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RESEARCH ARTICLE

THE ROLE OF CONSUMER EDUCATION ON THE UPTAKE AND USAGE OF BRANCHLESS BANKING IN PERI-URBAN AREAS IN KENYA. (A CASE STUDY OF BONDO TOWNSHIP, SIAYA COUNTY)

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Abstract

During the last decade, there has been tremendous growth in branchless banking penetration in many countries across the globe and most interestingly in a number of developing countries. The aim of study was to assess the role of consumer education on the uptake and usage of branchless banking in peri-urban settings. Branchless banking is the way to go for most countries striving to achieve full financial inclusion, although there are challenges associated with this model, this study assessed whether consumer education can address those challenges. The researcher's assumption was that consumer education increases awareness of the model and it generate behavioral change on the consumers of the branchless banking services. The study used the descriptive survey design and was based in Bondo Township. Samples of 200 respondents were used whereby the convenient sampling was used. Questionnaires and interviews were used for primary data collection. Secondary data was obtained from relevant published materials such as books, journals and reports. The study was guided by unified theory of acceptance and the use of technology. After data collection, data gathered was analyzed using SPSS V16.0 and Spreadsheet (Excel) programs for making expected findings and recommendations. The resource presentation was done using frequency tables, bar graphs, percentages and means. The results were that consumer education play vital role in the usage of branchless banking and not much has put in place by telecom companies and banks to educate the clients.

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Introduction

Consumer education has numerous definitions; According to Consumer rights education and awareness trust (CREAT 1993) consumer education has many definitions depending on a given group of people;

- a) To an ordinary consumer, education is viewed as information to help him make choices of goods and services in the market place.
- b) To a businessmen views consumer education as activities that assists in selling services and products.

Consumer education is also defined as a process by which consumers: develop skills to make informed decisions in the purchase of goods and services in the light of personal values, maximum utilization of resources, available alternatives, ecological considerations and changing economic conditions; become knowledgeable about the law, their rights and methods of recourse, in order to participate effectively and self- confidently in the market place and

appropriate action seek consumer redress (US Department of Education, 1980). For the purpose of this research, we adopted the definition that consumer education teaches knowledge, skills and attitudes required to adopt good money management practices and addresses challenges in the uptake and use of branchless banking.

According to free encyclopedia branchless banking is a distribution channel strategy used in delivering financial services without relying on bank branches. By the definition of the Consultative Group to Assist the Poor (CGAP), branchless banking comprises essentially the entire following elements:

1. Use of technology, such as payment cards or mobile phones, to identify customers and record transactions electronically and, in some cases, to allow customers to initiate transactions remotely.
2. Use of (exclusive or nonexclusive) third-party outlets, such as post offices and small retailers, that act as agents for financial services providers and that enable customers to perform functions that require their physical presence, such as cash handling and customer due diligence for account opening.
3. Offer of at least basic cash deposit and withdrawal in addition to transactional or payment services.
4. Backing of a government-recognized, deposit-taking institution, such as a formally licensed bank.
5. Structuring of the above so that customers can use these banking services on a regular basis (available during normal business hours) and without needing to go to bank branches at all, if that's what they choose.

Examples of branchless banking technologies are the Internet, automated teller machines (ATMs), Point of Sale Service (POS) devices, Electronic Funds Transfer at Point of Sale (EFTPOS) devices and mobile phones. Branchless banking, particularly mobile banking, has been met with much enthusiasm in the microfinance industry because of its potential to deliver finance services to a greater number of people. For example, M-Pesa is a branchless banking service designed to enable users to complete basic banking transactions without the need to visit a bank branch (Cohen, 2008). In Kenya the branchless banking model of using agents and other the post offices became operational in early 2009. This was after the minister of finance proposed amendments to allow commercial banks to use agents to offer branchless banking (Nyambura, 2010). As many economies are adopting the new branchless banking model so as to achieve full financial inclusion, not much is being done in these countries in educating the consumers about this relatively new service.

Literature Review

History of branchless banking innovations can be traced back to 1980's when computerization of financial institutions gained momentum. However, a visible presence of this was evident to customers in the 1980's with the introduction of ATMs. Innovative banking has grown since then aided by technological development in the telecommunication and information technology industry. In Kenya, majority of banks have introduced internet banking, mobile banking and other electronic banking facilities to enhance delivery channels to their customers (Nyangosi R, 2008). Major indicator is ATM banking, where by December 2007 in Kenya we had a total of 968 ATMs. Further, indication was that, increase of 31.3 percent from 2006 was experienced when the industry had 737 ATMs. Apart from individual bank ATMs, Kenyan banks who are members of Pesapoint limited and Kenya Switch (Kenswich), which provide e-banking outsourcing partnership, will access 272 ATMs. Other developments included automatic bill payments and depositing money using ATMs (G.O.K, 2007).

In most developing countries branchless banking is a new idea and most researchers have concentrated on the services provided by the model and the challenges the model face. In 2008 a qualitative research was conducted in four countries: the Dominican Republic, Kenya, the Philippines and South Africa to gather information on the behaviors, understanding and skills of the users of mobile banking and bank cards and was found that there are three major client- based impediments to branchless banking as follows: lack of understanding of formal financial services; low levels of customer technical knowledge; Weak consumer trust in mobile banking and bank cards (Cohen, 2008). Not much has been done by other researchers on the role of consumer education to curb the challenges facing the uptake and usage of branchless banking, hence the reason for this study.

Research Methodology

The study largely adopted descriptive survey design which is a present oriented methodology used to investigate population by selecting samples to analyze and discover occurrences (Kothari 2003). The research was carried out in Bondo Township within Bondo Sub-County in Siaya County. The researcher chose Bondo Township since it's a typical Kenyan peri-urban setting with a growing economy and it has only three formal banking institutions. This

has left the public to depend much on branchless banking in accessing finances services. The study targeted the entire customers of the banking agents, bank automated teller machine (ATMs) and M-pesa (mobile money transfer) agents in the peri-urban setting in Kenya.

Sample and Sampling procedure/technique

However, for the purpose of this study, only customers located in Bondo Township were included in the sample. From an estimated total population of 35000 customers of both M-pesa agents, banking agents and bank ATMs, a total of 200 customers were selected to form the sample and this was due to resource constraints. Clients of both bank and mobile money transfer services were sampled out using convenience sampling technique. Convenience sampling technique selects, on the first come first served basis or those who happen to be available (Mugenda and Mugenda 2003). The researcher used purposive sampling to select the banks and bank agents to include in the study; this deliberate selection of subjects of a study saves on time and money and particularly in this case where the researcher only needed institutions that offer branchless banking services. The researcher used two questionnaires, one for the M-pesa clients and another one for ATM clients both having features of both open-ended and closed questions. The interviews were also appropriate because the scope of this study is in a peri-urban area where the population of the place may not be fully literate and there being a possibility the elderly persons from the rural area bordering Bondo Township.

Results and Discussion

Socio-Demographic characteristics of the respondents

Table 1: Gender of the respondents

Gender	ATM clients		Mobile banking clients		Total
	Freq	Percent	Freq	Percent	
Male	31	39.74	40	46.51	71
Female	47	60.26	46	53.49	93
Total	78	100	86	100	164

The study interviewed one hundred and sixty four (164) respondents, of total 78 respondents on ATM usage 31 (39.74) were males with the rest 47 (60.26%) respondents being females. Similarly out of the total 86 respondents obtained for mobile banking 40 (46.51%) with 46 (53.49%) respondents being females. These findings bring out that gender balance was observed in selecting the study respondents. On age distribution of the respondents, below 30 years were 32 (41.03%) for ATM users and 11 (12.79%) for mobile banking. 13 (16.67%) and 35 (40.7%) for ATM services and mobile banking services respectively were between ages 31 and 40 years. Age bracket of 41 to 50 were 20 (25.64%) and 17 (19.77%) respondents for ATM services and mobile banking respectively. And finally ATM services had 13 (16.67%) respondents while mobile banking had 23 (26.74%) respondents aged above 51 years.

Information on branchless banking services

The researcher proceeded to ask the respondents what services they had accessed using mobile banking; buying airtime was the most accessed service with 58 (67.44%) respondents. Checking bank account balance was the second most service accessed with 57 (66.28%) respondents. Transfer of money from bank to phone came third as indicated by 40 (46.51%) who had accessed this service. 40 (46.51%) respondents had paid their bills using mobile banking. 24 (27.91%) respondents requested their mini-bank statements using their mobiles. A handful of respondents 12 (13.95%) had received their bank accounts updates using their mobile phones.

The study also posed a similar question to respondents who were using their ATM cards. Of all the respondents 78 (100%) used their ATM cards to withdraw cash. 64 (82.05%) had accessed their account balances through ATM machines. 19 (24.36%) respondents used their ATM card to deposit cash into their bank accounts. Few respondents 7 (8.97%) used their ATM cards to buy commodities. Response on time of visiting banking agents most respondents 52 (66.67%) respondents visited banking agents to deposit cash, 33 (43.21%) respondents to withdraw cash. 20 (25.64%) respondents visited the agents to during the opening of their accounts, processing their loans and or

collecting their credit and or debit cards. Some respondents 13 (16.67%) visited banking agents when they had problems with the ATM machines. 13 (16.67%) respondents indicated that they only go to the banks to enquire about their account balance, 7 (8.97%) visited banking agents to pay their cash bills with only 6 (7.69%) had to visit the agents to repay their loans.

From this research in mobile banking, buying airtime was the most accessed service, followed by checking the bank account balance, transfer of money from the bank was third and few clients paid bills using mobile banking. For ATM card users, majority used them for cash withdrawal, followed by checking account balance, depositing cash into the bank came third and few clients used the ATM cards to buy goods and services. This is in line with the research of Cohen (2008) done in the four countries; the Dominican Republic, Kenya, Philippines and South Africa where purchase of airtime over the phone was reported to be mostly widely used financial service. It is evident that majorities are aware of branchless banking services, but the problem is that not all the clients are accessing entire services of this model

Information on challenges facing branchless banking

The study investigated challenges that were facing the mobile banking respondents, where majority of the respondents 80 (93.02%) highlighted network coverage problem as the main issue that affected the mobile banking services. 60 (69.77%) respondents had difficulties understanding the procedures of the mobile banking services, frauds from unauthorized persons and phones power lapse were also problems faced by the respondents as indicated by 11 (12.79%) respondents each. The main challenge that faced the ATM card users was the lack of adequate skills on how to operate the ATM machine as indicated by 52 (66.67%) respondents, network connectivity and service failure was another issue that affected ATM card holders as backed by 38 (48.72%) respondents. 21 (26.92%) respondents pointed out fraud and theft as a challenge. Insufficient/ lack of cash was also underlined, 7 (8.97%) respondents pointed out limited withdrawal of cash and lastly long queues came out as another problem facing the ATM services as supported by 6 (7.69%) respondents. In general the main problem facing ATM card user lacked adequate education and skills to enable them operate the machines beside other problems.

On the challenges the clients face when utilizing the services the research found that in mobile banking, majority highlighted network coverage problem as the main issue, followed closely with clients having difficulties in understanding the procedures of assessing mobile banking services, fraud from unauthorized pensions was also mentioned and lastly phone power lapses. In ATM card usage, lack of adequate skills on how to operate and utilize all the ATM machine services was the most sought challenge by many respondents, network connectivity and service failure was second, followed insufficient/lack of cash in the ATM machine was third, limitation on the maximum amount to be withdrawn by client in a day way fourth and lastly long queues where machines few. From the research it is evident that the main challenge is lack of adequate skills by clients in utilization of branchless banking services which is similar to Cohen (2008) market research which identified branchless banking challenges as follows; lack of understanding of formal financial services, low levels of customer technical knowledge and weak consumer trust in mobile banking and bank card.

Information on methods of training clients received on branchless banking and their impact.

The study sought to found out how satisfied respondents were by the information in circulation about the use of mobile banking. The respondents were to respond as either very satisfying which was given a score of 3, satisfactory which was given a score of 2 and less satisfying which was given a score of 1. For each respondent the scores for each question were summed up and divided with the total number of respondents to give a mean score. A mean less than 1.5 meant that the respondents were of the opinion that the information on circulation about mobile banking was less satisfying, a mean score between 1.5 and 2.5 meant that the respondents were satisfied with the circulating information. A mean score above 2.5 meant that the respondents were very satisfied about the information on mobile banking. Table 2 shows the findings

Table 2: Methods of consumer education and their impacts

Methods of consumer education	Very satisfying		Satisfactory		Less satisfying		Mean score
	Freq	Percent	Freq	Percent	Freq	Percent	
Face to face education by customer care officer	18	66.67	6	22.22	3	11.11	2.556

Radio/TV/Newspaper/commercials	30	38.46	36	41.15	12	15.39	2.128
Brochures	17	19.77	51	59.30			1.779
Sms sent to phone	11	12.79	46	53.49	6	6.98	1.523
Road shows/exhibition			35	40.70	34	39.53	1.209
Email/social network and internet	6	6.98	24	27.91	33	38.37	1.151
Posters			34	39.53	29	33.72	1.128

From table 2, the respondent who had face to face education by customer care officer were 27 with 18 (66.67%) responded that it was very satisfying, 6(22.22%) found it satisfying and lastly 3 (11.11%) claiming that the method was less satisfying. The face to face education had a mean score of 2.556 implying that on average the method was very satisfying. Respondents who had accessed education through radio/TVs and newspapers 30 (38.46%) were very satisfied 36 (41.15%) respondents found the information satisfactory while 12 (15.39%) said the information was less satisfying. The mean score for adverts in radios/ TVs and newspapers was 2.128 interpreted as satisfactory. On response on education through brochures; out of the total 69 respondents who had come across this method 17 (19.77%) claiming the message was very satisfying with the rest 51 (59.30%) finding the mode satisfying. A mean score for this method of education was 1.779 indicating that on average this method was satisfying. Another method of education was through Sms sent to phone, of 63 respondents who had come across this method 11 (12.79%) found it very satisfying. 46 (53.49%) respondents found the message satisfying with only a handful 6 (6.98%) less satisfying the average score of this method was 1.523 inferred as satisfactory. The next method the study examined was education through Road shows/exhibition; of 69 who had knowledge on this method 35 (40.70%) found the method satisfying with 34 (39.53%) saying it was less satisfying the mean score for this method was 1.209 inferred as generally less satisfying. For Email/social network and internet as another method of education with 63 respondents with 6 (6.98%) saying it was very satisfying 24 (27.91%) finding it satisfying and 33 (38.37%) claiming it was less satisfying. This method had a mean score of 1.151 interpreted as less satisfying. Methods of client education were generally rated satisfying as shown by mean scores of 2.556, 2.128, 1.779, and 1.523 for face to face training by customer care, Radio/TV/Newspaper/commercials, brochures and Sms sent to phone respectively. However, there are some methods that were less satisfying to respondents for instance, road shows/exhibition, email/social network and internet, and posters as highlighted by the mean scores of 1.209, 1.151 and 1.128 respectively. It is observed that respondents who had direct training by the customer cares were very satisfied and would use the services with ease and regularly because they were conversant with the procedures. Finally the researcher asked the respondents on any method of education on branchless banking they would recommend. 35 (40.70%) respondents on mobile banking and 40 (51.28%) for ATM services recommended arranging workshops and seminars for customers. 51 (59.3%) for mobile banking and 46 (58.97) for ATM services suggested organizing road shows. 22 (25.58%) 7(8.97%) for mobile banking and ATM services respectively endorsed production of brochures/ journals and newsletters in local languages as methods of educating the public. Finally 15 (17.44%) for mobile banking and 13(16.67%) for ATM services suggested introducing procedures of the services on local language.

Conclusion

The purpose of the study was to find out the role of consumer education on the uptake and usage of branchless banking in peri-urban areas in Kenya. Emphasis was placed on the approaches and technologies of branchless banking, challenges clients faces when utilizing the services and consumer education programs rolled out by telecom companies and financial institution on branchless banking. The study found out that respondents had embraced technology as almost all respondents were either having mobile phones or ATM cards to conduct branchless banking transactions. However most lack adequate skills to operate the machine or carry out the given transactions since the modes of education the respondents got were less satisfying or almost had no effect on the little knowledge they had. The study also noted that advertisement on radio, TVs and social network scored high as the methods of education and training that most respondents accessed. These method were however inadequate and limited to only those respondents who could access it. It is evident from the study that respondents who received information of branchless banking directly from the service providers' customer care officer felt satisfied with the information and really embraced the model that is in usage.

The study also showed that branchless banking is relatively new among the resident of Bondo Township to the ones in the countries such as Brazil where it has been well developed. In Brazil, there are over 170000 agent points, such as pharmacies, deliver a wide array of services on behalf of banks, processing approximately 2.5 billion transactions a year (Dias Denise and McKee Katherine 2010). The researcher recommends that banks and telecom companies provide adequate training to the clients before introducing it to them, this will increase the uptake and usage among banked and unbanked population.

Recommendations

1. The study recommends that the banks should set up more customer care desks in the peri-urban centers so as to help address challenges faced by clients in these areas.
2. The study recommends that banks should put more advertisements on local media to increase awareness to their clients and not also forgetting to outline clear information concerning the branchless banking through texts to those clients who cannot access TVs and/or radios.
3. The study recommends that banks should organize and arrange workshops, seminars and road shows more often to give comprehensive training to clients about their products
4. The study has also suggested that banks should consider introducing brochures journals and newsletters published in local languages to cater for its illiterate and semi illiterate clients.
5. The study recommends the inclusion of branchless banking sub-topic on money and banking topic in the business studies syllabus for secondary schools and in banking courses for universities in Kenya.

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