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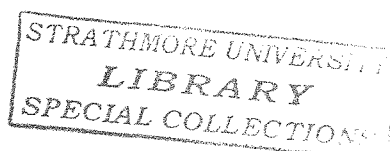
**AN ASSESSMENT OF THE EFFECT OF AGENT BANKING ON
FINANCIAL INCLUSION OF LOW INCOME HOUSEHOLDS IN KENYA:**

A CASE STUDY OF KIBERA SLUMS

Strathmore University
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*An assessment of the
effect of agent banking*

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by any other college or University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

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Dr. Hilda Omae

ABSTRACT

There is a serious problem of limited access to financial services among low income households as majority of low income households keep their money under mattresses or in “home banks”. In recognition of these hurdles, agent banking has been flaunted by financial stakeholders as with potential to include many “unbanked” low income households. Proponents of financial inclusion argue that including 38% of Kenyans without access to even the most basic financial services will enable low income communities build savings and access credit. While these arguments have often provided the theoretical justification for widespread government intervention, evidence on the success agent banking in including low income households in Kenya in the financial mainstream is not clearly known. Specifically, the research intended to establish the extent to which agent banking has enabled the residents of Kibera slums access financial services such as micro-credit and micro-savings. Self-administered questionnaires were distributed to 80 respondents residing in Kibera slums. The respondents were randomly selected from the 6 regions of Kibera slums. Findings were summarized and presented in terms of tables and figures. Anova was used to determine the saving patterns of the respondents. The findings suggest that while there has been an increase in the number of low income households in the financial mainstream, there is no clear correlation between agent banking and increased savings and access to micro-credit facilities among the low income households in Kibera slums. This study concludes that inclusive banking does not necessarily result to automatic exit from poverty by poor households. The study recommends revision of agent banking in relation to the needs of poor households.

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Acronyms

Financial Sector Deepening-FSD

Rotating Savings and Credit Associations -ROSCAs

Alternative Financial Sector -AFS

The International Monetary Fund -IMF

Kenya National Bureau of Statistics -KNBS

Non-Governmental Organizations - NGOs.

Central Bank of Kenya- CBK

Micro-Finance Institutions -MFIs

Culture Of Poverty - COP

Alternative Financial Service- AFS

Point Of Sale- POS

General Packet Radio Service -GPRS

Retail Agent -RA

Subscriber Identity Module (SIM)

Automatic Teller Machine-(ATM)

Community Investment Act –CRA

Kenya Shillings –Kshs

Definition of Terms

Chamas- 2 or more persons organized for the sole purpose of collecting money for savings and investment purposes.

Agency banking – Is the system where banks under the approval of Central Bank of Kenya, appoint agents to deliver financial services in areas deemed not viable to put up banking infrastructure

M-pesa- An innovative mobile transfer solution that enables safaricom mobile subscribers to send deposit or even make withdraws using their mobile phones

Poverty line - is the minimum level of income deemed necessary to achieve an adequate standard of living, in Kenya the amount is placed at monthly income of Ksh 2,913 and Ksh 988 for food

Home bank - Small tin box with a slit on the top that are used to insert money.

Unbanked- These are individuals who do not have their own bank account and rely on alternative financial services for their financial needs

Partnered – One who is married/ living with a spouse whether legally or following a mutual consent

Un-Partnered – One who is married -One who has never married legally, whose divorced, separated or lost a partner through death.

Household – Individuals with a shared residence.

Low income households – Households earning inadequate income to support access to productive assets as well as to social infrastructure and markets through financial institutions

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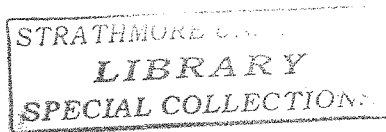
My deepest gratitude goes to my family for their love and support throughout my life; this thesis would have been impossible without them. My daughter Elsa Sarange for giving me a reason to keep working hard, I am indebted to my father, John Matoke, for his care and love, My Late Mother Olipha Nyakwama Sarange for teaching me the value of persistence, my sister Candida Nyansiaboka, My brothers; Adolf and Robin Matoke, my niece Sheila Kwamboka and Cousin Obadiah Mokua for their consistent encouragement .

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Last but not least, thanks are to God for my life through all tests in the past years. You have made my life more bountiful. May your name be exalted, honored, and glorified.

Dedication

This study is dedicated to my Late Mother Olipha Sarange Nyakwama



CHAPTER ONE

1.1 Introduction

Majority of the Kenyan population does not have access to banking services, FSD (2008), points out that 38% of Kenyans lack access to even the most basic financial services. The lack of access to banking services could be attributed to a considerable lack of formal financial institutions among the low income household communities (Morawczynski, 2007). However, a more recent report by the FSD (2009) indicates a decline in the overall proportion of adult Kenyans that are financially excluded. Case in point, between 2006 and 2009 there was a 5.7 % increase of adult Kenyans with bank accounts and an 8.4 % decline of adult Kenyans dependent on the informal financial services (FSD, 2009).

The reliance upon informal financial services draws low income households further into a cycle of poverty. This is mainly because informal financial service providers charge high fees that make it more difficult for the low income households to save and plan financially for the future (CFED, 2010). As a result, leaving the low income households vulnerable to emergencies that may endanger their financial stability (Scholz, Sheshadri and Khitatrakun, 2007). In support of this observation, Dupas and Robinson (2009), found that after six months access to formal savings account there was a 39% increase in productive investment and a 13% increase in food expenditure among women micro-entrepreneurs in Kenya. On the contrary, Karlan and Morduch (2010), maintain that financial access may be powerful for some, but it does not yield high returns for all.

In an effort to expand financial access to low income households on fair and equitable terms, the Kenyan parliament reviewed the banking act 2009 to enable the central bank of Kenya to license banking agents to deliver financial services on behalf of banks. Based on the success of branchless banking in Brazil, the financial stakeholders have remained highly optimistic that agent banking is the key to including the low income households in the mainstream financial system (CBK, 2011)

1.2 BACKGROUND TO THE STUDY

1.2.1 An Overview of Agent Banking

Agent banking is a relatively new phenomenon that was launched in Kenya in 2010 after the Kenyan parliament reviewed the banking act financial bill 2009. Bank agents, seek to offer solutions to the inefficiencies of “bricks and mortar” banks. 3rd parties are engaged to offer certain banking services in areas with business opportunities which may not necessarily merit the banks physical presence (Banking survey, 2010). The opening up of banking channels to non-bank agents to expand access of financial services to the “unbanked “ population that has no access to even the most basic form of informal financial services has come to be “coined” as agent banking.

Agent banking is quickly becoming accepted as a viable strategy for extending formal financial services to low income households. In terms of the ratio of agent banks to population, Brazil has 7.65 agents per 10,000 people. Peru, projected 4.48 in 2011, Colombia, 6.48 agents per 10,000 people while Mexico has with 0.84 agents per 10,000 people (Central Bank of Brazil. 2010) .

In Kenya, there are nearly four agents per every 10,000 adults. Kenya’s quick start is largely attributed to the already developed network of agents used in Kenya’s highly successful mobile banking model, M-Pesa, which was leveraged in the initial implementation of the agent banking mode (AFI, 2011).

Financial stakeholders assert that agent banking presents an excellent opportunity to extend low-cost virtual bank accounts to a large number of currently “un-banked” low income households in Kenya (FSD, 2010) as it is likely to be driven by falling costs, the fact that the retail networks have already established relationships with the populous and the ability of the retail networks to provide accessibility with ease (Cracknel, 2004). The success of correspondence banking in Brazil, demonstrates that indeed agent banking has great potential to extend the distribution of financial services to the low income households who are not reached by traditional bank branch networks. Further, the proponents of agent banking point out the likelihood of agent banking to play a significant role in decreasing poverty (Alexandre et al., 2010). Though, Joseph and Stegman (2001) contend that aggressively serving the low income households and near poor, are incompatible with operating banking institutions at the most profitable levels.

Agents are licensed by the central bank of Kenya to offer transactional service which involves facilitation of a transaction on the behalf of a client that requires an exchange of funds and a clearing and settlement authorization on the part of the bank in question. An example of this would be a deposit into an account, a bill payment or withdrawal from an account. As well agents are licensed to offer administrative service, this is one where there is no exchange of funds and thus no clearing and settlement requirement. This can include an account balance inquiry or extend out to credit applications. The agent is merely a conduit and thus no clearing and settlement requirement. This process and is not liable for the result of the decision, the emphasis is on relaying the information to the head office or bank branch to allow an authorized individual retained by the bank branch to make a decision.

1.2.2 Financial Inclusion

The essence of financial inclusion is to expand financial access to the “unbanked” (FSD, 2008). Over 2.2 billion Africans do not have access to quality, affordable financial services (Chaia, 2009). In Kenya, approximately 1.3 million Kenyans do not have access to basic financial services. Therefore, there is need to financially include those excluded from mainstream financial system to facilitate access to savings and credit (Fernando, 2007) among other financial services. Including the low income households in the mainstream financial system is likely to improve the overall financial inclusion of low income households (Eugene, 2008) unlike the “fringe” financial institutions that charge excessive fee (Pyper, 2007).

Allison, Massoumi, and Blair (2007), states that fringe financial institutions are a likely symptom and a reinforcing cause of poverty as the low income households risk being drawn into a 'debt trap. Eugénie (2008) asserts that to combat poverty, banks need to make financial services available to the excluded. On the contrary, critics allege that there is little to no short-term impact from providing households financial access (Karlan and Zinman 2009). Whether access to financial services actually helps alleviate poverty remains widely debated (Adams et al., 1984).

1.2.3 Low Income Households in Kenya

The Kenya integrated household and budget survey by the Kenya National Bureau of Statistics (KNBS, 2007), estimates urban poverty line in Kenya to be monthly income of Ksh 2,913 (urban areas) and Ksh 1,562 (rural areas) and Ksh 988 as the food poverty line. The

International Monetary Fund (IMF) Poverty Eradication Strategy paper (2004) uses variables such as inadequacy of income, deprivation of basic needs and rights and lack of access to productive assets as well as to social infrastructure and markets to measure poverty. In retaining the focus that poverty and the policies addressing it are all shaped by political biases and values: this research, will limit its focus on variables as defined by Welfare Monitoring Survey (19997) and the KNBS (2007) that defined absolute poverty line as a monthly income of Ksh 2,913 in an urban setting and Ksh 988 as the food poverty line.

1.2.4 Background of Kibera and Other Major Slums in Nairobi

Scattered within Nairobi's nine administrative divisions, Nairobi slums accommodate approximately 1.5 million people (United Nations, 2006; Centre on Housing Rights and Evictions, 2008). The major slums in Nairobi include Kibera, Mathare, Korogocho, and mukuru kwa njenga. Mathare, the second largest slum after Kibera accommodates approximately 500,000 people and is composed of a collection of slums with the famous mathare valley accommodating over 180,000 people .Mukuru kwa Njenga the third largest slum in Nairobi is located on the east of Nairobi county while Korogocho is located 11 kilometres on the northeast of the city centre. Korogocho is divided into seven "villages". Highridge,Grogan,Ngomongo,Ngunyumu,Githaturu,Kisumu Ndogo and Korogocho. Korogocho accommodates approximately 150,000 to 200,000 people. Mostly from the Kikuyu,Luo and Luhya communities.

The United Nations Habitat estimates the population of Kibera to be approximately 800,000 while the 2009 population census placed the population of Kibera at 7 million, thus there is no clear estimate of the Kibera population. Even so, according to UN Population Fund (2007), Kibera is one of the fastest growing areas in Kenya. Despite the government's effort to house Kibera residents, housing remains extremely poor in the larger Kibera. The environment is heavily polluted by human refuse, garbage soot, dust and other wastes (UN-Habitat, 2011).

Kibera residents struggle daily to meet basic needs such as access to water, nutrition and sanitation (CFK, 2011). Available schools and health centers are run by Non-Governmental Organizations (NGOs) and majority of the residents earn an average daily income of Kshs 20. Karanja and Makau (2005), indicate that 60% of the working population in Kibera slums

The appalling situation has drawn the attention of financial stakeholders who agree that there is a serious problem of limited access to financial services in Kenya among the low income households (FSD, 2008). Access to finance has been seen as a critical factor in enabling the access to financial services among the low income households (Banerjee and Newman 1993). While these arguments have often provided the theoretical justification for widespread government intervention, evidence on the success of financial inclusion interventions in reducing poverty among the low income households remains limited particularly in Kenya. Nonetheless, whether agent banking interventions will essentially improve the financial inclusion of low income households, contribute to the governments' effort in alleviating poverty by 2030 and facilitate the provision of quality life to low income households remains open to debate and the basis of this research.

1.3 Problem Definition

There is a critical need to assess the effects of agent banking on the low income households of Kenya. The government of Kenya's Vision 2030 strategy envisions Kenya reaching middle income status by the year 2030. Based on current norms for countries like South Africa or Brazil, this would mean the inclusion of 38 % of the Kenyan population that has no access to even the most basic form of formal financial services. To serve all these people, Kenya will need in total 22,000 proper banking service points, an increase of ten fold on today's number of some 2,300. If that increase comes through developing the same bank distribution system, the capital cost would certainly inhibit greater financial inclusion. In 2010, in an effort to include the "unbanked population in to the financial mainstream, the central bank of Kenya licensed agents to offer banking facilities on behalf on banks in areas where the banks did not find it viable to set up "brick and mortar businesses. After considerable review of literature on financial inclusion, the discourse on agent banking as a financial inclusion strategy has been flexible transaction accounts which are low cost, convenient and offer sufficient cash flow management benefits to drive inclusion. However, there has not been any emphasis on the "savings/credit-led" elements of financial inclusion in an effort to enable the low income households who form majority of the Kenyan population without bank accounts to enjoy the full benefits on financial inclusion. Consequently, this papers aims to give an analysis that will help to understand the effects of agent banking beyond the first element of financial inclusion.

1.4 Research Objectives

The primary concern of this research was to assess the effect of agent banking on the financial inclusion of low income households. In order to achieve this broad objective, the research developed the following specific objectives:

1.4.1 Specific Objectives

- i To assess the extent to which agent banking has enabled the residents of Kibera slums to access cash deposit and withdrawal services.
- ii To establish if agent banking has enabled the residents of Kibera access saving facilities with the banks
- iii To establish if agent banking has played a role in enabling the residents of Kibera access micro-credit.

1.5 Research Questions

- i Has agent banking enabled the residents of Kibera slums to access cash deposits and withdrawal through the local banking agents?
- ii Has agent banking enabled the residents of Kibera access saving facilities?
- iii Has agent banking enabled increased access to credit among the Kibera slum residents?

1.6 Scope of the Study

This research focused on banked low income households in Kibera slums. This location was chosen because of the fact that Kibera slums have adequate information arising from the widespread research, secondly Kibera slums is not only one of the most impoverished areas in Kenya (Morawczynski, 2008) but also is home to migrant workers from various parts of Kenya (Bodewes, 2005) and as such a more representative sample of the wider low income households from different parts of Kenya. As well, majority of the Kibera slums residents are reported to earn a daily income of Kshs 20 (CFK, 2011) which falls below monthly income bracket of Kshs 2,913 as classified the KNBS (2007). The population sample was randomly drawn from the 6 villages cutting across Kibera slums as defined by the Kenyan Population census of 2009.

1.7 Justification of the Study

Low income households would gain numerous advantages from opening bank accounts and establishing a credit relationship with a formal financial institution. For example, a personal account can be a useful tool used to more effectively manage personal finances and can enable one have greater access to credit .Despite these advantages, roughly 1.4 million adult Kenyans do not have access to even the most basic financial services. Further, it is often claimed that unbanked consumers are vulnerable to market exploitation because they are likely to utilize informal financial markets (Toussaint-Comeau and Rhine, 2000). Hence, this research forms a platform for scholars, the Government of Kenya, Vision 2030, Non-governmental organization and Micro-Finance Institutions (MFIs) who may wish to evaluate the extent to which agent banking is enabling low income households access financial facilities such as credit and savings through the mainstream financial systems; as well the research seeks to give financial stakeholders insight on formulation of low income households financial products and services in an effort to provide affordable bank distribution.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides an overview of the theoretical orientation, analyzing theories such as the agency theory, the stewardship theory and the culture of poverty theory. As well, the chapter develops the empirical review which will serve as a lens through which issues highlighted in the conceptual framework will be addressed. Under the Empirical review issues of financial inclusion, agency banking, micro-savings, and access to micro-credit among the Low Income Households are discussed in depth. Further, in an effort to draw lessons from the American government's effort to eradicate poverty, community Reinvestment Act (CRA) has been discussed as well.

2.2 Theoretical Review

This chapter seeks to compare how different theories address the issue of banking low income households.

2.2.1 Agency Theory

According to Gariro (2009) an agent is "one who acts for, or in the place of another, by authority from him; one entrusted with the business of another". According to Attorney and Bethany (2010), all people possess a single innate compulsion to acquire. Consequently, there is likelihood for the agent not to front the interests of the business owners as honestly as is expected. Therefore, agency theory highlights on problems encountered by investors who cannot avoid the services of agents in managing their businesses. Indeed, agency comes with problems widely referred to as agency costs (Chamber and Quiggin, 2000). Although agency theory lays emphasis to the effect that agency are undesirable, other writers have opposing views. Heslop (2008), for example, posits that a good business agent could add value to business.

In view of agency banking, non-bank service points are taken closer to the "unbanked" population. This enables banking services to reach remote areas, enhanced by modern communication technology including telephone and Internet highways. Thus, Agency theory gives an explanation as to why third-world countries continue to languish in poverty. Persons that are positioned to front the interests of their principles are always taking advantage of their

role as they make decisions that mainly benefit themselves. In a controversial rejoinder thus, agent banking might be seen to be undesirable since in the eyes of the proponents of agency theory, it will always seek to benefit the agents rather than the principals or the customers.

2.2.2 Stewardship Theory

Stewardship theorist assumes a strong relationship between the success of the organization and the principal's satisfaction (Slyke,D2007). Fernando (2009), argues that the stewards behavior will not depart from the interests of his or her organization and that the steward places higher value in cooperation than defection (Davis, Donaldson and Schoorman,1997) as they will drive greater utility in cooperative behavior (Caldwell and Rajan,2005). Further, the theory states that the steward behavior can be considered collective as the steward seeks to benefit the principals through positive effects of profits on dividends and share prices (Ong,2000).

Critics of the stewardship theory argue that exceeding levels of 'blind' trust may result to misplaced strategy (Beccerra and Gupta 1999) and as well can prevent warranted critique of management team. Further, the critics indicate that monitoring may be a useful element of governance as like all other human beings, stewards can be subject to bounded rationality, or distorted perceptions (Hodgson, 2004).

In light of agency problems, this paper views the banking agents as stewards whose interests are aligned with the interests of the banks and banks objectives are held above personal objectives (Walsh and Seward 1990) or distorted perceptions (Hodgson, 2004). However, as Karra et al., (2006) points out, stewardship behaviors in some agents may alter into agency behaviors over time, and complacency might set in (Fama and Jensen, 1983). As a result, role conflict may increase between the banks and the banking agents.

2.2.3 Culture of Poverty Theory

According to Oscar Lewis, the Culture of Poverty (COP) tends to perpetuate itself from generation to generation, this is mainly because the individuals feel marginalized, helpless and inferior; adopting an attitude of living for the present. In addition, culture of poverty encourages spending, creating poverty trap (Payne, 2008); *depicts a* strong feeling of helplessness, and dependency (Lewis, 1959) the people make little use of banks, as the low income households mostly resort to cash economy (Payne, 2008).

Even as the culture of poverty theory argues that the low income households do not have a saving culture, and other wealth acquisition habits, other studies have indicated that, the low income households do save and are willing to save (Kimenyi et al., 2009). Bertot et al., (2010), argue that the attitudes expressed by the culture of poverty are a reaction to low income and a lack of opportunity, if these causes would be removed, so would the culture of poverty. A study conducted by the journal of family and economic issues (2004), found a positive correlation between a saving culture and financial well-being of families and individuals. Therefore this theory is relevant to this study as it would help explain the saving tendencies of the low income households.

2.3 Empirical Reviews

2.3.1 The Financial Traps of the Low Income Households

Due to irregular sources of income and high transaction costs associated with banking institutions, majority of the low-income households remain locked out of mainstream financial institutions (Barr and Blank, 2004), this draws the low income households further into financial traps as majority of them will operate in either cash or through expensive alternative financial services. Inability to access formal financial institutions, limits the low income households access to formal savings to facilitate longer-term goals such as buying a home, sending their children to college, or Retirement (Kennickell, 1998).

Evidence suggests Alternative Financial Service (AFS) providers are providing a wide range of financial services in low-income communities (FSD, 2008). This exposes low income households to high costs for transacting basic financial services (Barr, 2004), drawing them further into a cycle of poverty by making it more difficult to save and plan financially for the future (CFED, 2010). The dependency on daily earnings and the lack for long-term savings leaves the low income households vulnerable to emergencies that may endanger their financial stability (Scholz, Sheshadri and Khitatrakun, 2007). Therefore, to effectively improve the quality of life of the low income households in the mainstream financial system there is need to increased access to credit and saving opportunities.

A research conducted by Burgessy et al., (2004), indicates a significant decline in rural poverty in India among the lower caste and tribal households due increased access to credit. Similar

findings were reported in Kenya by Dupas and Robinson (2009) where after six months access to a savings account there was a 39% increase in productive investment and a 13% increase in food expenditure among women micro-entrepreneurs in Kenya. On the contrary, Banerjee et al., (2009) find little to short-term impact from providing households access to micro-credit in India and the Philippines. Also, Karlan and Morduch (2010), maintain that financial access may be powerful for some, but it does not yield high returns for all, in support Joseph and Stegman (2001) state that aggressively serving the low income households and near poor, are incompatible with operating banking institutions at the most profitable levels.

2.3.2 Micro-Savings and the Low Income Households

There are many occasions when low income households need sums of cash greater than they have at hand to meet life cycle needs, cope with emergencies, acquire assets or develop businesses (Cohen and Sebstad, 2003). The only reliable way of getting hold of such sums is by finding some way to build them from their savings (McKernan and Sherraden, 2008).

Savings can help low income households deal with poverty traps that would otherwise trap them from generation to generation (Barret et al., 2007). This is especially because the low income households are engaged in economic activities with very little or no productivity growth (Snowdon, 2003). By saving small amounts over time, they can invest in more productive investments that can fully capture the productivity gains (Oviedo et al., 2009). Also, due to lack of stability in their employment or productive activities, low income households face erratic income streams. Savings can effectively cushion against unexpected events through appropriate saving mechanisms (Mukherjee, 1999). On the contrary, despite the benefits of savings, up to 1998, Africa's average saving rate was far from the target (Germany and Humphreys 1991).

Unfamiliarity with how the low income households organize their lives could resort to one making the assumption that the low income households 'are too poor to save' (Kendall et al., 2009). A research conducted by Tejerina and Westley (2007), states that the assertion that low income households and individuals do not save is unfounded. Hulme et al., (2009), states that approximately 15 per cent of low income households save, in comparison with 33.9 % of non-low income households households. Even so, Rutherford (1990) insists that low income households fail to save owing to lack of opportunity rather than lack of capacity. Nonetheless, Morduch (1998) disregards the saving mechanisms embraced by the low income households

as not very good as they are subject to risk of loss or theft, and their availability and liquidity is highly correlated with the saver's own circumstances (Christen and Mas,2009).

Agent banking could provide an opportunity for the low income households to put away their micro-savings in a safe, reliable and private accounts that could eventually help them build their assets. Part of the problem with trying to mobilize deposits from low income households and individuals, is that banks find it hard to make a profit from customers who make lots of tiny deposits without massively trimming transaction costs (FSD, 2008) as well, the low income households do not find saving attractive given the lack of access to adequate formal savings instruments (Karlan, 2010). Yet, developing banking models that allow low income households to save daily, as they earn money, right from their neighborhoods and villages (Mas,2008) could be the much need solution to the predicament of banking including the “unbanked” population.

2.3.3 Access to Micro-credit

Micro-credit is the extension of very small loans of less than \$ 100 to persons living in poverty who are not considered bankable (Washington summit, 1990). This may include individuals who lack collateral or steady employment and therefore cannot meet even the most minimal qualifications to gain access to bank loans. Currently, micro-credit is estimated to cover several hundred million people (Aziz, 2011) and with its success in Bangladesh, micro-credit has increasingly gained credibility (Thakur, Thakral, Sahu and Gupta, 2011).

Though banks in Kenya are reluctant to lend to low income households (Mutua and Oyugi, 2007), largely because of the lack of collateral and high transaction costs disproportionate to the amount of lending (Ali, 2008), the local moneylenders, are reaping in bounds by charging high interest rates (Rutherford, 1996). Additionally, over the years, micro-credit has become a viable and much needed alternative for the low income households to obtain credit (Jackelen,1991). Empirical evidence indicates that micro-credit programmes have proved to be an effective tool (Kaboski and Townsend 2009) especially in developing countries, where credit is virtually nonexistent for the low income households (Maxfield,1998).

Formal credit may be particularly effective in raising incomes of the low income households as formal institutions may be in a good position to offer loans with more favorable conditions like lower interest rates (Aleem,1990).

2.3.4 Access to Cash Deposit and Withdrawal Services among Low Income Communities

In contemporary society, in order to benefit from a financial institution one must have a bank account. Yet, surveys have shown that majority of low-income Kenyans do not have access to even the most basic financial services (Banking Survey, 2010). Low-income households in the Kenya often lack access to bank accounts and face high costs for conducting basic financial transactions through other alternative financial service providers. Given the high cost of converting income using alternative financial sector, promoting bank account ownership for low income households is necessary (Barr, 2004). Opening of Bank accounts is critical for low-income households seeking to enter the economic mainstream (CBK, 2010). Moreover, lack of access to bank accounts among low income households, undermines the widely- shared societal goals of reducing poverty, and providing quality life to low income households by the year 2030.

Though there is no clear estimate of the total number of Kenyans who have opened account through agents, AFI (2011) asserts that nearly four agents serve every 10,000 adult Kenyans. A significantly high rate compared to Mexico, a key pioneer in adopting agent banking. Facilitation of account opening is perhaps one of the most meaningful services that a banking agent can offer with respect to financial inclusion. Facilitating account opening is significant because it means access to safe and secure cash deposit and withdrawal services.

2.3.5 Mobile Banking

With a compounded annual growth rate of around 2000% in mobile telephony in Africa (Ondiege, 2010), mobile banking could be the solution to banking the “unbanked” low income households (Must, 2010). However, the low income neighborhood bank branch network is still underdeveloped (Heyer and Mas, 2011), as the banking services are largely restricted to affluent urban populations (Gatune, 2011). Many low income households, particularly the urban slum residents do not have access to financial services (Morawczynski, 2008).

Mobile banking holds the prospect of accelerating access to financial services to the low income households (Porteous, 2006) as it may reduce the cost of financial transactions for both the bank and the low income customers (Cracknell, 2004). In Kenya, mobile banking has made it possible to extend services to millions of low income household’s people at relatively low cost (Kimenyi,

2009). For instance, the M-Pesa option has enabled many low income households without bank accounts to be able to use this service, at low cost (The Economist, 2009, p12).

Under the Agent banking model, a mobile phone serves as a virtual bank card where a customers use their Subscriber Identity Module (SIM) card to perform the same functions as the bank virtual card. The mobile phone may serve as POS terminal to transact and communicate with the appropriate financial institution to solicit transaction authorization. Therefore, the mobile phone acts as a cash collection and distribution point as is an Automatic Teller Machine (ATM).

2.3.6 Community Investment Act (CRA): Lessons from America.

With banking institutions engaging in unfair and deceptive lending practices with the low income households (Carr and Kolluri, 2001), the American federal government embarked on protecting and increasing affordable access to financial services among the minority neighborhoods of America (Squires, and Connor, 2001) through the enactment of Community Reinvestment Act (CRA) of 1977. The act focuses on both economic gains, as well as improvements in the minority neighborhoods the banks serve. Evidence suggests that the CRA has indeed increased credit for home-ownership and other capital in low-income neighborhoods (Litan, 2000). Though, critics blame the recent American financial crisis on the CRA by claiming that the act forced banks to give loans to minorities in low income neighborhoods that were credit risk (Havard et al., 2005).

The Researcher is of the opinion that the Kenyan government in its effort to include low income households in mainstream financial system, there is need to ensure that the Kenyan banks are equally CRA compliant.

2.4 Conceptual Framework

This study presents a relationship between agent banking and low income households presented in three major variables whose relationship forms the basis of the entire research and the backbone of the literature review. Fig 2.1 below is a diagrammatic representation of the conceptual framework showing the relationship and direction of causality of variables used in this study.

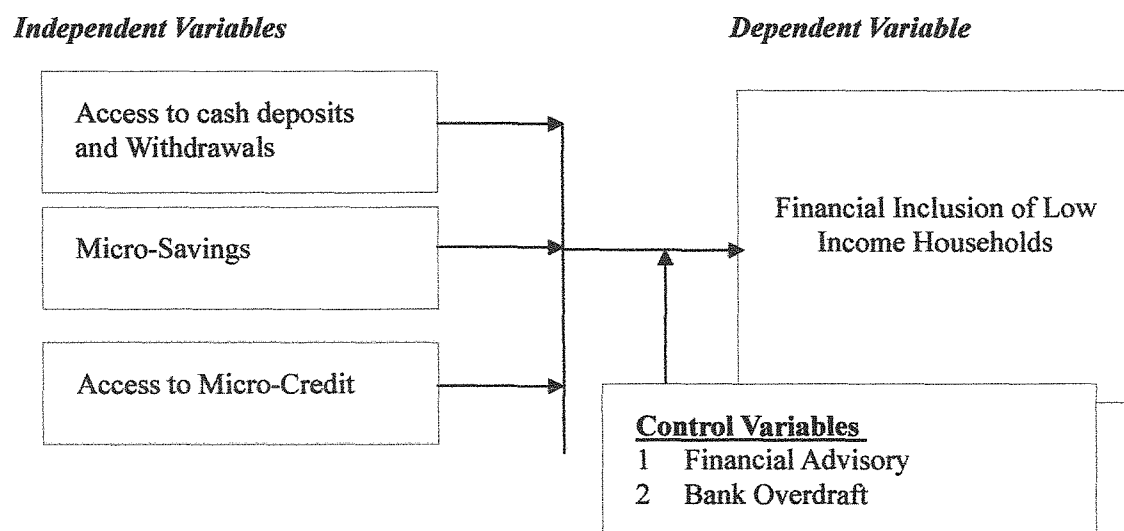


Fig 2.1: Conceptual Framework.

Fig 2.1 above presents the relationship between aspects of financial inclusion which are being tested to uncover their effects on the financial well-being of low income households. Each of the perspectives is discussed in depth below.

2.4.1 Access to Cash Deposit and Withdrawal Services among Low Income Communities

Given the high cost of converting income using alternative financial sector, promoting bank account ownership for low income households is necessary (Barr, 2004). Opening of Bank accounts is critical for low-income households to access cash deposit and withdrawal services. Further cash deposit and withdrawal services plays a crucial role drawing low income households away from “home banks” to more secure means of storing cash. As well, lack of access to bank accounts among low income households, undermines the widely- shared societal goals of reducing poverty, and providing quality life to low income households in Kenya by the year 2030.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter provides an explanation on how data was gathered and analyzed. The readers are in a position to understand the exact conditions of this study and consequently have an accurate, detailed description of the research. The chapter is organized under the following sections: research design, target population, sampling design and procedure, data collection instruments and procedures, data analysis and ethical considerations.

3.2 Research Design

The researcher deliberately identified the 6 villages of Kibera slums as the sample of low income households which will form the representative target population of low income households in Kenya. Kibera slums were identified as the target population because the residents of Kibera form a conglomeration of Kenyans from diverse regions of Kenya and also meet the criteria of low income households earning Kshs 20 on daily basis. Further, due to widespread research, Kibera slums have adequate information.

To ensure each and every item in the population has equal chance of inclusion in the sample, and that each one of the possible samples has the sample probability of being selected, questionnaires ranging between 10 and 20 were randomly distributed to households residing in the 6 villages of Kibera. In an attempt to get an in depth understanding of the low income households in Kibera slums, good description was fundamental to the research. According to Onwuegbuzie and Leech (2005), descriptive methodology adds immeasurably to the knowledge in terms of preferences, attitude, practices, and concerns and interests. Sequentially, in adopting a descriptive research methodology, the Researcher was able to gain an in depth understanding of the respondents. The data collected was condensed into manageable groups and tables. The data was then classified into purposeful and usable categories, after which it was coded and tabulated using Microsoft excel. Anova was used to determine the micro-savings of the respondents

3.3 Target Population

The target population is the population for which representative information is desired. The target population of this study included low income households in Kenya who account for 46%

of Kenya's 38 million people (Ikiara, 2009). The Kenya integrated household and budget survey by the Kenya National Bureau of Statistics (KNBS, 2007), indicates that the poverty headcount ratio for the urban population was 33.7% while that of the rural population stood at 49.1%, with the overall national poverty headcount ratio estimated at 46% of the population. The survey estimated an urban poverty line of Ksh 1,562, Ksh 2,913 for rural areas and Ksh 988 as the food poverty line on monthly basis. Further the survey data indicated that about a fifth (19.1%) of the population was extremely poor or hard-core" poor with the respective levels for urban and rural areas at 8.3% and 21.9%.However, levels of poverty across the country differ significantly between regions, provinces or districts.

3.4 Study Population

There is little data and consensus on the population of slum dwellers. Nonetheless, to be able to quantify and locate the number of households in Kibera slums, secondary data from the Kenya Population census of 2009 was used. The survey indicates that a total of 212,295 households live in Nairobi West with 108,477 located in Kibera slums. Further, the 2009 population census report affirms that the Kibera population accounts for an average population density of 1,592 over an area of 223.2 Km square. Kibera slums, forms the research site for this study not only because it accommodates majority of the low income households' migrants from different parts of Kenya but is also one of the most impoverished urban areas in Kenya (Morawczynski 2008). Consequently, would provide as a more representative sample of the low income households in Kenya. The research site will be divided into 6 regions namely Lindi, Kibera, Makina, Siranga, Laini Saba and Nyayo Highrise as demarcated by the 2009 population census.

3.5 Sampling Procedures

Since low income households in Kenya are a relatively large group that is wide spread across the country, the cost of sampling the entire population is too high, thus the Researcher randomly selected a subset of households from within the population to estimate characteristics of the whole population (Levy and Lameshow, 1999). This enabled the Researcher to collect data at a lower cost, within the indicated time, at a much faster rate (Wonnacott and Wonnacott , 1999). Compared to gathering information from all the low income households across the country, the data set was smaller making it possible to ensure homogeneity and to improve the accuracy and quality of the data (Joint Commission Resources Mission, 2008, p. 35).

The Researcher stratified the data into 6 regions as was the case in the Kenyan population census of 2009 and then conducted a simple random sampling of households from each region. The Researcher used random sampling approach to ensure every member of the population had an equal opportunity of being chosen for the sample (Stern, 2004), as well scientific research has proven random sampling to always produce the smallest possible sampling error (Black, 2009, p. 227)

3.6 Data Collection

This research employed self- administered questionnaires and as the main tool of data collection (Vaccaro, 2010). The researcher recognized the likely limitation of low levels of education among the respondents and as such the questionnaires were was designed to be easy to comprehend, basic and generally demographic in nature. As well, the questions were designed in a way to earn more receptiveness from respondents. Introductory questions were simple and clear to enable the researcher to gather the vital information that is being sought, without diluting the quality of response.

A preliminary test of data collection tools and procedures to identify, eliminate problems and allow corrective changes and adjustments was conducted. 5 people from the target population were identified. The selection of the 5 respondents was based on accessibility and cost effectiveness. During the actual study, 80 questionnaires were randomly distributed to respondents accompanied by a transmittal letter to explain the rationale behind the study. Careful consideration was put in place to ensure that any emerging concerns from respondents were addressed in good time to guarantee that data collection goes on without any hitches. As indicated, illiteracy levels were expected to be low amongst most low income households. More time was therefore allocated to the respondents to guarantee a higher response rate and more complete response.

Both closed and open-ended questions were used. Closed-ended questions ensured that the respondents were restricted on the issues in question. Open-ended questions on the other hand provided the respondents with the freedom to air their personal feelings on issues without restriction. However, the space provided for response restricted the respondents to offer a more summarized response.

3.7 Data Analysis

A thorough counter checking of questionnaires after completion of the fieldwork was vital. This enabled establishment of reliability levels, verification of data, editing to allow for effective quantitative and qualitative analysis and subsequent tabulation of information or data into easy-to-understand forms including charts, diagrams and tabular presentations.

Data gathered from the field was edited and coded using a standard code sheet. This involved checking the data collection forms for omissions, legibility and consistency. The process was intended to correct problems such as the interviewer errors before data entry and tabulation. The data was double entered to cross check any errors or omissions that might have occurred as this is a vital stage in quantitative data processing. Descriptive statistics included: percentages, proportions and frequency tabulations. Cross tabulations will be used to identify and compare different variables in this study in order to enhance precision and make informed conclusions.

Qualitative data was collected and verified for inferences, judgments and conclusions made to be as accurate as possible. To ensure high validity, triangulation was applied for data validation. The data collected allowed for various comparisons, but the essential comparison is the check of the consistency between the key variables. Throughout the research process, efforts were made to provide answers to the research questions. Analysis of the research findings was based on the conceptual framework of the study.

3.8 Ethics

This study was conducted under an atmosphere considered correct in the eyes of ethical standards. The researcher was keen to capture and consider the feelings of the respondents throughout the interview process. To try and protect the rights of the respondents, the principle of voluntary participation was applied (Babbie, 2007) and no respondent was coerced into participating in the research (Borgatti, 2005), in addition the respondents were fully informed that this study is purely for academic purposes. To help protect the privacy of research participants, the research guaranteed the participants confidentiality (Reamer, 1979) while the prospective research participants remained anonymous throughout the study, even to the researchers themselves (Trochim, 2006). This study was conducted under an atmosphere considered correct in the eyes of ethical standards

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

This Chapter presents results of the data generated from questionnaires distributed to Kibera slum residents with bank accounts with the local banking agents. The chapter seeks to present data clearly, accurately, and concisely in a way that answers the research questions. Tables, figures, graphs were appropriately incorporated.

4.2 Demographics

The study targeted a total of 80 respondents residing in Kibera slums. However only 60 of the sample population responded, this accounts for a respondent rate of 75%. According to Rubin and Babbie (2011) the overall response rate is a guide to the representativeness of the sample respondents, Rubin and Babbie (2011) assert that if a high response rate is achieved, then there is a less chance of significant response bias than if a low rate is achieved. Further, Rubin and Babbie describe a response rate of at least 50% as adequate; a 60 % good while a response rate of 70 % as very good. It therefore means that this study could be assessed as very good in terms of response rate. The Respondents were asked to fill in their age, gender and marital status in the background information. The set of response were analyzed as presented on the table below;

Table 4.1 Demographic Distribution of Respondents

	Category	N	%
Gender	Male	24	40
	Female	36	60
	TOTAL	60	100
Marriage	Partnered	36	60
	Un-partnered	24	40
	TOTAL	60	100
Age	Below 18	0	0
	18-49	36	60
	50 and Above	24	40
	TOTAL	60	100
No of Children per Household	0-3 years	15	25
	3-5 years	30	50
	Above 5 years	15	25
	TOTAL	60	100

From the responses, there were 40% of the respondents who were un-partnered, 67% of the respondents had children, 75% of the households had a minimum of five children while the remaining 25% averaged three children per family. 60% of the respondents were aged between the ages of 18 and 49 years, while 40% accounted for the elderly aged 50 years and above. For purposes of ensuring relevance, none of the household heads below the age of 18 years were sampled. This is because to open a bank account in Kenya one is expected to have a national identification card, which the Kenyan nationals access at the age of 18 years.

4.2.2 Education Level of Respondents

The respondents were asked to state their level of education; this was to determine if indeed the level of the respondent's education had an impact on the respondents saving habits as well the respondent's attitude towards formal banking. Figure 4.2 below is a table showing the findings obtained from the respondents.

Table 4.2 Education Level of Respondents

Education Level	N	% of the Sample Population
Never went to school	12	20
Primary	24	40
Secondary	18	30
College/University	6	10
Total	60	100

From table 4.2 above, 40% of the respondents had a primary school education, 30% of the respondents were secondary school graduates. 20% had never attended any formal schooling while 10% had a college education. Delaney et al., (2006) asserts that the higher the level of education, the more receptive an individual is to saving and formal banking. On the contrary, the study found that even with limited formal education, the respondents were relatively receptive to formal banking. Nonetheless, the level of utilization of banking services was still minimal.

4.2.3 Income Level of Respondents

This question sort to confirm the respondent's incomes and to determine the attitude of those who are married towards combined income. Table 4.3 below is a table showing the findings obtained from the respondents.

Table 4.3 Income Level of Respondents

	Categories (Kshs)	N	%
Income	Below 3000	28	47
	3001-11,999	20	33
	12,000 and above	12	20
	Total	60	100
Spouse Income	Below 3000	22	37
	3001-11,999	26	43
	12,000 and above	12	20
	TOTAL	60	100

From Table 4.3 those who reported a high income of Kshs 12,000 and above accounted for 20% of the respondent's. Only 18 % of the married respondents put their money together. This means that the aspect of combined income for the married respondents had a less significant effect on the amount of disposable monthly income accessible to the household than was anticipated.

4.2.4 Employment Data of Respondents

The respondents were asked to indicate their employment status and their employers. This sort to clarify if the respondent's sources of income were erratic and if that could draw the respondents further away into cash tendencies and anti-saving habits. Table 4.4 below is a representation of the data obtained from the respondents.

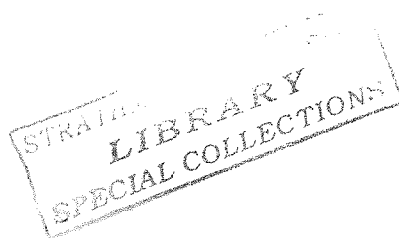


Table 4.4 Employment Data of Respondents

	Category	N	%
Employer	Government	5	8
	Private Sector	18	30
	Self employed	12	20
	Not Employed	25	42
	TOTAL	60	100
Spouses Employer	Government	5	8
	Private	6	10
	Self Employed	15	25
	Not Employed	10	17
	Not Applicable	24	40
	TOTAL	60	100

From the Table 4.4 above, 42% of the respondents were not involved in any form of gainful employment, 30% worked in private employment while only 8% were employed in the government sector, 20% indicated they were self-employed, 17% indicated their spouses were not employed while 40% indicated not applicable as they were un-partnered.

4.3 Access to Cash Deposit and Withdrawals through Agent Banking

Of the total respondents, 62% of the banked customers in Kibera indicated that they opened accounts with the local agents to keep money in their accounts. They say they prefer bank accounts because the local agents were is easily accessible. This means that unlike before when there were no formal banks within the settlement, now the respondents do not need to travel outside Kibera to access their cash. While a minority of the respondents indicated they used the money in the accounts to to accumulate “small money” into a lump sum, other respondents use banked money for daily consumption. 25% indicated they withdrew the money to remit back to the rural home, barely a fifth of the respondents said they prefer to “store” money with the agents because it is safer. They do not need to worry about household members finding, and stealing their money. Many of the banked further note that they deposited money with the agents because they trust local agents .However they felt that money deposited with the bank directly is at a high risk of being lost.

4.4 Effects of Agent Banking on Access to Saving Facilities

This question sought to determine if the respondents had been able to open savings accounts with the local agents. Respondents from 3 villages Kibera slums were randomly picked and analyzed using Anova. Table 4.1 below is a table showing the analysis of the findings. The research assumed that that even with the introduction of agency banking, there have not been any effects on the number of Kibera slum residents with savings accounts.

H_0 = The is no increase in saving account holders due to agent banking

H_1 = There is an increase in saving account holders due to agent banking

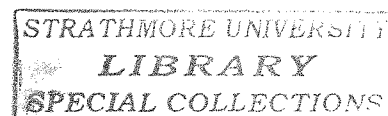


Table 4.5 Effects of agent banking on increased number of savings account holders

	Lindi	Makina	Laini Saba		
	14 87.111111	22 1.777778	10 177.77778		
	25 2.777778	30 44.444444	35 136.11111		
	30 44.444444	21 5.444444	23 0.111111		
Totals	69	73	68	ss	500
Xbar	23	24.33333	22.66666667	X doublebar	23.333333
sst	0.3333333	3	1.333333333	4.6666667	
sse = ss-sst	495.33333				
V1	df columns (Treatment . = c-1 = 3-1 = 2	MST = SST/df due to treatment	2.3333333		
				Calculated F = MST/MSE	=
V2	df rows (error)	c (r-1)= 6	MSE = SSE/ df due to error	82.5555556	0.0282638
	at 95% level of confidence	5.1433			

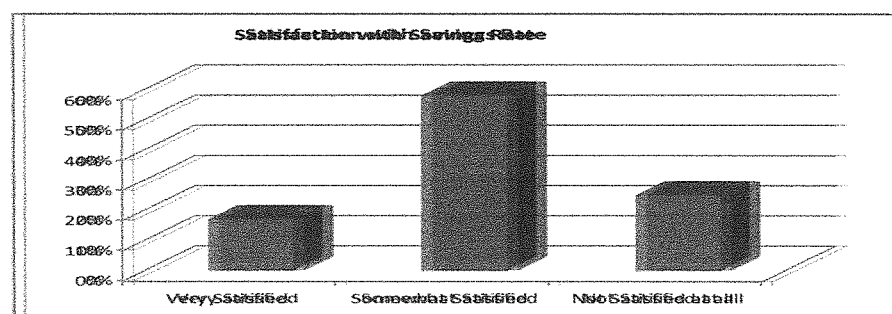
At 95% level of confidence, the F distribution critical value is 5.1433, consequently indicating that there is no increase in savings account holders due to agency banking. The decision reached

therefore is that agent banking has not had a significant impact on enabling the low income household's access saving account. We reject the alternative hypothesis that agent banking has result to increase in the number of saving account holders.

4.5 Satisfaction with the Savings Rate

In further probing the subjective of savings of the respondents, these questions sought to determine the levels of satisfaction with the savings rate of the respondents who had set money aside for future use. Figure 4.6 below depicts the findings obtained from the respondents on their level of satisfaction with their savings rate.

Fig 4.5 Satisfaction with the Savings Rate



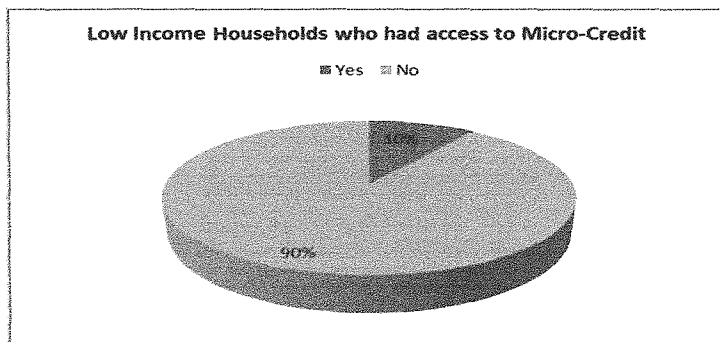
Following figure 4.6 above, out of the 20 % of the respondents who had been able to set money aside or future use, 17% indicated that they were satisfied with their savings rate. 58% were not at all satisfied with their savings while the remaining 25% were somewhat satisfied. The fact that 83% of the respondents were either somewhat satisfied or not satisfied at all, is an indication that the low income households are fully aware of the necessity of saving, nonetheless, they were held back by either past spending habits or the status of hopelessness that encourages the low income households to not to sacrifice the present wants for a better future.

4.6 Access to Micro-credit

The essence of determining access to micro- credit is critical as it is one of the key elements of financial inclusion. As such this question sought to determine if the respondents beyond the basic banking services of cash deposit and withdrawal had been able to access micro-credit with the local agents. Figure 4.8 below is a graph showing the number of low income households

who have been able to access credit since they opened bank accounts with the local banking agents

Fig 4.2 Low income households who have been able to access credit services from banks



The above figure 4.9 shows the total respondents who had accessed credit since they opened bank accounts with local banking agents was only 10%, an indication that access to credit by the low income households was still limited. Of the 90% who had not had access to credit 18% indicated they had not qualified for credit, while 37% did not know how to go about accessing credit.

Also, the respondents were asked if since they opened bank accounts with the baking agents, they felt they were in a better position to actively manage their finances, 65% of the respondents said yes, this was not consistent with the low savings rates and high rates of financial dissatisfaction.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on the interpretation and the implications of the findings from the study based on the research objectives. A summary of the main findings and interpretations as contrasted to the literature review and previous studies are articulated. Major conclusions are drawn. Finally the Chapter covers limitations encountered during research that may help improve the various submissions and recommends opportunities for further studies.

5.2 Summary

The purpose of this research thesis was to assess the extent to which agent banking has enabled the low income communities of Kibera slums to access cash deposit and withdrawal services, credit and saving banking facilities through agent banking. A conceptual framework was presented based on review of literature. The variables under investigation were access to micro-credit, micro-savings and access to cash deposit and withdrawal services. The key findings from this research are (1) Agent banking has had a significant impact in including the low income households in the financial mainstream (2) There is no significant effect of agent banking on the savings of the low income households (3) Mere opening of a bank account does not have an no automatic effect on the access to micro-credit among the low income households (4) Access to bank deposits and withdrawals for low income households was not sufficient to positively impact the finances of the low income households

5.3 Implications of Research Findings

The research findings are consistent with the arguments of financial stakeholder who assert that Agent banking has played a significant role in including low income households in the financial mainstream (FSD 2010, CBK, 2011). As well it supports Rutherford (1999) argument that low income households if presented with the right environment and relevant financial facilities, they are likely to save. The need for saving facilities among low income households has been fronted by Oviedo et al., (2009). However these findings are contrary to (Banerjee et al., 2009, Karlan and Morduch, 2010 and Joseph and Stegman, 2001) who maintain that financial access may be powerful for some, but it does not yield high returns for all, in support.

This study is expected to be useful the government of Kenya vision 2030 and the baking sector

on the formulation of relevant financial services and products for low income households. Further, this study has provided areas for further research for poverty scholars who may wish to evaluate the effects of agent banking on low income household's under different circumstances.

5.4 Recommendations

Based on the findings and implications presented in this research, the following recommendations can be made.

While agent banking has played a significant role in including low income households in the financial mainstream, there is need to revise the model and integrate initiatives that will allow the poor to build productive assets through access to other banking services such as micro-credit and micro-saving facilities.

Secondly, financial institutions seem to have focused on ensuring basic financial inclusion. Though financial inclusion is a key prerequisite in the fight against poverty, there is need for banking institutions to enable a conducive environment for the low income households to fully utilize other facilities offered by banks such as loans, savings, mortgage, insurance, business related credit facilities. Just to mention.

Thirdly, it is essential for the banks to make simple changes to account policies, design and marketing. This will ensure the products available through banking agents in low income communities are more receptive and attractive to the poor. Currently more than a million accounts predominantly intended for low income customers remain unopened. More than 2/3 of those accounts opened by the low income households remain dormant.

Finally, even as the low income households seem to have sophisticated money management habits such as the strong conviction for face to face cash transactions, from the study, it is evident that low income households do have funds to manage as such, it is necessary that banks demystify the myth that low income households are not credit worthy.

5.5 Limitations of the Study

The study did not achieve the 100% response rate to the questionnaire which would have provided more comprehensive results. 75% response rate was not large enough for detailed analysis. This therefore means there is need for more research in the areas before one can obtain a clear picture of the causal relationship being investigated.

Secondly, the number of the units of analysis used in the research in comparison to the number of low income households in Kibera slums was relatively small. As such to ensure a representative distribution of the population and to be considered representative of low income households a census study may be necessary. Due to lack of consolidated and reliable data of the available number of banked low income households the scope of analysis and the size of the sample were limited. This therefore presents an opportunity to describe the need for future research.

Thirdly, agent banking is a relatively new area of research. As such, there is lack of prior research studies on the topic. Citing prior research studies forms the basis of literature review and helps lay a foundation for understanding the research problem under investigation.

As such, the researcher was forced to use an exploratory rather than an explanatory research design. This limitation presents another opportunity for further research.

Finally, self-administered questionnaires were used in the research, as such; the data could not be independently verified. The researcher had to take what people wrote at face value. However, self-administered questionnaires also played a significant role in elimination of several potential sources of bias such as (1) selective memory (remembering or not remembering experiences or events that occurred at some point in the past); (2) telescoping (recalling events that occurred at one time as if they occurred at another time); (3) attribution (the act of attributing positive events and outcomes to one's own agency but attributing negative events and outcomes to external forces); and, (4) exaggeration (the act of representing outcomes or embellishing events as more significant than is actually suggested from other data).

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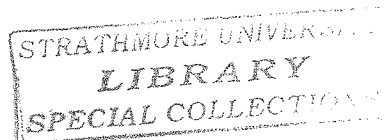
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APPENDICES

Appendix 1 Questionnaire

SECTION A: General Information (Tick one)

i Gender M ☐ F ☐

ii What is your marital status ;

Partnered ☐

Un-partnered ☐

i Approximately how old are you?

ii Below 18 years ☐

iii Between 18-25 years ☐

iv Between 26 - 49 Years ☐

v Above 50 years ☐

vi Which is your area of residence?

Lindi ☐

Makina ☐

Siranga ☐

Laini Saba ☐

Nyayo Highrise ☐

None of the above ☐

5. What is your highest level of education?

Primary ☐

Secondary ☐

College/University ☐

Never went to school ☐

6 Are you employed?

Yes

No

(If No, skip to question 11)

7 If you answered Yes to the above question, do you work in any of the following places

Government ☐

Private sector ☐

I do peoples domestic chores ☐

Self Employed ☐

Not employed ☐

8. Approximately how much do you earn in a month in Kshs ?

Below 3000
Between 3001 -11,999
12,000 and above
Not Applicable

9). Approximately how much does your spouse earn in a month in Kshs ?

i Below 3000
ii Between 3001 -11,999
iii 12,000 and above
iv Not Applicable

10). Do you and your partner/Spouse put your money together?

Yes No

SECTION B: Access to Cash Deposit and Withdrawals (Tick one below)

11 Do you currently own a bank account?

Yes No

12 Did you open with a local agent

Yes No

13. How satisfied are you with your overall financial situation?

Very satisfied somewhat satisfied Not at all satisfied

14. My financial status has positively changed since I opened bank account with banking agents

Strongly Agree
Agree
Neutral
Disagree
Strongly Disagree

15. I feel financially independent since I opened a bank account with banking agents

Strongly Agree
Agree
Neutral
Disagree
Strongly Disagree

SECTION C: INCREASED SAVINGS (Cross one of the options below)

16. Opening an account with a banking agent helped to keep some money aside for future use?

Yes No

17. My savings have improved since I opened a bank account with the banking agents

Yes No

18. I am satisfied with the rate at which I have increased my savings since I opened a bank account with the banking agents

Strongly Agree

Agree

Undecided

Disagree

Strongly Disagree

19 I spend all the money I earn on day to day basis

Always

Usually

About Half the Time

Seldom

Never

20. I keep money aside to

Yes No

SECTION D: INCREASED ACCES TO CREDIT (Cross one of the options below)

21) Since I opened an account, I have been able to access other financial facilities?

Yes No

22) If yes which ones?

i Loan

ii Mortgage

iii Credit Counseling

iv Others please specify

23) If No. Why?

i I am not interested

ii I do not qualify

iii I do not know how to go about it

iv I am not aware of the credit services

24) I am more informed of available credit facilities with the banks since I opened an account

Strongly Agree

Agree

Neutral

Disagree

Strongly Disagree

25) Access to credit has improved my financial well-being

Strongly Agree

Agree

Neutral

Disagree

Strongly Disagree

20. I keep money aside to

a Meet my household needs

b To buy assets

c To start a new business

d For old age life

e For education of my Children

f To leave an inheritance for the children

Others

SECTION D: INCREASED ACCES TO CREDIT (Cross one of the options below)

21) Since I opened an account, I have been able to access other financial facilities?

Yes No

22) If yes which ones?

a Loan

b Mortgage

c Credit Counseling

d Others please specify

23) If No. Why?

a I am not interested

b I do not qualify

c I do not know how to go about it

d I am not aware of the credit services

24) I am more informed of available credit facilities with the banks since I opened an account

Strongly Agree

Agree

Neutral

Disagree

Strongly Disagree

25) Access to credit has improved my financial well-being

Strongly Agree

Agree

Neutral

Disagree

Strongly Disagree

APPENDIX 2
Letter of Introduction

Dear Respondent,

My name is Sylvia Nyambeki Matoke. I am undertaking a research in partial fulfillment of the requirements of Masters in Commerce at Strathmore University.

This study is an attempt to assess the effect of agent banking on the financial well-being of the low income households in Kenya.

To facilitate the exercise, I kindly request for your time to answer the questions in the attached questionnaire. You have been chosen randomly to participate in the study. Your participation is essential to this study and will enhance understanding of the financial needs of the low income households and as well help address any arising issues.

All the information you provide is confidential and will be used for research purposes only. I hope you will spare sometime and respond to a few questions. Kindly answer the questions below as appropriately as you can. There are no penalties for not answering any of the questions below.

Thank you.

Sylvia Nyambeki Matoke.

APPENDIX 3

Number of Households in Kibera slums per village

Regions	Total No Households In Kibera Slums as per the villages	
Kibera	3200	
Lindi	11,000	
Makina	8,000	
Siranga	6,000	
Laini Saba	18,000	
Nyayo Highrise	10,000	
TOTAL	8,000	

Source: KNBS, 2009 census report

APPENDIX 4

NAIROBI PROVINCE: DISTRIBUTION OF INFORMAL SETTLEMENTS

