

## **ABSTRACT**

Financial inclusion is the ability of an individual, household, or group to access a full range of responsibly delivered, affordably priced and reasonably convenient formal financial services. A significant proportion of Kenya's population does not have this ability and therefore experience financial exclusion. Agency banking brings financial services closer to the people and has been adopted in Kenya as a means towards improving financial inclusion. The main objective of the study is to assess the effect of Agent Banking on accessibility and efficiency of banking services. The specific objectives are to establish the trends in the number of customers accessing financial services from banking agents in the study area, to determine the efficiency of agency banking in time saving when serving customers and to evaluate risks clients associate with agency banking in the study area. The study was carried out in Kaloleni location of Kisumu city from where a sample of 285 was drawn using purposive sampling. Data was collected by use of direct observation and questionnaires, which were administered to bank branch managers, appointed agents, and clients of the banking agency outlets. Secondary data was also gathered from the archives of Equity Bank. The data was then analyzed using descriptive statistics. The study established that the number of agent outlets increased by 60% at the national level. It also established that the number of clients procuring banking services at the agent outlets increased by 52% at the national level and by 33.5% in Kaloleni which indicates an increase in uptake and expansion of financial inclusion. The study established that the main services offered by bank agents in the study area were mainly cash withdrawals (24.6 %), cash deposits (43.9 %), and bill payments (22.5%). This indicates a skewed pattern in favour of some services. The study reveals that agents have increased the efficiency with which clients get banking services through quick service and opening for longer hours compared to main banks. System failure, lack of liquidity, association of agency banking with low value customers, and insecurity (fraud, fake currency, and theft) were the risks associated with agency banking in the study area. However, the study revealed the risks were statistically insignificant to accessibility of banking services at 95% confidence interval. The study concluded that banking agency has increased efficiency and accessibility of financial services in the study area. This is because services are brought closer to the people and thus saves a lot of time which would have been used to queue in banking halls or at ATMs. The study also recommended that more agent banking outlets be opened in the study area and security measures be improved by agents to increase financial inclusion. The study was of great significance in highlighting the effect of agency banking on financial inclusion.

