BOP COMMUNITY'S INTENTION TO USE AGENT BANKING SERVICES: PERSPECTIVE FROM RMG EMPLOYEES OF AN INDUSTRIAL SUB-DISTRICT OF BANGLADESH

Mahmud Habib Zaman [*]
Sheikh Morshed Jahan [**]
Makshudul A.M. Mondal [***]

Abstract

Service-based organizations such as banks have expanded their reach and operations to include various products, services, and more importantly, different market segments. Though brand, marketing efforts, and management concepts (such as mission and vision) have added to this expansion, so do the efforts of agent banking. Agent banking services act as a liaison between bank(s) and consumer(s), thereby allowing banks to reach consumers. Though literature indicates numerous advantages and challenges of agent banking services, the potential benefits are significant. This paper addresses the factors relating to using agent banking over traditional channels for consumers at the bottom of the pyramid (BoP) segment of Bangladesh.

Data was collected from an industrial sub-district of Bangladesh. The findings indicate variables from the Social Exchange Theory (SET) were appropriate to understand the intention to use agent banking services. Furthermore, the study revealed that reciprocity plays a role in the use of agent banking services. Therefore, banks (and other service providers) can use the results to both understand and design marketing strategies to increase trust and usage of agent banking services even further (i.e., in Bangladesh or other parts of the world). The paper also serves as an extension to prior literature on intention to use services.

Keywords : Agent Banking, Bangladesh, Bottom of the Pyramid (BOP), RMG, Social Exchange Theory (SET).

1. INTRODUCTION

The service quality (SERVQUAL) concept is widely used in literature to describe elements of the service industry. Characteristics such as intangibility, heterogeneity, perishability, and inseparability (Zeitman et al., 1996) are used to describe the quality and depict challenges of service industries. For example, perishability and inseparability are simultaneous producing and consuming services (Lewis, 1898). Thus the evaluation of the quality of the services by consumers is often subjective. As a result, organizations offer innovation to improve the quality of their services or develop new services (Kumar Behera et al., 2015; Dangolani, 2011). However, these

* Senior Lecturer, School of Business & Economics, North South University, Dhaka, Bangladesh
** Professor, Institute of Business Administration (IBA), University of Dhaka, Bangladesh
*** Co-founder, Youth Opportunities, Dhaka, Bangladesh

provisions may not be available or accessible for all industries (such as Banks); thus, creating value to attract and retain customers becomes a challenge (Parameswar et al., 2017).

Though the advancement of technologies allows innovations to occur, the way they change perception and subsequent adoption by consumers is mainly subjective. By standardizing certain elements, service providers can assure consistency in the service delivery, such as how services are offered (Dhir et al., 2014). For example, banking functions and activities now use online customer-driven processes such as point-of-sale (POS), enabling transactions to be processed in real-time (Parameswar et al., 2017). Meanwhile, the agent banking system allows banks to offer financial services outside their premises (Mas, 2008; Mas & Siedek, 2008). As a result, they provide value to consumers by covering a more significant segment and providing convenience to consumers (Wairi, 2011). Agent banking services have grown considerably all over the world. Countries like Russia had 10,000 agents in 2010, while Colombia had more than 13,000 agents in 2011 (Mugai, 2011).

Despite the advantages and widespread usage of agent banking systems, variables such as brand or trust are vital components of determining intention to use such services. For example, lack of trust can lead to avoiding the use of such services (Grimmer & Oddy, 2007; Clinton & Guest, 2014) or even lead to negative word of mouth (WOM). Other factors such as reputation (of the bank or to peers) and reciprocity (from others) can also impact intention to use banking services. Given the sheer size and potential of agent banking system(s), investigating these consumer behavior traits is worthwhile. However, there is a gap in literature regarding these behavioral constructs for an agent banking system.

This study centers on applying the social exchange theory (SET) to address the adoption of agency banking for BOP consumers of Bangladesh. SET addresses reputation, trust, and reciprocity. Thus, this study adopted this theory to investigate the intention to use agent banking services of BOP consumers from an industrial sub-district (i.e., Ready Made Garments [RMG]).

2. LITERATURE REVIEW

2.1 Agent Banking

Literature addresses the benefits of agent banking, including cost-effectiveness, convenience, and saving time for stakeholders (Wint, 2018).

Bangladesh Bank (BB) defines agent banks as "An entity authorized by a bank or Mobile Financial Services (MFS) provider to carry out financial transactions for mobile financial services on behalf of the bank/MFS provider" (Bangladesh Bank, 2020). In comparison, agent banking services are "providing limited scale banking and financial services to the underserved population through engaged agents under a valid agency agreement, rather than a teller/ cashier" (Benlamri, 2016).

As of September 2018, a combined 862,103 agents (registered) from the 18 banks offered agent banking services. Moreover, the total registered clients (using MFS) were 66.74 million, with 31.45 million active accounts (Daily Star, 2019). As a result, agent banking systems have expanded banks' reach, lowered costs and enhanced performance (Mas & Siedek, 2008; Shankaran & Roy, 2009). Although agent banking services have limited functions (as they function as a liaison between banks and consumers), a total of BDT 3,112 crore (approximately 367 million USD) was deposited through agent banking channel (using MFS) in 2018 (Daily Star, 2019).

On the other hand, there are also criticisms of agent banking, including low (poor) utilization of funds (Abukutsa, 2011; Onyango, 2011), lack of (high) security, and issues with liquidity (Pickens, 2009). However, despite the criticism, the features of agent banking have been highlighted to financial inclusion (Villasenor et al., 2015) in many developing areas such as Latin America, Asia, and South Africa (Wairi, 2011).

This study focused on individuals from the RMG sector, there is literature depicting various financial inclusion initiatives to bring RMG workers to mainstream banking (Amit, 2018).

2.2 Bottom of the Pyramid (BOP)

The concept of the BOP market was coined by authors Prahalad and Lieberthal (1998) in the Harvard Business Review (HBR) article titled "The End of Corporate Imperialism" (Prahalad & Lieberthal, 1998). Later in 2002, the concept was developed by indicating that consumers in this market had 4 billion people (Prahalad & Hart, 1999). Mainly consisting of individuals with a per capita income of less than $1 per day (Prahalad & Hart, 2002), these individuals have a large aggregate spending capacity and can generate profit for multinational companies. Using Hindustan Lever (now Unilever) as a base, examples of potentially successful business endeavors were highlighted by the authors as well as proposing strategies for tapping into the BOP markets.
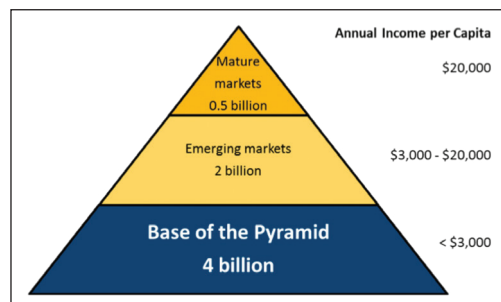

Figure 1: Prahalad and Hart's (1999) Income Pyramid (size of the BoP market)

The BOP market is a topic of interest by both practitioners and academics alike. Studies conducted on the BOP consumers range from buying power index (BPI) (Guesalaga & Marshall, 2008), purchase behavior (Midha et al., 2012), and family purchase decisions (Chikweche et al., 2012).

Studies on this segment were done in developing countries such as Bangladesh, China, the Philippines, South Africa, Kenya, and Latin America, Brazil, and Africa (Kolk et al., 2014). For example, many studies were conducted in Bangladesh on adopting agricultural technology, mobile phone adoption, and purchase intention (Amin et al., 2018).

The study focuses on the BOP market as they are the largest "unbanked households" (next to rural residents) in the financial inclusion of many countries of the Asian region such as India (Patel, 2016) and Bangladesh.

2.3 Social Exchange Theory (SET)

Originally the SET was based on building foundations for analyzing human behavior (Homans, 1958) and was later applied to understand employee behavior in organizations (Blau, 1964; Emerson, 1962). According to the social exchange model, people tend to interact (with others) to maximize rewards as well as minimize costs (Salam et al., 1998). SET addressed many issues to increase sales, including salespeople's effort (Fu et al., 2009), salespeople's role in customer service (Pappas & Flaherty, 2008), and communication activities (Flaherty & Pappas, 2009). According to studies on SET, knowledge sharing can provide mutual benefits to both parties, therefore the variables of SET (reciprocity, reputation, and trust). Reciprocity is "the exchange of information and knowledge, which is mutual and fair" (Tamjidyamcholo et al., 2013, p. 225). Therefore, a person's interpersonal behavior and interpersonal relationships with others is associated with the social exchange they have with others (Homans, 1958; Pervan et al., 2009). Furthermore, these exchanges can be achieved over time (Homans, 1958), which also includes obtaining mutual benefits through knowledge sharing (Hsu & Lin, 2008).

Reputation is when a person believes social interaction enhances their reputation, especially if knowledge is shared in a community (Wasko & Faraj, 2005). Therefore, providing useful information to others and the community can increase status and give positive feelings.

Lastly, trust has been addressed in much literature to minimize perceived risk (Metzger, 2004). This is especially true when adopting new technology. Therefore, having a high trust can help individuals feel secure and increase the intention to use a product or service.

This theory was used not examined for agent banking systems and its usage can explain intention to use agent banking of many segments, including BoP consumers.

2.4 Intention to Use

A person's beliefs influence attitudes, which ultimately influence intentions (Fishbein & Ajzen, 1975). The theory of reasoned action (TRA) has established on how individuals' beliefs influence a person's attitude toward an object and guide their intentions toward a subject (Fishbein & Ajzen, 1975). In context of SET, knowledge sharing is influenced by expectation (Deci, 1975). For example, a person may feel an intrinsic reward when they share useful information or when a person acts on

the knowledge they shared. Therefore, factors of the SET can be used to determine intention to use agent banking services, as it provided benefits to all parties including customers, banks and agents.

3. RESEARCH METHODOLOGY AND HYPOTHESES

3.1 Sample and Procedure

The researchers selected individuals working in the Ready-made Garments (RMG) sector from Tongi, Bangladesh. Tongi was selected as it has multiple bank branches with many agency banking service providers and abundant RMG factories (in Tongi and the surrounding Gazipur area). A total of 150 questionnaires were distributed. One hundred twenty responses were used in this study, while the remaining responses were omitted due to missing answers.

Demographic variables revealed that 70 percent of the respondents were male and 30 percent were female. The questionnaire had four parts, i.e., reciprocity, reputation, trust, and personal information. Questions included gender, age, and length of work experience of the respondents. This study adopted the four items for reciprocity (Kankanhalli et al., 2005), three items of reputation (Hsu & Lin, 2008), three items for trust (Hsu & Lin, 2008), and two items for intentions (Hsu & Lin, 2008). All the items used a seven-point Likert scale (i.e., 1 – strongly disagree to 7 – strongly agree).

The statistical process involved in the study is multiple regression using all the three factors which influence the consumer to adopt agent banking. The study used a multiple regression method where the dependent variable was the intention to use agent banking, while the independent variables were the three factors of SET, i.e., Reciprocity, Reputation and Trust (see figure 2).
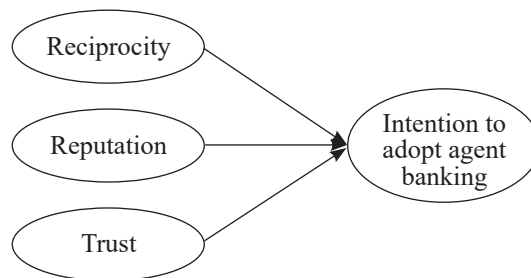

Figure 2 : Conceptual Model

Using the above model, the following hypotheses were formulated:

H1: Consumer reciprocity is positively associated with intention to use agent banking services by BoP consumers.

H2: Consumer reputation is positively associated with intention to use agent banking services by BoP consumers.

H3: Consumer trust is positively associated with intention use agent banking by BoP consumers.

4. RESULTS AND FINDINGS

Table 1 : Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.624[a]	.389	.374	.75278	1.774

a. Predictors: (Constant), MEAN_RECIP, MEAN_REP, MEAN_TRUST
b. Dependent Variable: MEAN_PURCHASE_INT

Table 2 : Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Bet a			Lower Bound	Upper Bound
1 (Constant)	.714	.372		1.920	.057	-.023	1.451
MEAN_TRUST	.153	.092	.138	1.672	.097	-.028	.335
MEAN_REP	.040	.067	.047	.602	.548	-.092	.173
MEAN_RECIP	.581	.089	.533	6.501	.000	.404	.759

a. Dependent Variable: MEAN_INT

Table 3 : ANOVA[b]

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	41.924	3	13.975	24.661	.000a
Residual	65.734	116	.567		
Total	107.658	119			

a. Predictors: (Constant), MEAN_RECIP, MEAN_REP, MEAN_TRUST
b. Dependent Variable: MEAN_INT

The regression equation is free from autocorrelation as the Durbin-Watson result was between 1.6 and 2.20. The adjusted R^2 value was at 0.389, indicating 38.9% of the variations in intention to adopt agent banking could be explained by the predictor variable reciprocity. However, no regression equation could be formed for regressing reciprocity on the predictor variable.

5. DISCUSSION

The SERVQUAL model was used as a comprehensive model for the service industry (Zeitman et al., 1996), which is especially true for highly involved service sectors such as banks. With the increased usage of technology, more and more consumers are adopting online or mobile-based systems to avail services, including banking services. For example, remittance is being sent from individuals working abroad to family members living in remote or unreachable areas. Moreover, groups such as the BoP market readily do not want to use banking services.

Some characteristics of the SERVQUAL model can be delivered to consumers through agent banking services, such as inseparability and heterogeneity, i.e., similar services as banks but more personalized and convenient.

This paper illustrated that reciprocity could be a predictor in forming intention of using agent banking services. Though the regression could not be formed, the model predicted 38.9% of the variance could be explained. This indicates consumers find interpersonal behavior and relationships with others important to adopt or use services. For example, the relationship between agents can be a predictor for consumers to adopt agent banking services. Moreover, exchanges can be achieved and enhanced over time (Homans, 1958) to be included not only for an agent but banks themselves. Thus, the findings of this research may help practitioners and policymakers to increase the sense of reciprocity between agents and consumers. For example, training for agents could ensure the dissemination of accurate information on many products and services.

6. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This research used the SET model and identified reciprocity as a factor to predict intention to use agent banking. Though trust and reputation did not yield significant and positive relationships, the last variable could predict over 35% on the intention to use. Moreover, other factors may have yielded varying results, such as the sample size or the location of the study. Moreover, consumer selections vary based on consumer decisions (Liebermann & Flint-Goor, 1996). For example, varying banks, perception of services, ease of use and perceived usefulness of agent banking services could have yielded different results. Future research may consider different models such as the Theory of Planned Behavior (TPB) or other theories relating to the use of technology. Moreover, research can also focus on interaction among service providers and consumers, such as agents' roles and boundary-spanning roles. Finally, having a larger sample size and different population can also yield different results.

7. CONCLUSION

Though no regression was formed in the current study, the result indicated reciprocity was significant in having a variance on intention. Further studies could see if the level of reciprocity can also yield a higher propensity to use. In this research, although the two other variables were not found to have been positively correlated, different samples or models may yield different results. For example, the trust factor could use different items specific to agent banking systems, which can be achieved through a qualitative study. Besides, other BoP communities, segregagated by industry and/or region, can also be studied further. This paper serves only as an extension on the intention to use variable and how the SET model fits in to agent banking services. Researchers and strategists can use the result to understand this relationship and enhance consumer experience or develop comprehensive programs (campaigns) in the banking sector.

REFERENCES

Abukutsa, M. O. O. (2011). Strategic repositioning of agrobiodiversity in the horticulture sector for sustainable development in Africa. *CTA and FARA*, 8-16.

Amin, M. K., Karim, K. S., Amin, A., & Li, J. H. (2018, December). Preliminary Enquiry into the Adoption Behavior of K'Ts Enabled Products and Services at the Bottom of the Pyramid (BOP) in Bangladesh. In *2018 21st International Conference of Computer and Information Technology (ICCIT)* (pp. 1-5). IEEE.

Amit, S. (2018). Prospects and Challenges of Agent Banking in Bangladesh: A Case Study of Female RMG Workers. *Review of Integrative Business and Economics Research, 7*, 75-89.

Bangladesh Bank (2017). Guidelines on Agent Banking for the banks, accessed October 19, 2019. Available at https://www.bb.org.bd/aboutus/regulationguideline/psd/agentbanking_banks_v13.pdf.

Bangladesh Bank (2020). Bangladesh Mobile Financial Services (MFS). Accessed January 20, 2020. Available at https://www.bb.org.bd/mediaroom/circulars/psd/jul302018psdl04e.pdf

Bangladesh Bank (Nd). Regulations, Policy and Licensing, accessed October 19, 2019, available at https://www.bb.org.bd/fnansys/paymentsys/paysystems.php.

Benlamri, R., & Sparer, M. (2016). Leadership, innovation and entrepreneurship as driving forces of the global economy. In *Proceedings of the 2016 International Conference on Leadership, Innovation and Entrepreneurship (ICLIE), Editors: Benlamri, Rachid & Sparer, Michael.*

Blau, P. (1964). *Exchange, and power in social life*. New York: John Wiley & Sons.

Chikweche, T., & Fletcher, R. (2011). Franchising at BOP: an alternative distribution approach. *International review of retail, distribtuiona and consumer research , 21*(4), 343-360.

Clinton, M.E., & Guest, D.E. (2014). Psychological contract breach and voluntary turnover: Testing a multiple mediation model. Journal of Occupational and Organizational Psychology, 87(1), 200–207.

Daily Star (2019). Deposit through agent banking rises 122pc. Accessed October 19, 2019. Available at https://www.thedailystar.net/business/banking/news/deposit-through-agent-banking-rises-122pc-1701760.

Dangolani, S. K. (2011). The Impact of information technology in banking system (A case study in Bank Keshavarzi IRAN). *Procedia-Social and Behavioral Sciences, 30*, 13-16.

Deci, E. L. (1975). *Intrinsic motivation*. New York, NY: Plenum Press.

Dhir, S., Aniruddha, & Mital, A. (2014). Alliance network heterogeneity, absorptive capacity and innovation performance: a framework for mediation and moderation effects. *International Journal of Strategic Business Alliances, 3*(2-3), 168-178.

Emerson, R. M. (1962). Power-dependence relations. *American Sociological Review, 27*(1), 31–41.

Fishbein, M., & Ajzen, I. (1975). Belief, attitude. Intention and Behavior: *An Introduction to Theory and Research*. Fishbein, M., & Ajzen, I. (1975). Belief, attitude. Intention and Behavior: An Introduction to Theory and Research.

Flaherty, K. E., & Pappas, J. M. (2009). Expanding the sales professional's role: A strategic re-orientation?. *Industrial Marketing Management, 38*(7), 806-813.

Fu, F. Q., Bolander, W., & Jones, E. (2009). Managing the drivers of organizational commitment and salesperson effort: An application of Meyer and Allen's three-component model. *Journal of Marketing Theory and Practice, 17*(4), 335-350.

Gefen, D., Karahanna, E., & Straub, D. W. (2003). Trust and TAM in online shopping: An integrated model. *MIS quarterly, 27*(1), 51-90.

Grimmer, M. & Oddy, M. (2007). Violation of the psychological contract: The mediating effect of relational versus transactional beliefs. Australian Journal of Management, 32(1), 153–175.

Guesalaga, R., & Marshall, P. (2008). Purchasing power at the bottom of the pyramid: differences across geographic regions and income tiers. *Journal of Consumer Marketing, 25*(7), 413-418.

Helm, S. (2007). The role of corporate reputation in determining investor satisfaction, and loyalty. Corporate Reputation Review, 10(1), 22–37.

Helm, S. (2011). Employees' awareness of their impact on corporate reputation. *Journal of Business Research, 64*(7), 657-663.

Homans, G. (1958). Social behavior as exchange. *American Journal of Sociology*, 63(6), 597–606.

Hsu, C., & Lin, J. (2008). Acceptance of blog usage: The roles of technology acceptance, social influence, and knowledge sharing Motivation. *Information & Management, 45*(1), 65–74.

Kankanhalli, A., Tan, B., & Wei, K. (2005). Contributing knowledge to electronic knowledge repositories: An empirical investigation. *MIS Quarterly, 29*(1), 113–143.

Kim, G., Shin, B., & Lee, H. G. (2009). Understanding dynamics between initial trust and usage intentions of mobile banking. *Information Systems Journal, 19*(3), 283-311.

Klapper, L., & Singer, D. (2014). The opportunities of digitizing payments: How digitization of payments, transfers, and remittances contributes to the G20 goals of broad-based economic growth, financial inclusion, and women's economic empowerment. *World Bank Development Research Group Report. Washington, DC*. Available at http://www.gpfi.org/sites/default/files/documents/FINAL_The%20 Opportunities%20of%20Digitizing%20Payments.pdf.

Kolk, A., Rivera-Santons, M., & Rufin, C. (2014). Reviewing a Decade of Research on the Base / Bottom of Pyramid (BOP) concept. *Business & Society , 53*(3).

Kumar Behera, A., Nayak, N. C., Das, H. C., & Mohapatra, R. N. (2015). An empirical study of the impact of IT on performance in Indian service industries. *Global Business and Organizational Excellence, 34*(3), 67-78.

Lewis, B. R. (1989). Quality in the service sector: a review. *International Journal of Bank Marketing, 7*(5), 4-12.

Mas, I. (2008). Realizing the potential of branchless banking: challenges ahead. *CGAP Focus Note*, (50).

Mas, I., Siediek, H. (2008). Banking through Networks of Retail Agents. *CGAP Focus Note*, (47).

Metzger, M. J. (2004). Privacy, trust, and disclosure: Exploring barriers to electronic commerce. *Journal of computer-mediated communication, 9*(4), JCMC942.

Midha, A., Jain, M. R., & Mathur, S. (2012). Buying Behavior of the Bottom of the Pramid towards retails sector - A study in Delhi. *International Journal of Retailing & Rural Business Perspectives, 1*(1), 34.

Mungai, E. (2016). *Factors Influencing the Adoption of Agent Banking By Commercial Banks in Kenya* (Doctoral dissertation, United States International University-Africa)..

Onyango, C. (2011). Agency Banking Faced with Implementation Crisis.

Pappas, J. M., & Flaherty, K. E. (2008). The effect of trust on customer contact personnel strategic behavior and sales performance in a service environment. *Journal of Business Research, 61*(9), 894-902.

Parameswar, N., Dhir, S., & Dhir, S. (2017). Banking on innovation, innovation in banking at ICICI bank. *Global Business and Organizational Excellence, 36*(2), 6-16.

Patel, A. (2016). Financial Inclusion: Harnessing Poor Families' Potential for Development. *FIIB Business Review, 5*(1), 15-22.

Pervan, S. J., Bove, L. L., & Johnson, L. W. (2009). Reciprocity as a key stabilizing norm of interpersonal marketing relationships: Scale development and validation. *Industrial Marketing Management, 38*(1), 60-70.

Pickens, M. (2009). Window on the unbanked: Mobile money in the Philippines.

Prahalad, C. K., & Hart, S. L. (1999). Strategies for the bottom of the pyramid: creating sustainable development. *Ann Arbor*, 1001, 48109.

Prahalad, C. K., & Hart, S. L. (2002). Strategy+ business. *The Fortune at the Bottom of the Pyramid, 26*, 2-14.

Prahalad, C. K., & Lieberthal, K. (1998). The end of corporate imperialism. *Harvard Business Review, 76*(4), 68-80.

Salam, A., Rao, R., & Pegels, C. (1998). An investigation of consumer-perceived risk on electronic commerce transactions: The role of institutional trust and economic incentive in a social exchange framework. *AMCIS 1998 Proceedings*, 114.

Shankaran, S., & Roy, A. (2009). RBI permits corporations to work as rural agents of banks. *Wall Street Journal. (Sep 29 2010)*

Shimp, T. A., & Kavas, A. (1984). The theory of reasoned action a lied to coupon usage. Journal of Consumer Research, 11(3), 795–809.

Tamjidyamcholo, A., Baba, M. S. B., Tamjid, H., & Gholipour, R. (2013). Information security–Professional perceptions of knowledge-sharing intention under self-efficacy, trust, reciprocity, and shared-language. *Computers & Education, 68*, 223-232.

Villasenor, J., West, D., & Lewis, R. (2015). The 2015 Brookings Financial and Digital Inclusion Project Report.

Wairi, D. (2011). Factors influencing the adoption of agent banking innovation among commercial banks in Kenya. *Unpublished MBA Research Project, University of Nairobi, Kenya*.

Wasko, M. M., & Faraj, S. (2005). Why should I share? Examining social capital and knowledge contribution in electronic networks of practice. *MIS quarterly, 29*(1), 35-57.

Wint, N. N. (2018). CUSTOMER PERCEPTION ON SHWE AGENT BANKING SERVICES (Doctoral dissertation, Yangon University of Economics).

Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1996). The behavioral consequences of service quality. *Journal of marketing, 60*(2), 31-46.