Does Agent Banking Services Delivery Channel Increase Customer Perceptions? Evidence from Bangladesh during COVID-19

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ABSTRACT

The purpose of this study is to investigate how different consumer perceptions emerged as a result of agent banking during the COVID-19 survey. In order to collect data from a variety of banking institutions in Bangladesh, a questionnaire in the form of a survey was delivered to five of the banks in the nation. The interview procedure, which ultimately led to the collection of data, was completed by a total of 240 users of the platform. The study uses regression analysis to get at its result, which is that different agent banking channels provided by various banks have a significant and positive relation on customer perceptions, which helps banks earn revenue. This conclusion was reached in order to support the hypothesis that the agent banking channels were responsible for the observed relationship. Relationship marketing strategies, on the other hand, have the potential to convert those who do not have bank accounts into loyal customers. Additionally, elements such as reliability and convenience of agent banking have been recognised as having a negative impact on customer perceptions, which has led to the conclusion that these aspects contribute to the overall trend. It's possible that those responsible for additional research and actions, such as decision-makers, government agencies, banks, and academics, will find this helpful.

1. INTRODUCTION

Customers have been showing a strong bargain position as banks grow significantly in Bangladesh. The COVID-19 pandemic has made the economic activity slow and great suffering for the banking sectors in Bangladesh. So, banks in Bangladesh have emphasised new strategies to increase their business (Siddiquie, 2014; Uddin & Sultana, 2020) through financial inclusion. Thus, banks' distribution channel has grown rapidly with modern technology and minimised their costs (Hasan, 2019). Agents working as a distribution channel of banks that delivers financial services to underprivileged customers in Bangladesh. As such a good number of people have been attached to agent banking services even in the rural area (Mahmood & Sarker, 2015). Branch offices use the distribution of banking services through agents that support the bank-focused model (Kapoor, 2010). Payne and Frow (2017) in their article identify that when different multiple channels are used effectively in combination with marketing communication, customer engagement is often increased resulting in rewarding relationships.

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2. LITERATURE REVIEW

Researchers have studied a good number of researches works on the alternative delivery channel as agent banking. Moreover, recent surveys indicated that user attention mobilises through convenience, trustworthiness, and awareness on agent banking (Daud et al., 2011; Shahabuddin, 2014). Meanwhile, Kirimi (2011) in his study, investigated the extent of implementation of the agency. Besides, not only branches of banks use agent banking, but agents in Peru also extended differently like pharmacies, grocery stores, and other retail establishments. Notable theories have been applied to explore and analyse factors affecting customer satisfaction on agent banking such as bank Led theory (Lyman, Ivatury & Staschen, 2006) and bank-focused theory. Agent banking may be classified according to who takes charge of the relationship as; bank-initiated modality and non-bank-initiated modality (Achugamonu et al., 2016; Mujeri & Azam, 2018). Bangladesh, located in Asia, is chosen for this study because it contributes 3% of the global unbanked population and has higher active bank agent numbers. Moreover, the brand image of the bank (Moretaza, 2018), the financial performance of the banks (King'ang'ai, 2016), reduced cash robbery and high level of confidence in the banking sector, greater accessibility of the customers leading to the profitability of the banks (Mwando, 2013) are the profound impact of agent banking. Recent research identified seven important challenges of agent banking in Bangladesh (Islam, 2018). These include improper selection and ineffective monitoring of agents, complexities in clearing and issue of the check book, transaction limit, system failure, settlement of complaints, cash management, risk of cash-carrying, and cyber security. Consistent with this study, Moretaza (2018) depicted that the disbursement of the loan is still not available in many of the agent banking outlets. Furthermore, Islam (2018) highlighted those limited services such as account opening and money transfer are being provided in most of the agent outlets, although they should provide different ranges of agency banking services to the clients. The previous literature shows that a few studies are conducted on agent banking of Bangladesh (Siddiquie, 2014; Amit 2018). Services offered are limited since banks want to retain some of the services in their conventional brick and mortar branches, offered by licensed banks or telecommunication companies, offered outside the bank branch network, agents' interface between the bank and its customers, an agreement is signed between the bank and the agent. Agents do not offer services in their name. Understanding consumer behaviour will help in ensuring marketing policies. If customers are satisfied, they will buy positively (Ekinci & Sirakaya, 2013). Banks need to understand their customers' perceptions about the services they render. In a study on Nigerian banks, it was found that service quality (five dimensions) significantly affects customer perception (Salami & Olannye, 2013).

Hence, satisfied customers with the agent services will use this type of banking channel more frequently, and thereby banks will have a provision of increasing banking channel. From the review of literature, no study was there in Bangladesh whether customers' perceptions on reliability on agent banking have an impact on customer satisfaction. Notable research exists on relationship marketing in banks and agent banking (Malek et al., 2017; Ruswanti & Lestari 2016). However, there was a lack in addressing how agency banking relates to customer satisfaction. The contexts of different countries vary from Bangladesh. Hence, the study will observe the customers satisfaction of agent banking in Bangladesh. Keeping in mind, the study has developed hypotheses by the researchers:

H_1: There is no association between agent banking service and customer perceptions.
H_2: There is no association between agent banking and relationship marketing.

3. METHODS

Purposively, five banks were chosen from a total of 26 that operate agent banking in Bangladesh. Bangladesh Bank, Bangladesh's central bank, has recognised these five banks as the best in agent banking. The agents were chosen proportionately from the sample branch. From November 2020

through January 2021, data was collected. Because the COVID-19 pandemic was present during the data collecting period and due to the difficulties in gaining access to the agent outlets within a reasonable time frame, the snowball sampling technique was used to readily reach the target individuals. A total of 240 customers were polled using a Likert scale questionnaire. According to Hoe (2008), any sample size of more than 200 is sufficient for data analysis. The multiple regression model and SPSS have been used in this study where customer satisfaction has been considered as the dependent variable and reliability (combinations of timely service, knowledge and clarify the doubts of customers) employees, agent quality, convenience are independent variables.

4. RESULTS AND DISCUSSIONS

Agent banking helps a large portion of unbanked people under a formal banking net. Moreover, banks can also enrich profitability by managing agents and outlets at a lower cost and disbursing loans to the unbanked people.

Table 1 Agent Banking in Bangladesh (Bangladesh Bank, 2020)

Bank Name	Urban	Rural
Licensed Bank for Agent Banking	24	28
Operating Bank	21	26
Number of Agents	7,856	11,925
Number of Outlets	11,320	15,977 4
Number of Accounts	5,268,496	9,643,163
Number of Rural Accounts	4,370,890	8,358,501
Number of Female Accounts	2,297,775	4,398,122
Amount of Deposit	751,716.22	1,597,725.50
Amount of Loan Disbursed	44,600.63	189,315.75
Amount of Inward Remittance	1,553,431.86	4,880,634.58

In December 2020, 9,643,163 accounts and BDT 1,597,725.50 lacs amount were received. Moreover, the number of accounts increased by 292.48% whereas the amount of deposit scaled up by 413.34%. Furthermore, the government's initiative to pay a 2% cash incentive on remittance increases inward remittance through agent banking. Besides some banks other than the government's initiative provides 1% more cash incentive on the remitted amount. However, in terms of the loan, only nine banks provide loans through agent banking where this ratio is insignificant. This reveals that the agent banking window is serving banks' purposes more on deposit collection than lending. Bank Asia Limited (BAL) has the highest number of agents (4257) and outlets (4381) whereas Islami Bank Bangladesh Limited (IBBL) is in the second position in terms of the number of agents (2273).

Table 2 Comparative Scenario

Bank Name	No. of Agents	No. of Outlets	Loan Disbursement	Remittance	Deposit
Bank Asia Limited	4257	4381	51774.47	614128.64	281991.5
Dutch-Bangla Bank Limited	873	4414	2624.19	1217496.35	273747.2
Al-Arafah Islami Bank Limited	264	400	991.00	297334.09	229348.7
The City Bank Limited	1386	1411	26592.9	31338.69	28756.3
Islami Bank Bangladesh Limited	2273	2273	508.30	2505301.90	494543.6

Table 2, reveals that the number of agents by the BAL is the highest and the second position is for The City Bank Limited. While, IBBL is the highest in deposit mobilisation.

4.1 Reliability of The Study

Cronbach's Alpha test has performed to find out the reliability (.974) and found the positive correlation between the model's variables. The study found that there is a high degree of reliability (George & Mallery, 2003). Since several kinds of literature are reviewed the study has content validity as well.

Table 3 Profile of Respondents

		Response (N=240)	Percentage (100)
Gender	Male	196	82
	Female	44	18
Age	18-20	25	10
	21-30	110	46
	31-39	55	23
	40-50	50	21
	50 & above	0	0
Occupation	Student	22	9
	Service holder	32	13
	Businessmen	56	23
	Others	130	54
Education	Postgraduate	0	0
	Graduate	25	10
	SSC	70	29
	Primary	145	61

It was found that males use agent banking services more than females. 21-40 years age group likes to use agent banking. However, senior citizens of more than fifty years are not interested at all to get support from agent banking services rather they prefer cash transactions. Most of the users are other than small business owners. For the collection of remittances, a huge number of women are using agent banking services. In the study, most (61%) of the respondents have primary education or below SSC. The graduate and SSC degree holders use such kind of Agent banking service for sending school fees for their children, sending money to the village, etc. They prefer to branch banking services rather than agent banking.

4.2 Agent Service And Customer Satisfaction

The initial assumption was to find the association between agent banking and customer satisfaction. To test this hypothesis correlation matrix has been prepared as shown in Table 4.

Table 4 Correlations Matrix

	1	2	3	4	5
Reliability (X_1)	1				
Agent Quality (X_2)	.944**	1			
Convenience (X_3)	.950**	.876**	1		
Relationship Marketing (X_4)	.942	.798	.851**	1	
Customer Satisfaction (Y)	.849**	.801**	.830	.860**	1

Table 4 reveals that the relationship between X_1 (Reliability) and Y (Customer Satisfaction) is .849 which is highly significant at a .01 level of significance. Again, the relationship between X_2 (Agent Quality), X_3 (Convenience), and Y (Customer Satisfaction) are .801 and .830 respectively which is also highly significant. Moreover, the relationship between X_4 (Relationship Marketing) and Y

(Customer Satisfaction) is .860. Since Kaiser-Meyer-Olkin measure of sampling adequacy value is 0.912 indicating to further proceed for factor analysis. For finding out collide with the specific indicators of agency banking and customer satisfaction, a regression model has been developed.

Table 5 Regression Coefficients

Standardised Coefficients	
	Beta
(Constant)	
Reliability	.318
Agent Quality	.098
Convenience	.567
Relationship Marketing	.412
F	67.38***
R^2	0.751
Adjusted R^2	0.748

Regarding the fitness of the relevant data and findings using the test of model 1, it is found that the overall F value is significant. It is also seen in the above table that the value of R^2 is equal to 0.751. It can be revealed from table 5 that four independent variables that were studied, explain only 75% by the R^2. A study on the banking industry (Tindi & Bogra, 2017) had found that agent service had a 37% effect on customer satisfaction which is proved from the study. It can be concluded that the null hypotheses have been rejected implying thereby that there is a significant relationship between reliability, agent quality and convenience, relationship marketing, and customer satisfaction.

5. CONCLUSIONS

From the study it was found that agent's knowledge, clarify the doubts of customers quickly, comfortable location has positive associations on customer satisfaction of sample banks. Agent banking and relationship marketing were treated differently. If agent banking utilises relationship marketing tools to create and maintain term long profitable relationships with customers, the study could also be useful to other banks in Bangladesh intending to offer agent banking by reflecting on the implementation of agent banking in the five banks considered in this study. The technologies, on the other hand, ensure that the agent banking system is available, convenient, secure, and a more appealing alternative to traditional brick and mortar banking. The study has identified that proper marketing training is needed for the agent, agent office needs to be established in the local market rather than Union Parishad and more awareness programs need to be developed to keep concerned customers loyal. However, further research may be conducted in another alternative delivery channel with larger sample size. The amount received by females only BDT 17,087.98 lacs (9.03% out of total loan) which indicates a lack of confidence in general from both the banks and the female customers up to December 2020. Bangladesh bank has encouraged women entrepreneurship loans through agent banking. Thus, male participation through deposit and remittances flow not only enhances the rural economy, but female involvement in entrepreneurship will also boost the economy as well.

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