4.6: Agency Banking Strategies to Enhance Service Quality



Source: Raw Data

All the branch managers interviewed mentioned the importance of technology in providing a seamless and efficient banking service. Although all branch managers acknowledged that the current agency banking model is technologically driven, they felt that more needs to be done to ensure online and real time transaction processing by bank agents. Furthermore, investing in technology will help in reducing system down times thereby enhancing service availability.

Another prominent issue raised by branch managers relates to training for bank agents. 5 out of 6 branch managers indicated that frequent training for bank agents is vital. The majority of branch managers concurred that currently bank agents are only trained once soon after recruitment and no further training is being offered. Training services proposed include customer services; know your customer and anti-money laundering courses. The branch managers proposed for agency banks to do at least a single training for bank agents every quarter. Furthermore, branch managers indicated that apart from system support, no other forms of support were being extended to agents. All the managers interviewed indicated that financial support in the form of loans and overdrafts was not being extended to agents.

More than half of the managers interviewed stated that though it is not without its shortcomings, agency banking has been welcomed by many a customer. They indicated that most customers are happy to access banking services closer to their places of residence as they do not have to travel long distances to the banking halls. Furthermore, they indicated that agency banking has resulted in enhanced service delivery in the banking halls as it has reduced considerably the number of clients that would visit branches in order to access service.

Branch managers also acknowledged that currently they are not conducting customer satisfaction surveys to gauge level of services being offered by agents. However, they agreed that going forward it is imperative to conduct customer satisfaction and mystery shopping surveys in order to have an appreciation on how bank agents deliver service to bank customers. These surveys will help agency banks to address customer service issues raised in the surveys thereby helping to enhance service quality.

4.6 Chapter Summary

The response rates for questionnaires and interviews were 92% and 100%, respectively. This gives credence to the results as the majority of targeted respondents participated in the study. The targeted respondents were using agency banking and thus were able to give valuable responses to the questions during the study. The findings show that agency banking was not reliable, credible and secure. However, the majority of the respondents concurred that agency banking was responsive to their needs. Thus the research findings show that agency banking has negatively affected the reliability, credibility and security service quality attributes. However, agency banking has managed to enhance the responsiveness service quality attribute. The next chapter summarises the research findings and gives conclusions for each objective and recommendations.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Summary

The study aimed to explore the impact of agency banking on service quality in the Zimbabwean banking sector in particular the case of POSB. Five objectives were used to determine the reliability of agents in providing banking services, establishing bank agents' responsiveness to customer, level of credibility in agency services, determining financial security and customer confidentiality in agency banking services and establishing strategies to enhance service quality.

Quality of service brings competitive advantage in the market and one question seeks to explore if automated, mobile, agency and internet banking represent positive change and are delivering improved service quality. The study sought to explore the impact of agency banking on the delivery of service quality. The researcher made use of a survey approach to explore the impact of agency banking on service delivery. The study took the form of a descriptive research design to provide how agency banking has contributed to improved service delivery. The researcher also made use of questionnaires together with interviews to gather primary data from research participants on how they think agency banking has affected service equality delivery by POSB. This study sought to gather views from a targeted research population which included POSB branch managers and banking customers. The findings of this study largely revealed that agency banking has negatively affected reliability, security and credibility of service attributes. However, to a lesser extent agency banking has positively affected the responsiveness of service quality attributes.

5.1 Conclusions

The following conclusions were made.

5.1.1 The Reliability of Agents in Providing Banking Products and Services

A majority of research participants, i.e. 58%, revealed that POSB's bank agents are generally unreliable when it comes to providing banking services. This was attributed to the fact that usually when clients visit the banking halls, banking agents always have limited or no cash to meet the demands and needs of clients. This is also aggravated by the fact that when clients visit the banking hall, system or network is down due to connection challenges.

However, some participants expressed confidence and satisfaction with the service provided by agents. Participants said that POSB agents have done incredibly well when it comes to accuracy in billing, records maintenance, performing and delivering timely services. Based on the averages of the study a majority of participants indicated that the overall reliability of service attributes of POSB bank agents is generally regarded as bad.

5.1.2 Financial Security and Customer Confidentiality in Agency Banking Services

A majority of participants rated the security service quality offered by POSB as generally poor. The security attributes considered in this study include security at Zimpost's (POSB bank agents) premises, confidentiality on customer information and security measures to guard against fraud or money laundering. POSB security services were regarded as generally poor in all these attributes hence agency banking has adversely affected the security service quality attribute.

5.1.3 Responsiveness of Bank Agents to Customer Needs

Responsiveness attributes considered include willingness or readiness of bank agents to provide service, timeliness and prompt service, and query or complaints handling. A majority of participants rated the responsiveness of banking agents as generally good because agents were regarded as willing to provide timely and prompt services. However, participants indicated that POSB agents are not good at handling complaints and enquiries from customers. Agency banking was thus regarded by most participants as having positively enhanced the responsiveness of service quality attributes.

5.1.4 The Level of Credibility in Agency Banking Services

The credibility attributes considered included honesty, trustworthy and transparency. The majority of respondents concurred that bank agents were generally not credible. Thus we can conclude that agency banking has negatively affected the credibility service quality attributes of POSB.

5.1.5 Agency Banking Strategies to Enhance Service Quality

Prominent strategies mentioned by the majority of respondents include seamless interface between POSB and its agents, frequent trainings for bank agents, penalties for non-compliance, and revoking licences for non-performers. Despite the fact that all branch managers acknowledged that POSB agency banking model is technologically-driven, some felt that more needs to be done to ensure that online and real time transaction processing by bank agents is improving. The managers believe there is a need by POSB to invest in technology to help curb the unavailability of network and system related challenges to ensure timely service delivery.

5.1.6 Impact of Agency Banking on Service Quality

This study's findings revealed that agency banking at POSB has negatively affected security and credibility of service quality attributes. Despite this development, POSB agency banking has enhanced the responsiveness of the service quality attribute. Thus three out of four service quality attributes considered were adversely affected by agency banking and only one service quality attribute was enhanced.

5.2 Recommendations

Basing on the results from this study, the following major recommendations were made.

5.2.1 Reliable Agency Banking Service

POSB should provide agents with material support such as cash and e-value to mitigate cash/e-money shortages faced by bank agents. For example, POSB can offer an overdraft which agents can utilise to boost their e-values. The bank should ensure a seamless interface between the agent and agency banks. This will serve to ensure online and real time transactions service delivery.

5.2.2 Query or Complain Handling

POSB should invest in training and investment of its agents to handle queries and complaints raised by customers. Most agents are not capacitated to handle queries raised thereby increasing the response time. Capacitated agents will be able to respond to queries in time and efficiently

5.2.3 Strategies to Enhance Service Quality

The study recommends that POSB agents can be capacitated to ensure quality service delivery that includes frequent trainings for bank agents, penalties for non-compliance, revoking licences for non-performers, establishing an agency banking desk or a 24-hour contact centre and conducting customer satisfaction surveys, among others.

5.3 Further Research

The study established the impact of agency banking on service quality focusing on POSB. Studies can be carried out on other financial institutions that have since adopted agency banking other than POSB. Another interesting area of further research is to find out the impact of agency banking on the profitability of the banking sector.

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APPENDIX A: QUESTIONNAIRE

QUESTIONNAIRE INTRODUCTORY LETTER

Good day to you. My name is Josephine Tafadzwa Mhuriro of the University of Zimbabwe. This questionnaire is designed to gather information for a dissertation entitled: **Agency banking and quality of service in the banking sector of Zimbabwe: A Case of People's Own Savings Bank (POSB)**. The dissertation is carried out in partial fulfilment of the requirements of a Master's Degree in Business Administration (Finance). The information given herein shall be treated as strictly confidential and shall be used purely for academic purposes. Would you please kindly complete this questionnaire by filling in the spaces provided and providing ticks in the appropriate boxes. Your views and contributions would be greatly appreciated.

SECTION A: DEMOGRAPHIC PROFILE

1. Kindly indicate your gender.

Male	
Female	

1. How old are you? (***number of years***) [ ]

2. Kindly indicate your highest level of education.

None	
Primary	
Secondary	
‘A’ Level	
Diploma	
Degree	

SECTION B: AGENCY BANKING ACTIVITIES

3. Which of the following transactions do you normally perform at bank agents? (***please indicate all relevant transactions***)

Deposit

Withdrawal

Account Opening

Balance Enquiry

Loan Application

Bill Payments

Others (***please specify***)

4. How often do you visit a bank branch and bank agent per month?

Channel	Nil	Once	Twice	Three times	Four times and above
Bank branch					
Bank agent					

5. If you visit one channel (bank or agent) many times than the other, kindly list the reasons behind your preferences to this channel.

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SECTION C: SERVICE QUALITY

6. Do you think agency banking improves service quality?

Yes

No

Kindly give reasons why you say so.

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7. Kindly rate the following service quality attributes based on your experience at the Bank Agent, using a scale ranging from very poor (1) to very good (5).

	Very Poor (1)	Poor (2)	Indifferent (3)	Good (4)	Very Good (5)
Reliability Attributes:					
Bank agent resources e.g. cash to satisfy my needs					
System availability and connectivity					
Accuracy in billing					
Keeping records correctly					
Performing service at designated time					
Security Attributes:					
Security on bank agent's premises					
Confidentiality on customer information and financial transactions					
Security measures to guard against fraud or money laundering e.g. fake note detector machines					
Responsiveness Attributes:					
Willingness or readiness of bank agent to provide service					
Timeliness and prompt service					
Query or complain handling					
Credibility Attributes:					
Bank agent honesty, trustworthy and transparent					

8. **How do you rate the following banking services based on your experience when accessed from an agent compared to a bank branch:**

Very Poor (1)	Poor (2)	The Same (3)	Good (4)	Very Good (5)

Deposit

Withdrawal

Balance
Enquiry

Loan
Application

Bill Payments

Others (***please***
specify)

9. **How different is the service that you receive at an agent compared to that you receive in branch?**

   Better

   Similar

   Worse

Thank you for taking time to complete the this questionnaire

APPENDIX B: INTERVIEW

INTERVIEW INTRONDUCTORY LETTER

Good morning/Good afternoon Sir/Madam. My name is Josephine Tafadzwa Mhuriro, a Master's Degree in Business Administration (Finance) final year student at the University of Zimbabwe. I am conducting a research on **Agency banking and quality of service in the banking sector of Zimbabwe: A Case of People's Own Savings Bank (POSB).**Your cooperation is well appreciated and valued.

Thank you.

INTERVIEW GUIDE

1. What strategies do you propose for POSB to implement in order to enhance service quality at its agents' offices?
2. The introduction of agency banking has brought in a new delivery channel and an option for your customers. How has been the customers' response to this new channel?
3. What impact does agency banking have on service delivery in your banking halls?
4. What challenges do you face from agencies in your interactions? What are the specific challenges that customers raise after accessing services through the bank's agents.
5. How do you handle queries or complaints relating to service quality? Do you follow up with respective agents to address the raised issues? If so, what's the turnaround time of addressing such issues?
6. How do you monitor your agents in order to ensure that they are working within the prescribed and agreed framework?
7. What level of support do you give agents which enable them to provide quality of service to your customers? Do you offer them customer service training, if so how often? Do you offer them working capital loans or overdrafts, etc.?