



UNIVERSITI TEKNOLOGI MARA

**A STUDY ON
THE FACTORS AFFECTING THE ADOPTION OF
BRANCHLESS BANKING SYSTEM:
A CASE STUDY IN PULAU BUM BUM SEMPORNA,
SABAH**

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ABSTRACT

Providing basic financial services to rural people can enhance their security by eliminating the need for them to hold cash in hand. Placing or putting up a branch in rural village is not however cost effective. This is because of poor transportation services, large distances and high cost of delivering. In recent years, the concept of branchless banking (BB) or Banking Beyond Branch (3B) has emerged in which a person or resident of a village acts as an agent for a faraway bank, provides a way of connecting rural people to the banking world. Branchless banking services system enables a host of services including simple withdrawals and deposits. BB also reduces two of the biggest problems to financial success; the cost of roll-out (cost of having a physical presence) and the cost of low value transactions. In Sabah, there are 232 registered agents including one in Pulau Bum-Bum. The island is chosen by Bank Simpanan Nasional to have an agent because Pulau Bum-Bum has no convention bank found in the island and the people deserved to have branchless banking. However, the responses from the people are not very encouraging as the customers in island are mainly government servants. The study shows that the rural people are still not confident with the services and this is because the villagers and the agent may not trust one another completely. Another reason is possibilities of fraud whereby the agent or the people do not want to take the risk of being cheated. It is, therefore, very important that the bank finds ways to improve its branchless banking services so all parties enjoy the services offered by BB. The people in Pulau Bum-Bum need to be educated on the branchless banking services as they are first time expose to these services. Furthermore, both agents and people are the key players in this service and as such they need good security from the bank.