

**STRATEGIC ALTERNATIVE BANKING CHANNELS AND PERFORMANCE OF
THE COMMERCIAL BANKS IN KENYA**

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DECLARATION

This research project is my original effort that hasn't be handed offer to any degree from any other university.

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DEDICATION

This research project is devoted to my parents for their continuous prayers for God's wisdom upon me to be the best I can. You have always believed in me, thank you for all the support you provided.

This research work is also dedicated to the rest of my family, for their unwavering commitment and support to my education and learning at all times. They are my pillars and sources of great inspiration. To my colleagues and friends for the great encouragement to undertake this degree programme and tremendous support. God bless you all.

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ABSTRACT

This study was based on the premise that alternative banking channels like the ATM, mobile, agency and internet banking have made it possible for banks to achieve a wider market share across all geographical areas with minimal efforts. However, irrespective of the various studies that were documented on the above concept, it remains unclear how alternative banking techniques of distributed fiscal services affect the performance of commercial banks. As a result, the study ought to determine the various alternative banking channels strategies adopted by the commercial banks in Kenya and to establish the correlation involving Alternative Banking Channels strategy and performance of the commercial banks in Kenya. This research problem was deliberated through cross-sectional survey research design. Thus, the 39 commercial banks in Kenya were the focus of the study which given a natural setting on which data was gathered. Accordingly, the aimed respondents are the heads of departments, their assistants; target respondents included the departmental heads, plus inferior cadre workers like the administrators, book keepers, and finance administrators from the 39 commercial banks' head offices in Nairobi. The descriptive statistical tools applied for the data scrutiny are the Statistical Package for Social Sciences (SPSS) as well as MS Excel. The outcomes are expressed through the tables as well as charts. To measure the mean score and the standard deviation, the Likert scales was applied. The results also revealed that alternative banking channels affect transaction volume to a great extent as well as customer deposits, return on assets (profitability) cost efficiency (income), customer base and human resource cost. This is a clear indication that ABCs are crucial banking tools that affect various aspects of performance of the commercial banks in Kenya. The study advocates apt management of associated risks to enhance customer confidence, ensuring accessibility to target consumers, incorporation of wide range of services, provision of consumer knowledge, and internal efficiency mechanisms to dealing with security concerns. According to the findings, the study recommends to the management of commercial banks to adopt more alternative banking channels as well as exploiting more innovations that enhance alternative banking

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT.....	viii
LIST OF TABLES.....	ix
LIST OF FIGURES.....	v
ABBREVIATIONS AND ACRONYMS.....	v
CHAPTER ONE : INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.1.1 Alternative Banking Channels Strategy	3
1.1.2 Organizational Performance.....	4
1.1.3 Alternative Banking Channels Strategy and organizational performance.....	5
1.1.4 Overview of the Banking Industry in Kenya.....	5
1.1.5 Commercial Banks in Kenya.....	6
1.2 Research Problem	7
1.3 Research Objectives	9
1.4 Value of the Study.....	9
CHAPTER TWO: LITERATURE REVIEW.....	11
2.1 Introduction	11
2.2 Theoretical Foundation	11
2.2.1 Financial Intermediation Theory.....	11
2.2.2 Rogers' Diffusion of Innovation Theory	11
2.3 Strategic Dimension of Alternative Channels of Distribution.....	13
2.4 Organizational Performance Measurement.....	15
2.5 Alternative Banking Channels and Performance of Organizations	16
2.6 Empirical studies and knowledge gaps.....	17

CHAPTER THREE: RESEARCH METHODOLOGY	19
3.1 Introduction.....	19
3.2 Research Design.....	19
3.3 Population of the study	20
3.4 Data Collection	21
3.5 Data Analysis	22
CHAPTER FOUR: DATA ANALYSIS,RESULTS AND INTERPRETATIONS	24
4.1 Introduction.....	24
4.2 Response Rate	25
4.3 Background Information.....	25
4.4 Alternative Banking Channels	27
4.5 Alternative Banking Channels and Bank’s Performance.....	30
4.6 Discussion	46
CHAPTER FIVE:SUMMARRY,CONCLUSIONS AND RECOMMENDATIONS....	47
5.1 Introduction.....	47
5.2 Summary	48
5.3 Conclusions.....	51
5.4 Recommendations.....	53
5.5 Limitations	54
5.6 Recommendations for further research	56
REFERENCES	58
APPENDICES.....	62
Appendix I: List of Commercial Banks in Kenya.....	62
Appendix II: Letter of Introduction.....	64
Appendix III: Research Questionnaire.....	65

LIST OF TABLES

Table 4.1: Questionnaire Return Rate	25
Table 4.2: Extent to which ABCs affect Performance of Banks	30
Table 4.3: Extent to which ABCs affect Aspects of Performance of Commercial Banks.....	311
Table 4.4: Extent to which Internet Banking Channels affect Performance of Banks	322
Table 4.5: Factors affecting Utilization of Internet Banking Channels in Banks.....	32
Table 4.6: Effects of Internet Banking Channels on Performance of Banks in Kenya	33
Table 4.7: Aspects of Agency Banking Channels affecting Performance of Banks	366
Table 4.8: Extent to which Agency banking enhances various aspects of performance.....	388
Table 4.9: Aspects of ATM Services affecting Performance of Commercial Banks	40
Table 4.10: Agreements on Effects of ATMs on Performance of Commercial Banks	41
Table 4.11: Services of Mobile Phone Banking that affect Performance of Banks	43
Table 4.12: Use of Mobile Banking Channels and its Effect on Banks' Performance	44

LIST OF FIGURES

Figure 4.1: Extent to which Agency Banking affects Performance of Banks in Kenya .366
Figure 4.2: Extent to which ATM Services affect Performance of Commercial Banks ...40
Figure 4.3: Extent to which Mobile Banking affects Performance of Banks43

ABBREVIATIONS AND ACRONYMS

ABCs – Alternative Banking Channels

ATM – Automated Teller Machine

EFT – Electronic Funds Transfer

PWC – Price Waterhouse Coopers

SPSS – Statistical Package for Social Sciences

CBK – Central Bank of Kenya

ICT – Information and Communications Technology

CHAPTER ONE INTRODUCTION

1.1 Background of the Study

A suitable banking setting is taken as a major support plus also a financial development booster (Koivu 2002). Currently, financial institutions are considering non-traditional or optional ways of sharing out credit as well as other fiscal services to their clients. Core banking solutions enable banks to enlarge the complete profit of ATM, card banking, tele-banking, internet banking, mobile banking and other numerous release channels to all clients hence giving banks an opportunity to provide a multitude of consumer oriented services throughout from a single location. Alternative banking is the newer technique of conducting banking activities that entails all non-traditional means of banking.

The spread of alternative banking channels is described in several well-known theories. Roger's diffusion theory of innovation suggests that when a cost-saving technical innovation, like alternative banking channels (ABCs), is initially introduced, large banks have an advantage to apply first as well as enjoy additional expansion. Over time, due to environmental changes, the innovation gradually diffuses into smaller banks. Financial intermediation theory take mediators as an avenue of decreasing informational asymmetries as well as cost of transaction by means of pooling assets belonging to customers together, hence resulting to economies of scale (Alexandra, 2009).

As a result of the evolving technology, the Kenyan banks have no choice but to cope and adopt with the changing technology indulgence. Banks in Kenya have remained in the forefront of innovations as a good percentage of Kenyans are increasingly getting banked (CBK, 2014). This appetite for innovative products and services can be attributed to the competitiveness of the industry which attempts to use entry level barriers into play to remain in the lead and overcome competition from the other players. With such competition, banks have resorted to employing alternative ways of banking, something which is being referred to as ‘alternate channels’ in the banking industry.

The worldwide banking sector has been transformed in the last three decades through an assault of the modern know-hows in an increase to a widespread change in the policies controlling the application of this knowledge. Based on the findings of Kaleem Ahmad (2008) Electronic banking diminishes the cost of dealings, saves time, minimizes tiresomeness, provision of current information, increases active effectiveness, reduces HR needs, simplifies quick answers, expands service quality as well as reduces the possible perils that emanate from the handling of cash. Banks have employed diverse IT techniques that provide multiple varied ways that offer various service channels to serve customers as well as satisfying their demands.

Based on the findings by Kumbhar (2009) commercial banks are capitalizing application of mobile banking platform to help their clients utilize their smartphones in transacting hence encourage continuous transactions. According to Mwangi (2007) the common various banking platforms like the ATM as well as the Internet Banking have helped banks to touch a widespread number of customers across all geographical settings by use of minimal effort.

Based on the findings by PWC (2012), growing branch tactics as well as the marketing promotions employed by banks, has shown that banks will be able to meet their clients' needs in such dynamics economic realities, hence boosting their Return On Investment as well as creating sustainable competitive advantage. The findings by PWC (2012) also show that a gradually growing of the digital consumer as well as the high-cost structure of physical banking platforms like branches, has indicated possibility in the falling of the ROI in the banking sector. However channels are viewed as an expenditure method that helps banks to attract a huge number of consumers particularly those who earn a smaller income for the purpose of the business productivity and growth.

1.1.1 Alternative Banking Channels Strategy

Alternative banking, can be defined as the modern technique of conducting banking activities. This entails the various non-traditional platforms of banking (World Retail Banking Report-2008; Shrotryiya, 2007) like the bank mechanization, debit card, ATM banking, core banking, the internet banking, mobile banking, credit card and EFT. According to Palestine (2009) this kind of banking can be defined as the art of carrying out the fiscal transaction by means of electronics with no physical interaction with the bank. This is mostly possible through the use of the internet banking, visa electron, visa card, and other related platforms. Based on the findings by Kohali & Sheleg (2011) alternative banking involves simply, the substitute choices for procedure banking transactions apart from the usual traditional means. This alternative is also called the e-banking, the online banking, the virtual banking, the direct banking, the electronic banking, and the high tech-banking.

These alternative channels of distribution are not only vital in terms of cost reduction, enhancing competitiveness, but also capable of sustaining the current clients and also attract other new ones. In other findings by Palestine (2009) there are about six diverse alternatives banking channels (ABC): PC banking, internet banking, controlled network, TV banking, Telephone banking as well as Mobile handset banking. The most current economic catastrophe beside the ever growing market complexity has exerted struggle on fiscal institutions. According to Kohali and Sheleg (2011).

1.1.2 Organizational Performance

The quantitative or qualitative indicators characterize as well as define performance. They give an instrument that is used by firms in managing their operations so as to attain their set goals and predetermined objectives, determining the main drivers of the firm's stability as well as meeting clients' satisfaction. Performance involves the results, outcomes and accomplishments either optimistic or pessimistic that emanate as a result of the firm's activities. It has also been defined as the ability of the company to acquire as well as make use of its limited resources and valuables as expeditiously as it can so as to achieve its operation objectives (Griffins, 2006). The conditions, success, as well as compliance of the company can be determined through performance. According to Whittington and Kurt (2001) the objectives performance indicators involves; income growth, profit growth as well as Return on Capital used.

1.1.3 Alternative Banking Channels Strategy and Organizational performance

The provision of easier accessibility to the banking platform anywhere any time, speed of transaction, efficiency, security, diverse banking services, and cost effective platforms, throughout the use of alternative banking channels, the performance of the banking industry has been improved at large margins. Based on the findings on the channels of alternative banking by Kaleem Ahmad (2008) these alternatives banking platforms have contributed to the success of the banking industry through various avenues like reduction of the cost of transactions, time management, minimization of inconveniences, latest information on the business world, increasing the operational efficiency, decreasing the HR needs, facilitating a quick reactions on customers queries, enhancement of the quality of service provided to clients and reduction of handling cash, hence security enhanced. Banks can adopt two main tactics for e-banking. These tactics are; establishment of websites by an existing bank to supplement the ordinary channels of banking, establishment of an Internet-only bank or additional e-channels or virtual bank, nearly in all the areas with no physical offices (Miranda et al, 2006).

1.1.4 Overview of the Banking Industry in Kenya

All the Kenyan banks have merged together to form an association known as the Kenya Bankers Association (KBA), that serves as a lobby for the banking industry's interest and handling matters affecting its affiliates (Central Bank of Kenya, 2015). Commercial Banks have installed diverse IT related platforms to enable them offer multiple services to their clients and providing them with products and services that meet their preferences. Based on CBK annual report 2015; however banks are anticipated to discover latest chances locally as well as internationally to uphold growth energy.

Rapid rise of alternative channels of banking which include agent banking and electronic banking products through mobile phones and personal computers is expected. Based on Central Bank of Kenya records (2016), there are 42 commercial banks in Kenya today. The major players in the commercial banks are; Kenya Commercial Bank (KCB), Equity Bank, Co-Operative Bank of Kenya (Co-op Bank), Standard Chartered Bank (SCB), Barclays Bank of Kenya (BBK), Citibank N.A, National Bank of Kenya (NBK), Commercial Bank of Africa among others.

1.1.5 Commercial Banks in Kenya

According to the study by (CBK, 2015), the banking industry in Kenya has embraced diversity in ICT, as witnessed through the fact that a number of them operate branchless banking through the use of ICT. For instance, a number of the banks are utilizing their ATM as part of their branches, thus branchless developing strategy is real and measurable. It has also been seen that, the ICT has contributed much as far as the banking industry is concerned, through the provision of efficient as well as quality services, and under a modern platform, that indicates innovations and creativity. The quick and massive growth of technology, various banking alternatives has been witnessed, making banking critical in the e-payment platform. This therefore has boosted e-commerce for instance online shopping, auction, and many others (Maungu, 2013).

It is imperative to know that, the ABCs work differently on diverse firms' based on their sizes. It may work well with large banks but not small or medium size banks. To arrive to the conclusion on the kind of ABCs to be applied by the bank, it is the challenge of the managers to consider the total size of the market, their share in that market, the existing demand in that market, the patterns in that targeted market, as well as trends within the consumer favorites.

1.2 Research Problem

A suitable banking setting is taken as a major pillar as well as an economic development booster (Koivu 2002). Currently, financial institutions are taking non-traditional or additional avenues of administering credit as well as other fiscal services to their consumers. The key banking solutions help financial institutions to enlarge the complete values of ATM, mobile banking, tele-banking, card banking, internet banking, as well as other various serving channels to all consumers permitting banks to give a huge number of consumer oriented services all through in one point. Alternative banking is the newer method of carrying on banking operations. It includes all non-traditional means of banking.

In an effort to maximize services while reducing costs, the Kenyan banks are regularly moving closer to a 24hr 7 days service as well as consumers are making use of the huge utility that comes along with this. Maungu (2013) argues that technologies such as ATMs, mobile phones and points-of-sale (POS) devices are increasingly being used to reduce costs and increase access for low-income clients. Previously, enlarging the company involved putting more branches in densely populated areas as well as seeking legality costs (Nyangosi, Arora & Singh, 2009; Njuguna, Ritho, Olweny& Wanderi, 2012).

That challenge has been handled through the application of affordable avenues of banking. Furthermore, alternative banking channels such as the kiosk, internet banking and the ATM, have made it possible for banks to cover larger customer areas across diverse geographical settings by the use of very minimal effort. Globally, Yanjuan and Sajal (2014) did a study on the financial inclusion through mobile banking in Bangladesh. In the study, it has been discovered that, the anticipated financial cost, the predicted perils, as well as the skewed standard appears to be the actual influencing facets that affects the behavior of persons while trying to adopt the application of the mobile banking. Kumbhar (2012) carried out a study on alternative banking channels and customers' satisfaction in public and private sector banks in India. Adetunji (2013) investigated on the adoption of mobile banking in Nigeria. Strong (2011) studied ICT banking plans intended for the expansion as well as maintaining the E-Commerce: Alternate Delivery Channels' consumer oriented in UK.

Locally, Cheruiyot (2010) conducted a research on the effect of internet banking on fiscal stability of commercial banks in Kenya and view from the results obtained from the multiple regression, that productivity as well as provision of internet banking have a minute significant correlation. Kithuka (2012) wanted to identify the aspects that involve and influences the development of agency banking in Kenya. During this research, 100 Equity Bank agencies were taken as a sample to represent the population of the study in Kwale County. It was established that these agencies are focused on the bank led as well as non-bank led business hence determining that the suitability of the money transfer know-how alongside its accessibility, cost, support as well as security, has influenced the use of agency banking.

Omondi, Maokomba and Musiega (2014) investigated on the influence of Alternative Banking Channels on productivity of Co-operative bank of Kenya and identified the need of the banks to design their ABCs, in a way that clients can utilized them at ease, and in a way that can help them subscribe at a high rate for the unbanked sections.

The available studies cannot be taken to be a representative of all the commercial banks in Kenya thus the research gap. Further, it continues to be uncertain on the ways by which the new modern approaches of in which financial services are administered, influences the performance of commercial banks. As a result, the research plan responds to the subsequent research question: What could be the strategic influences associated with alternative banking channels on the performance of commercial banks in Kenya?

1.3 Research Objectives

The objectives of the study will be:

- i. To find out the various alternative banking channels strategies adopted by the commercial banks in Kenya
- ii. To identify the connection involving alternative banking channels strategy and performance of commercial banks in Kenya

1.4 Value of the Study

This study is expected to provide a new dimension in theory regarding alternative banking channels and organizational performance of commercial banks. This will be realized through presentation of the Kenyan case into the existing literature and assessment with other contextual findings.

This is intended to add value to organization's strategic intent of enacting alternative banking channels to boost their organizational performance with a number of people like academics who are looking for areas for extra study, on topics related to commercial banks as an avenue of eliciting extra information on the current body of knowledge in this field as well as being essential in teaching and expansion of the body of management practice.

The study will provide insights to the various authorities and policy makers on the concept of alternative banking channels and organizational performance of commercial banks in Kenya, in all the existing circumstance. Evenly significant to know that, this study will be of big assist to the operations managers at the commercial banks and other organizations in Kenya which may embrace the usefulness of Alternative Banking Channels in running as well as intensification of their organizations. The findings, thus, would be instrumental in designing policy direction and guidance in implementation.

This study focuses on the strategic effects of alternative banking channels on the performance of commercial banks in Kenya. . This chapter provides a synopsis about the study through glancing into the concept of alternative banking channels strategy, firm performance, alternative banking channels and firm performance, global banking sector, overview of the banking industry in Kenya and commercial banks in Kenya. The other sections covered in this chapter include the research problem, the objectives of the study and lastly value of the study. The chapter finally gives the value of this study outlining the key beneficiaries of the outcomes.

CHAPTER TWO LITERATURE REVIEW

2.1 Introduction

This chapter seeks to give an extensive appraisal on available, related literature of the theoretical and empirical literature to the problem being investigated. Accordingly, this chapter captures the major issues relating to alternative banking channels among commercial banks in Kenya. The specific areas covered here are theoretical foundation, channels of distribution, organizational performance and the relationship between channels of distribution and performance.

2.2 Theoretical Foundation

This part of the study highlights the theoretical reassess in respect to the objectives study. The study is based on Financial Intermediation Theory and Roger's diffusion theory of innovation.

2.2.1 Financial Intermediation Theory

This theory emanates from the exertion of Gurley and Shaw (1960). The theory is found on three main theories namely; transactional cost theory, agency theory, as well as informational asymmetry theory (Bert and Dick, 2003). Financial intermediation involves a process with excess units depositing funds with banks which later lend to deficit units (Bisignano, 1992) based on the findings of this theory, the existence of financial institutions is as a result of inadequate information, a high cost of transactions, and the complexity of the legal framework. The above mentioned theory views mediators as an avenue of decreasing informational asymmetries as well as operation expenses by means of collecting customer's resources to create an economies of scale (Alexandra et al., 2009).

The actual significant donation of mediators is a firm flow of finances from excess to insufficiency units. The fact that this study is trying to ascertain the reasons behind the establishment of alternative banking channels is an indication that this study has borrowed much from this theory. The establishment of ABCs is seen as an avenue that can lead to long term growth, liquidity maintenance as well as sustainability. Based on the findings by Scholtens and van Wensveen (2003), the financial mediator's role is fundamentally viewed as it is generating particular fiscal merchandise. Financial intermediaries are available as a result of the market deficiencies.

2.2.2 Rogers' Diffusion of Innovation Theory

The Diffusion of Innovation Theory (Rogers, 1995) seeks to describe the ways in which these modern ideas or innovations are adopted and the theory suggested of five facets of modernization that cause implementation. These features are for instance compatibility, virtual advantage, observability, difficulty, treatability as well as Relative. Advantage is well stated as the scope to which an innovation is viewed as superior than the suggestion it displaces. According to the theory by Rogers' it is easier to adopt and implement innovation with an obvious outcome, theory suggests that innovations that have unambiguous. The modern researchers evidence indicates in case of potential lack of virtual benefit in employing modernization, it will not be applied (Greenhalgh et al, 2004). Adaptability involves the extent in which modernization can easily be applied with the obtainable principles, knowledge, as well as requirements of possible adopters.

2.3 Strategic Dimensions of Alternative Channels of Distribution

The advancement of communication as well as computer technology has created an environment in which a client can do various transactions within one point without even going into a physical financial structure (Burns, 2002) by use alternative banking channels. The reform in the banking sector has totally changed the customary way of transacting, due to the emergence of technology that has brought a complete paradigm shift in the operations of banks as well as delivery of banking financial services.

According to Singh (2004) in the study of Internet Technology in the banking industry in South Africa it highlighted that the common features are for instance compatibility, virtual advantage, observability, difficulty, treatability as well as Relative. Advantage is well stated as the scope to which an innovation is viewed as superior than the suggestion it displaces. According to the theory by Rogers' it is easier to adopt and implemented innovation with an obvious, theory advocates that modernization with unequivocal. The modern researcher's evidence indicates in case potential lack virtual benefit in employing modernization may not be adoptable (Greenhalgh et al, 2004). Compatibility involves the scope by which modernization is applicable with the obtainable principles, knowledge, as well as requirements of possible adopters. This is an indication that, internal communication of the firm is very essential in terms of adoption of the Internet technology as well as with its consumers and suppliers.

The existence of Bank agents has made it easier for clients to do their transactions without any crowding in branches, hence providing a “complementary” frequently more suitable avenues of accessing bank services. It has been an issue in reaching to clients from the remote areas, due to their small population, that translates to low income generation, making it hard for the bank to meet the cost of putting up a branch in those areas (Kitaka P.2001). So far in Kenya, Equity bank (Equity Mashinani) Post Bank (Benki Yangu), Co-operative bank (Coop Kwa Jirani) and Kenya commercial bank (KCB Mtaani) have initiated forays into the segment. According to Ivatury and Lyman (2006), agency banking made it possible for clients to get banking services conveniently. The expediency of the right of entry to banking services as well as the absolute hours that the agencies work has been the actual beautiful facets of the consumer.

The advent of ATMs created an important role in enhancing clients’ convenience as well as dropping costs leading to the improvement of banking effectiveness and productivity in service delivery of the banks. It starts with a theoretical review on alternative banking channels followed by a review of strategic effects of alternative banking among commercial banks, channels of distribution, organizational performance and the relationship between channels of distribution and performance. The final section is dedicated to empirical studies and knowledge gaps. The next chapter is on the research methodology which spells out numerous arenas as well as segments applicable for the completion of the study. Other automated customer service innovation available in Kenya include mobile-GIS based vehicle parking management system, electronic payment systems, E-Jiji Pay, Electronic Medical Records, Watex System and intelligent transportation management systems.

Mobile banking involves an avenue in which the client can easily interact with the bank by using the mobile gadgets or personal digital assistant (PDA) (Barnes & Corbitt, 2003). Mobile banking (M-banking) also entails the application of mobile devices to conduct nearly all transactions that are linked to once accounts. The most current platform of ICT application in banking is the M-banking platform. It has widely spread to developing and developed states.

Following the rapid growth of mobile phones well equipped with internet, and the population that is using smart phones today and in the long run, it is easier to tell how big the m-banking is growing and will likely to grow, hence a potential market in banking. (Laukkanen & Lauronen, 2005). M-banking admission amid earlier uncovered clusters is perceived to possess a straight, optimistic result on users, because it has created formal transaction, thus alleviating poverty as well as causing economic growth. In Kenya m-pesa success shows how mobile banking can reach a huge percent of users to extend banking services.

2.4 Organizational Performance Measurement

Based on Richard et al. (2009) organizational performance involves three precise areas of a company outcomes: fiscal stability (profits, return on assets, return on investment,); produce market presentation plus shareholder return. The firm's success, conditions, and compliance is measured through performance. Financial performance is grounded as the scope by which a company improves its productivity, sales, as well as return on equity. Financial performance is necessary to the continued existence of company's competitive as well as tentative atmosphere (Sousa & Voss, 2002).

Process suggested for fiscal examination that decide a company's fiscal stability categorised into: liquidity, repayment, profitability, solvency, capacity as well as fiscal effectiveness (Crane, 2010). Company's fiscal statements offer a number of financial information that shareholders and creditors use to assess a firm's financial performance.

2.5 Alternative Banking Channels and Performance of Organizations

In relation to the rapid constantly changing as well as highly competitive business atmosphere, it is only the banks that rely on technology that can survive in the long run, through acquisition of an efficient as well as sustainable competitive advantage. Competitive advantage can be distinct as the degree to which an innovation is observed as superior than the suggestion it displaces making a firm to do better than the others. According to the theory by Rogers' it is easier to adopt and implement innovation with an obvious, theory suggests that innovations that have unambiguous. The modern researchers' evidence indicates in case of potential lack virtual benefit in employing modernization may not be adoptable (Greenhalgh et al, 2004). Compatibility involves the extent in which an innovation fits with the obtainable principles, knowledge, as well as requirements of possible adopters. Alternative banking channels will both improve the customer satisfaction as well as enhancing the bank productivity due a variety of banking platforms like a wide range of services, transactions speed, efficiency, security, , convenience as well as cost efficiency.

2.6 Empirical Studies and Knowledge Gaps

From a global perspective, Siddik, Gang, Yanjuan and Sajal (2014) did a study on the financial inclusion through mobile banking in Bangladesh. The study found out that perceived financial cost, professed risk as well as skewed standard are the key facets that influences the behavior of the people's to adopt (or continue to use) mobile banking. Al-Jabri (2012) conducted a research on the acceptance of mobile banking by focusing on the ways in which people employ diffusion of innovation theory as well as establishing the fact that, when a number of clients on mobile banking embrace the usefulness of mobile banking, it will create a perception of the best choice, about the mobile banking, hence attracting customers hence increasing their level of adoption. They recommended that banks should find out to decrease perils that are perceived to results from mobile banking by giving particulars guarantees that defend them as well as taking their grievances critically and immediately.

Locally, Kirimi (2011) conducted a study on the execution of agency banking involving commercial banks in Kenya. The findings of the study indicated the presence of complexity in administering suitable omission by the agent as well as consumer collaboration was unpredictable with total banking control structure. There required for continuous preparation of agents on diversifications in the procedures of the operations, and policies of the same, so as to eliminate the existence of the mistakes and errors that can obstruct the growing and penetration of agency banking in Kenya, which signify banks' fiscal stability. Omondi, Maokomba and Musiega (2014) investigated the impact of Alternative Banking Channels on profitability of Co-operative bank of Kenya.

The second chapter presented an evaluation of the relevant literature covering the relevant areas of the study. It starts with a theoretical review on alternative banking channels followed by a review of strategic effects of alternative banking among commercial banks, channels of distribution, organizational performance and the relationship between channels of distribution and performance. The final section is dedicated to empirical studies and knowledge gaps. The next chapter is on the research methodology which spells out numerous arenas as well as segments applicable for the completion of the study. It entails an outline for the gathering, dimension as well as scrutiny of collected facts.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter brings out a number of stages as well as segments applicable from the beginning to the accomplishment of this study. It entails an outline for gathering, measuring and examining the collected data. This segment was a general plan, sketch or arrangement envisages aiding the researcher to attain the research objectives. It also has subsections namely; study design, intended population as well as sampling design, data gathering and lastly the analysis of data.

3.2 Research Design

This research problem was realized through the application of the cross-sectional survey research method. Cross-sectional survey is best used to gather information of a defined population at a specific point in time. Through the cross-sectional survey, the researcher was able to articulate the types of Alternative Banking Channels affecting the performance of commercial banks in Kenya. The data obtained was standardized to allow for easy comparison by incorporating closed ended questions. Moreover, cross-sectional survey design to discover the current status of two or more changeable at a specific time frame. This design was meant to enhance a procedural expressive that is valid, reliable and accurate. Also, the researcher will be able to tell the strategic influences of alternative banking channels on the performance of commercial banks in Kenya. Thus, the 39 commercial banks in Kenya will be the point of view that provides a natural background to which data can be gathered.

3.3 Population of the study

The target population was the commercial banks in Kenya. As at August 2016, where 42 approved commercial banks in Kenya listed (Appendix I) with 2 banks in receivership and one bank under statutory management, hence the study focused on 39 banks. The population of the study that comprises of heads of departments, supervisors, accountants as well as finance officers, forms a total of 39 commercial banks' head offices in Nairobi. Basing our argument on Mugenda and Mugenda (2008) there should be observable features in the members of the targeted population in which the study plans to simplify the study's outcomes. This description presumes that the population is not identical.

From the population of 39 commercial banks, a sample of one (1) respondent was selected from each of the commercial banks operating in Kenya. They included either top, middle or lower level management staff designated as departmental heads, assistant departmental heads, line managers, supervisors, accountants and customer attendants among others. This sample was suitable since the targeted population is not homogeneous as well as its units aren't evenly dispersed. Also, due to the huge size of the targeted population versus the limited time and resources, the sampling of at least 30 members is worthy according to Mugenda and Mugenda (2008). The study wants information about the targeted population that comprise of 39 members. This has therefore made it possible for the researcher to source relevant and sufficient information necessary for the study.

3.4 Data Collection

The study employed the questionnaire distributed to each and every member of the sampled population. The questionnaire comprise of the open as well as close-ended questions. The respondents to the questionnaire included senior most officials of the banks such as CEOs, managing directors, departmental/unit/branch managers, as well as other officials like assistant managers. The close-ended questions gives an opportunity for the structured responses to air out tangible suggestions. To make it possible to rate the various traits to decrease the possibility of having correlated responses for the attainment of varieties of reactions, the researcher administered questionnaires that has closed ended questions. However, to obtain extra questions which perhaps not captured through the close ended question, the researcher introduced a set of open-ended questions. To ensure that the questionnaire is valid, the researcher conducted a pilot study using a few members of population, to eliminate possible errors and correct the necessary errors. Apart from primary data, second hand information as well was valid in this study. The data in this source was useful on capturing extra information from already documented data or available reports.

According to Cooper and Schindler (2003), secondary data is very essential in quantitative approach for scrutinizing past or contemporary secretive or public records, Government Documentations, reports as well as choices. Mugenda and Mugenda (2003) has also instituted that various records are worthy taken as a sub-group of credentials hence these records like numbers, budgets, plus reports are recognized. This generally means, the combination of valuable statistical data in the research. The researcher distributed questionnaires to all the respondents through a drop and pick later method.

3.5 Data Analysis

The expressive statistical instruments like the Statistical Package for Social Sciences (SPSS) as well as MS Excel aided the researcher to explain and describe the data as well as the degree it has been employed. The study's outcomes were presented by use of tables and charts. To analyze the mean score and standard deviation, the researcher applied the Likert scales which aided in examination of the Alternative Banking Channels as well as the position in terms of performance of the Kenyan commercial banks. Data analysis employed percentages, means, frequencies and other central tendencies. The information was shown using graphs, pie charts, prose-form, plus bar charts,. This was conducted through adding up reactions, calculating their rates variant in attempt to answer as well as relating and deducing the data in accordance with the goals of the study as well as recommendations through application of SPSS.

To test the data that was qualitative or the facets of the data that was gathered from open ended questions, the content analysis was employed. Based on the findings by Baulcomb, (2003), substance scrutiny employed a sub-set of classification for production is valid as well as replicating deductions emanating from the data to their background. This provided a numeric as well as qualitative explanation of the study's goals. This created quantitative reports using tabulations, percentages, as well as measure of central tendency. This offered the simplification of the results on the planned influence of Alternative Banking Channels on performance of the commercial banks in Kenya.

This chapter detailed the tactic for the study, highlighted the research plan and the intended population. It also looked at the tools to be used in gathering data and data analysis. This chapter is a pre-requisite to chapter four as it offers the research an opportunity to underline the research framework and offer the results creditworthiness.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND INTERPRETATIONS

4.1 Introduction

This chapter presents the results as well as outcomes as analyzed from the data collected. It presents research findings about the strategic affects of Alternative Banking Channels on performance of commercial banks in Kenya. Various trials have been made with the intuition of finding out the degree to which the findings are consistent or as oppose to the expectations of the pervious experiential answers as well as hypothetical point of view. Through the questionnaire design in accordance with the objectives of the study, raw information was collected to meet the study's objectives. The study's goals are to envisage the diverse Alternative Banking Channels tactics applied by the commercial banks in Kenya as well as to find out the correlation involving these alternative banking channels and performance of the commercial banks in Kenya. Expressive and inferential analyses were conducted as well as the results obtained are illustrated using the numbers and also frequency tables.

4.2 Response Rate

The study targeted the management staff working in the head offices of Kenyan commercial banks in Nairobi. From this population, the study selected a sample of 39 respondents who makes part of the target population where data will be sourced from looking upon to the strategic effects of alternative banking channels on the performance of commercial banks in Kenya. The questionnaire reaction rate results are shown in Table 4.1.

Table 4.1: Questionnaire Return Rate

Response	Frequency	Percentage
Returned questionnaires	35	89.7
Unreturned questionnaires	4	10.3
Total	39	100.0

Source: Research Data, 2017

As illustrated in Table 4.1, the analysis of the results is based on 35 questionnaires that were received out of the 39 questionnaires distributed to the top, middle or lower level management staff designated as departmental heads, assistant departmental heads, line managers, supervisors, accountants and customer attendants. The 35 questionnaires were fully filled which accounts to 89.7% response rate. On the other hand 4 of the questionnaires (contributing to 10.3% of the sample) were not returned. This was supplemented with a letter of introduction and authority to conduct research to commercial banks from the University of Nairobi.

4.3 Background Information

According to the findings, the study found it essential to find out more about the respondents and their organizations because it configures the charity under which the study can fairly provide relevant information. This section covers key areas that may or may not have a direct impact on the objective of study. It provides a clear understanding and clarity on the sample population in the study.

The scrutiny depended on the reactions from the respondents as the avenue of classifying the diverse outcomes base on their know-how as well as reactions. The banks studied were spread throughout Tier 1, Tier 2 and Tier 3. Out of the six tier 1 banks, 5 of them responded which include Equity Bank, Cooperative Bank, Standard Chartered, KCB and Commercial Bank of Africa. These banks have been on the forefront in implementation and adoption of alternative banking channels like ATM banking, mobile banking, agency banking and internet banking. Their ability to adopt the alternative banking channels is driven by their wide geographical coverage and large asset base at their disposal.

In the Tier 2, there are 16 commercial banks. The banks are relatively competitive and strive to obtain significant market share against their Tier 1 counterparts. Most of them have adopted at least three alternative banking channels. Mobile banking is an increasingly growing phenomenon and Tier 2 banks have seen the opportunity of expanding their services to suit this distribution channels. Loan dissemination via mobile phones has been well received by the market. They also offer an alternative to reach the unbanked population. Some of the most active banks here are Family Bank, Diamond Trust Bank, NIC, Chase Bank, CFC Stanbic, I&M, Eco bank, Bank of Africa, as well as Housing Finance.

Tier 3 comprises of 22 relatively small banks in terms of assets. They are also characterized with relatively small number of customers, small account holders and small bank branches mainly located in the City or major towns. Due to their small sizes, they have been slow in adopting ABCs and mainly utilize one or two of these channels and to moderate extents. The notable banks in this tier include Paramount Bank, Credit Bank, Universal Bank, ABC, Guardian, Consolidated Bank, Fidelity, Jamii Bora.

4.4 Alternative banking channels

The advancement of communication as well as computer technology has created an environment in which a client can do various transactions within one point without even going into a physical financial structure (Burns, 2002) by use alternative banking channels. The reform in the banking industry completely distorted the customary way of transacting, due to the emergence of technology that has consequence into a complete paradigm shift in the operations of banks as well as delivery of banking financial services. The study focused on Internet banking, Agency banking, ATMs and Mobile banking.

According to Singh (2004) in the study of Internet Technology in the banking sector in South African it highlighted that the common features are for instance compatibility, virtual advantage, observability, difficulty, treatability plus Relative. Advantage may be distinct as the scope by which modernization is viewed as superior than the suggestion it displaces. According to the theory by Rogers' it is easier to adopt and implemented innovation with an obvious, theory proposes that innovations with an explicit. The modern researchers evidence indicates in case potential lack virtual benefit in employing innovation, it wouldn't be applied (Greenhalgh et al, 2004). Compatibility involves the extent in which modernization correspond the obtainable principles, knowledge, as well as requirements of possible adopters. This is an indication that, internal communication of the firm is very essential in terms of adoption of the Internet technology as well as with its consumers and suppliers. Bresenahan et al. (2002) inspected the outcome of IT on the business administrative center by investigating 300 reactions as well as demonstrated that IT has the probable to influence progression as well as skill levels.

The existence of Bank agents has made it easier for clients to do their transactions without any crowding in branches, hence providing a “complementary” frequently more suitable avenues of accessing bank services. It has been an issue in reaching to clients from the remote areas, due to their small population, that translates to low income generation, making it hard for the bank to meet the cost of putting up a branch in those areas (Kitaka P.2001). So far in Kenya, Equity bank (Equity Mashinani) Post Bank (Benki Yangu), Co-operative bank (Coop Kwa Jirani) and Kenya commercial bank (KCB Mtaani) have initiated forays into the segment. According to Ivatury and Lyman (2006), customers have managed to access basic banking services conveniently through the agency banking. The expediency of reaching to banking services as well as the absolute working hours that the agency banking operates has come out to be the actual beautiful facets of the consumer.

The advent of ATMs created an important role in enhancing clients’ convenience as well as dropping costs leading to the improvement of banking effectiveness and productivity in service delivery of the banks. The study collected data from various outlets that are similar with or related to the subject and the research objectives. It starts with a theoretical review on alternative banking channels followed by a review of strategic effects of alternative banking among commercial banks, channels of distribution, organizational performance and the correlation involving channels of distribution and performance. The final section is dedicated to empirical studies and knowledge gaps. The next chapter is on the research methodology which formulates a number of phases as well as stages to be followed in putting up several arenas plus segments applicable in finishing the research.

Other automated customer service innovation available in Kenya include mobile-GIS based vehicle parking management system, electronic payment systems, E-Jiji Pay, Electronic Medical Records, Watex System and intelligent transportation management systems.

Mobile banking involves an avenue in which the client can easily interact with the bank by using the mobile handset or personal digital assistant (PDA) (Barnes & Corbitt, 2003). Mobile banking (M-banking) also entails the application of mobile devices to conduct nearly all transactions that are linked to once accounts. The most current platform of ICT application in banking is the M-banking platform. It has widely spread to developing and developed states.

Following the rapid growth of mobile phones well equipped with internet, and the population that is using smart phones today and in the long run, it is easier to tell how big is the m-banking is growing and will likely to grow, hence a potential market in banking. (Laukkanen & Lauronen, 2005). M-banking access between earlier unbanked clusters is alleged to possess a straight, optimistic result on users, because it has created formal transaction, thus alleviating poverty as well as causing economic growth. In Kenya m-pesa success shows how mobile banking can reach a huge percent of users to extend banking services.

4.5 Alternative Banking Channels and Banks' Performance

The main aim of the study herein was to investigate the strategic impacts of alternative banking channels (ABCs) on the performance of commercial banks in Kenya. In this regard the respondents were asked to show the degree to which alternative banking channels influences the performance of the banks in Kenya.

Table 4.2: Extent to which ABCs affect Performance of Banks

Extent	Frequency	Percent
To a extremely huge degree	4	12.5
To a huge degree	8	21.9
To a fair degree	19	53.1
To a small degree	4	12.5
Total	35	100.0

Source: Research Data, 2017

Based on the outcomes as tabulated in table 4.3, 53.1% of the respondents collectively shown that Alternative Banking Channels influence the performance of the banks in Kenya to a fair degree and 21.9% of them indicated to a huge degree. Further, 12.5% reiterated that alternative banking channels concern the performance of the banks in Kenya to a very huge degree, while another 12.5% of the population studied reported that alternative banking channels influence the performance of the banks in Kenya to a small degree. These results are an indication that alternative banking channels have a significant effect on the performance of the banks in Kenya. The study also sought to establish the degree through which Alternative Banking Channels influence aspects of performance of commercial banks in Kenya. Table 4.3 shows the results.

Table 4.3: Extent to which ABCs affect Aspects of Performance of Banks

Aspects of Performance	Mean	Std. Dev.
Return on assets (profitability)	3.5820	0.5720
Customer deposits	3.5833	0.7755
Cost efficiency (Income)	3.5521	0.6938
Human resource cost	3.5104	0.7677
Operational cost	3.5823	0.5720
Customer base	3.5251	0.6580
Transaction volume	3.9231	0.9871

Source: Research Data, 2017

The interpretation on the respondents' ranks of the statements was done in relation to the key provided where the means checked up in the scale to reveal the corresponding measure in the scale. Accordingly, majority of the respondents reiterated that alternative banking channels affect transaction volume to a huge degree as indicated by a mean score of 3.9231, as well as customer deposits indicated by a mean score of 3.5833, operational cost shown by a mean score of 3.5823 and return on assets (productivity) shown by a mean score of 3.582. The respondents recapped that alternative banking channels affect cost efficiency (income), customer base and human resource cost to huge degree as indicated by the mean scores of 3.5521, 3.5251 and 3.5104 correspondingly. From these results, there is a clear indication that ABCs are crucial banking tools that affect various aspects of performance of the commercial banks in Kenya.

4.5.1 Internet Banking

Internet Banking has been listed as one of the Alternative Banking Channels employed by commercial banks in Kenya. In this regard the respondents were asked to rate the degrees by which Internet Banking Channels influence the performance of commercial banks in Kenya.

Table 4.4: Extent to which Internet Banking Channels affect Performance of Banks

Extent	Frequency	Percent
To a huge degree	21	59.4
To a moderate degree	7	18.8
To a small degree	8	21.9
Total	35	100

Source: Research Data, 2017

According to Table 4.4, 59.4% of the respondents shown that Internet Banking Channels influence the performance of commercial banks in Kenya to a huge degree, 21.9% of the respondents indicated to a small degree, while 18.8% of the respondents shown that Internet Banking Channels affect the performance of commercial banks in Kenya to a moderate degree. These results imply that majority of the respondents believe that internet banking channels has a substantial effect on the performance of commercial banks in Kenya.

The study further sought to establish the degree by which various factors influence the utilization of internet banking channels in commercial banks in Kenya. Table 4.5 shows the results attained.

Table 4.5: Factors affecting Utilization of Internet Banking Channels in Banks

Factors affecting utilization of internet banking channels	Mean	Std. Dev.
Perceived privacy	3.4672	0.6322
Security management	3.5334	0.6190
Consumer attitude	3.3322	1.4923
Perception towards internet banking	3.2490	0.7078

Source: Research Data, 2017

As seen from the results tabulated in Table 4.5, a bigger number of the respondents reiterated that security management affects the utilization of internet banking channels in commercial banks of Kenya to a moderate degree as indicated by the mean score of 3.5334, alleged privacy affects the utilization of internet banking in banks to a moderate extent as indicated by the mean score of 3.4672, consumer attitude influences the utilization of Internet Banking Channels in Kenyan banks to a moderate extent as shown by a mean score of 3.3322 and perception towards internet banking affects the utilization of internet banking channels in commercial banks in Kenya to a moderate extent as shown by a mean score of 3.2490. From these results, it is clear that the utilization of internet banking is moderately influenced by various issues.

The study was also intuitive of the respondents' level of agreement with various statements on the influences of internet banking channels on the performance of commercial banks in Kenya. The results are as depicted in Table 4.6.

Table 4.6: Effects of Internet Banking Channels on Performance of Banks in Kenya

Effects of Internet Banking Channels	Mean	Std. Dev.
Internet banking has had an optimistic influence on the increase of commission fee based income	3.5521	0.693
Internet banking has inclined optimistically increases the interest based income	3.5104	0.767
Internet banking has improved the revenue creating probable of the bank	3.4896	0.632
Internet banking reduces the cost of operation, leading to better gain on assets for the bank	3.5820	0.572
Internet banking investments contain a less than 3 years payback hence good return on assets	3.5833	0.775
Incomes from internet banking have got an optimistic influence on banks income limits	3.3333	0.816
Income obtained from internet banking have a great margin hence causal absolutely to banks annual productivity	3.6146	0.716
Internet banking is less costly hence high productivity levels over their economic lifetime	3.4896	0.632

Investment in internet banking is mostly motivated by profits to the bank	3.5820	0.572
Internet banking services have engrossed a number of retail depositors in the bank	3.5250	0.658
Internet banking services made it possible for clients to withdraw their money at all times.	3.6151	0.566
Internet banking services have brought in a number corporate customers plus deposits	3.5331	0.645
Use of internet services made it easy for consumers to access to banks services	3.3030	0.519
Use of internet services has increases revenue generating avenues into the bank	3.5820	0.600
The use of internet services led to enhanced the rate of deposits for the bank	3.4010	0.676
Use of internet services contributed at large extent to the bank's innovation.	3.5331	0.645
Internet services attracted a good number of retail clients than the corporate clients to the bank	3.3030	0.519

Source: Research Data, 2017

On a scale of 1 to 5, most of the respondents agreed that internet banking services made it possible for clients to deposit or withdraw their income at ease and at all time, making the bank to make a lot of revenue through this platform, hence increasing the revenue margins of the bank, thus enhancing the bank's annual productivity. The Internet banking investments only have a less than three years payback period, hence guarantee the bank a good return on the assets invested. The same channel does not have the cost of operation thus maximizing return on investments, of the bank. The fact that there is no much on the cost of maintenance and production on the Internet banking platform, it has seen to motivate many bakers to really invest heavily in this channel, so as to maximize its returns on investment as well as helping the bank to make more profit through the various channels of mobile banking empowered by this channel. It has also been seen that, the internet banking increases the commission fee based income.

The existence of this channel made it possible for banks to onboard new corporate customers, as well as the retail clients, in big numbers. This therefore means, the internet banking channel has acted as a selling point for banks, thus leading to large deposits and revenues. This in return will enable the bank to explore much on innovations, hence enhancing productivity. The interest based income of the bank has been influenced by this channel, as indicated by the mean scores of 3.6151, 3.6146, 3.5833, 3.5820, 3.5820, 3.5820, 3.5521, 3.5331, 3.5331, 3.5250 and 3.5104 respectively.

On a different note, the respondents demonstrated neutrality in that internet banking has extended the ability of the bank to make revenue; internet banking has got a lower cost of maintenance, leading to a high level productivity over the given economic lifetime. The use of internet services has an enhanced rate of deposits for the banks, income from internet banking has had optimistic shock on banks income limits, internet services resulted to extra retail consumers than corporate consumers to the banks plus use of internet services has amplified consumer right of entry to banks services as demonstrated by the mean scores of 3.4896, 3.4896, 3.4010, 3.3333, 3.3032 and 3.3030 in that order.

4.5.2 Agency Banking

The opening of agency banking is destined to increase right of entry to financial services. The study was also involved in setting up the degree to which the respondents would rate the influence of agency banking on performance of commercial banks in Kenya. As indicated in Figure 4.1, most (42.3%) of the respondents indicated that agency banking affects the performance of commercial banks to a great extent, 38.5% of them indicated to a very great extent, while 19.2% of the respondents opined that agency banking affects the performance of commercial banks to a moderate degree.

These results prove that as agency banking gains growth, its contribution to the overall performance of commercial banks also increases.

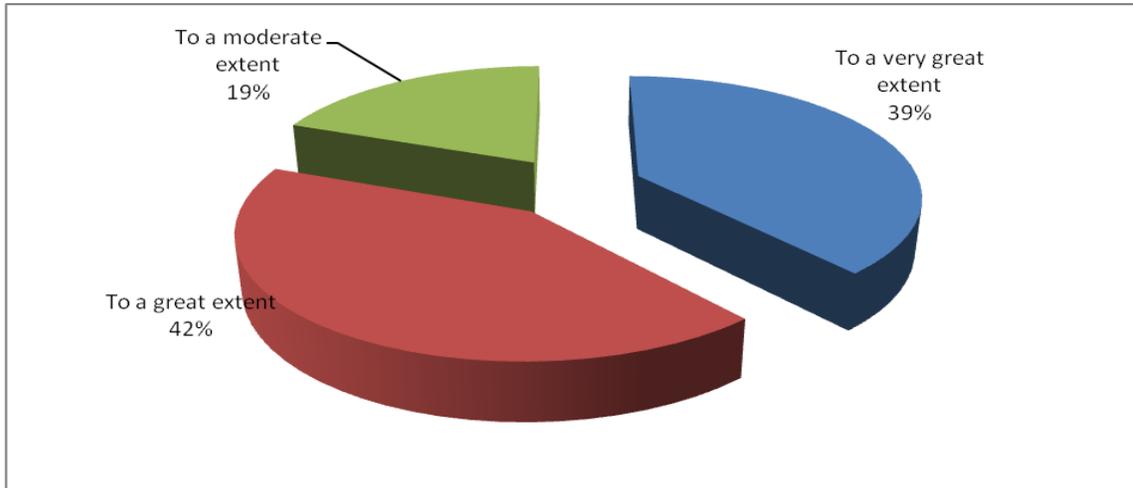


Figure 4.1: Extent to which Agency Banking affects Performance of Banks in Kenya

Source: Research Data, 2017

The respondents were also required to rate the degree to which various aspects of agency banking channels involve the performance of commercial banks in Kenya. A scale of 1 to 5 was provided where 1= no degree, 2= small degree, 3= moderate degree, 4= huge degree, 5 = extremely huge.

Table 4.7: Aspects of Agency Banking Channels affecting Performance of Banks

	Mean	Std. Dev.
Transaction cost	3.5937	0.6582
Affordability of services	3.6563	0.6932
Customer perceived value	3.4792	0.6321
Infrastructure cost	3.6042	0.6724
Perceived usefulness of agency banking services	3.4896	0.6323
Privacy of information	3.5521	0.6938
Ease of use of agency banking transactions	3.5625	0.6123
Levels of confidentiality and control	3.516	0.6197
Convenient locations to customers	3.467	0.6322
Accessible quality services	3.533	0.6190
Extended duration of service delivery	3.6146	0.7308

Range of services offered	3.5729	0.6608
Strictness of formalities to access services	3.6042	0.6066

Source: Research Data, 2017

According to the results depicted in Table 4.7, the statements were ranked according to the weighted mean scores. The interpretation was done in relation to the key provided where the means checked up in the scale to reveal the corresponding measure in the scale. From these results, majority of the respondents echoed that affordability of services involves the performance of commercial banks to a huge degree as demonstrated by the mean score of 3.6563, extended duration of service delivery involves the performance of commercial banks to a huge degree as demonstrated by the mean score of 3.6146. Infrastructure cost affects the performance of commercial banks to a huge degree as demonstrated by the mean score of 3.6042, strictness of formalities to access services affects the performance of commercial banks to a huge degree as demonstrated by the mean score of 3.6042. Transaction cost involves the performance of commercial banks to a huge degree as demonstrated by the mean score of 3.5937 and range of services offered involves the performance of commercial banks to a huge degree as demonstrated by the mean score of 3.5729.

In addition, ease of use of agency banking transactions involves the performance of commercial banks to a huge degree as demonstrated by the mean score of 3.5625, privacy of information affects the performance of commercial banks to a huge degree as demonstrated by the mean score of 3.5521, accessible quality services affects the performance of commercial banks to a great extent as shown by a mean score of 3.533 and levels of confidentiality and control affects the performance of commercial banks to a huge degree as demonstrated by the mean score of 3.516.

On the other hand they recounted that perceived usefulness of agency banking services involves the performance of commercial banks to a moderate degree as demonstrated by the mean score of 3.4896, customer perceived value involves the performance of commercial banks to a moderate degree as demonstrated by the mean score of 3.4792 and convenient locations to customers affects the performance of commercial banks to a moderate degree as demonstrated by the mean score of 3.467.

The results in Table 4.8 are on the degree to which agency banking channels enhances the various aspects of performance of commercial banks in Kenya. The results in this section are analyzed in line with a scale of 1 to 5 where 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree.

Table 4.8: degree by which agency banking enhances the various aspects of bank performance

	Mean	Std. Dev.
Agency banking enhances faster service delivery in the banks	3.5833	0.6434
Customers can be offered additional or extended services	3.4896	0.6323
Customers enjoy greater convenience and access	3.4583	0.6792
Agency banking results in potentially more reliable information delivery	3.5000	0.6649
Agency banking ensures access to data and support services that may not have otherwise been available	3.5833	0.7755
Ability to conduct transactions without necessarily the customer moving long distances to access convenient banks	3.3333	0.8165
Bank agents make it cost effective to use banking services	3.6146	0.7162
Agency banking service providers are fair in their conduct of customer transactions	3.4896	0.6323
Agency banking has an optimistic shock on transmits, expenses, deposits as well as withdrawal in financial dealings	3.5937	0.6582
Agency banking is an inexpensive, consistent as well as easy way of doing business	3.6146	0.7162
Agency banking brings down the cost of serving clients with fewer turnovers in their accounts.	3.4896	0.6323
Agency banking gives an increased worth for consumers banking dealings	3.5104	0.7677

Source: Research Data, 2017

Most of the respondents agreed that bank agents make it cost effective to use banking services. Agency banking is a less expensive, consistent as well as easy way of carrying on with business and also has an optimistic indication on shifts, expenditures, deposit plus withdrawal in financial dealings. Agency banking enhances faster service delivery in the banks, ensures right of entry to data plus carry services that might not have if not been obtainable and offer an amplified rate for consumers banking dealings and agency banking results in potentially more reliable information delivery as shown by mean scores of 3.6146, 3.6146, 3.5937, 3.5833, 3.5833, 3.5104 and 3.5000. In addition the respondents neither agreed nor disagreed with the statements that clients can be given extra or absolute services, agency banking service providers are fair in their conduct of customer transactions. Agency banking brings down the cost of serving customers with little turnovers in their accounts customers enjoy greater convenience and access and ability to conduct transactions without necessarily the customer moving long distances to access convenient banks as shown by mean scores of 3.4896, 3.4896, 3.4896, 3.4583 and 3.3333.

4.5.3 Self-Service Halls/ ATM Services

ATMs also known as self-service halls are alternative channels utilized by commercial banks to serve their customers. Accordingly the respondents were required to demonstrate the degree by which self-service halls/ ATM services involve the performance of commercial banks in Kenya. According to Figure 4.2., 60% of the respondents indicated that ATM services affect the performance of commercial banks in Kenya to a huge degree, 22% of the respondents demonstrate to a small degree, while 18% of the respondents demonstrated that ATM services involve the performance of commercial banks in Kenya to a moderate degree.

These results imply that majority of the respondents believe that ATM services have an important consequence on the performance of commercial banks in Kenya.

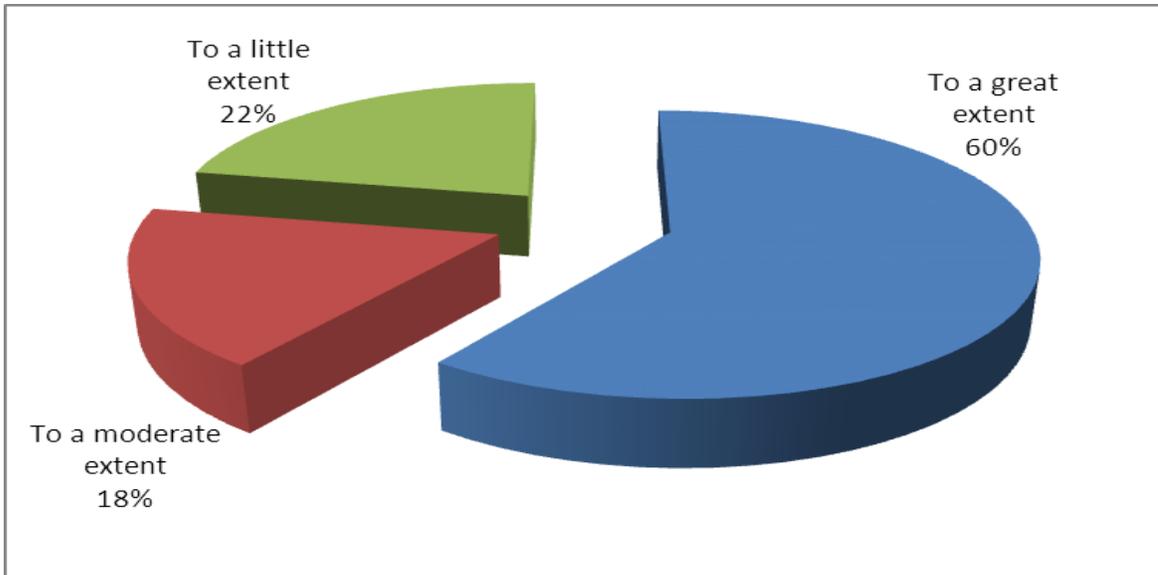


Figure 4.2: Extent to which ATM Services affect Performance of Commercial Banks

Source: Research Data, 2017

The respondents were further required to designate the degree to various aspects of ATM services involve the performance of commercial banks in Kenya. A scale of 1 to 5 was provided where 1= no extent, 2= small degree, 3= moderate degree, 4= huge degree, 5 = extremely huge degree.

Table 4.9: Aspects of ATM Services affecting Performance of Commercial Banks

Aspects of ATM services	Mean	Std. Dev.
Electronic Funds Transfer	3.5423	1.1772
Debit & credit cards services	3.5489	1.1772
Cash/cheque deposits	3.0769	0.75955

Source: Research Data, 2017

From the results depicted in Table 4.9, majority of the respondents indicated that debit & credit cards services influence the performance of commercial banks in Kenya to a huge degree as demonstrated by the mean score of 3.5489 as well as electronic funds transfer demonstrated by the mean score of 3.5423. Further, the respondents added that cash/cheque deposits affect the performance of commercial banks in Kenya to a moderate degree as demonstrated by the mean score of 3.0769. These results imply that the Kenyan banking industry has been expanding banking services through ATMs including electronic funds transfer, debit & credit cards services and cash/cheque deposits.

The respondents were also required to indicate their level of agreement with various statements provided on the effects of ATMs on the performance of commercial banks in Kenya. Table 4.10 illustrates the results obtained from the study.

Table 4.10: Agreements on Effects of ATMs on Performance of Commercial Banks

Effects of Self-Service Halls/ ATM Services	Mean	Std. Dev.
ATMs positively influences the increase of commission fee based income	3.4670	0.6322
ATMs positively influences the increase of interest based income	3.5729	0.6608
ATMs positively influences the growth of the income generating possible of the bank	3.6042	0.6066
ATMs influence the decrease of operational cost as well as a better return on bank's assets.	3.5833	0.6434
ATMs investments have got a less than three years payback period thus good return on assets	3.4896	0.6323
The ATMs collections in terms of revenue, have influence the bank's income generation	3.6563	0.6932
Investment in ATMs is classically provoked by profits to the bank	3.5000	0.6649
The Income from ATMs contributing much on the bank annual revenue	3.5160	0.6197
ATMs as a result of its low cost of maintenance increases productivity	3.5330	0.6190

Source: Research Data, 2017

Based on the outcomes illustrated above, the respondents indicated that the income collected ATMs contributed so high in the bank's revenue by a mean score of 3.6563, ATMs have as well developed the ability of revenue generation of the banks as indicated by the mean score of 3.6042, ATMs have influenced the decrease of the cost of operation, making a better return on assets of the bank as indicted by the mean score of 3.5833. ATMs have absolutely influences the swell of the interest based income by the mean score of 3.5729, ATMs have got a low cost of maintenance that lead to high levels of productivity in their given economic lifetime as indicated by the mean score of 3.5330. Income collected from ATMs has high limit thus donating absolutely to the annual productivity of the bank as demonstrated by the mean score of 3.5160 and the investment in ATMs is basically powered by the profits to banks as demonstrated by the mean score of 3.5000. On a different note, the respondents shown their neutrality on that ATMs investments have got a less than three years payback period that translate to a good return on assets as demonstrated by the mean score of 3.4896 and this means that, ATMs have had a optimistic influence of enhancing commission fee based income as indicated by the mean score of 3.4670.

4.5.4 Mobile Banking

The fourth alternative banking channel utilized by banks in Kenya is mobile banking. Based on the reactions of the respondents, we are needed to show the degree by which Mobile Banking Channels shape the performance of commercial banks in Kenya.

According to figure 4.3, 53.1% of the respondents reiterated that mobile banking channels shape the performance of commercial banks in Kenya to a huge degree, 21.9% of them shown to a moderate degree, while 12.5% of the respondents shown that Mobile Banking Channels affect the performance of commercial banks in Kenya to an extremely huge degree as well as to a small degree.

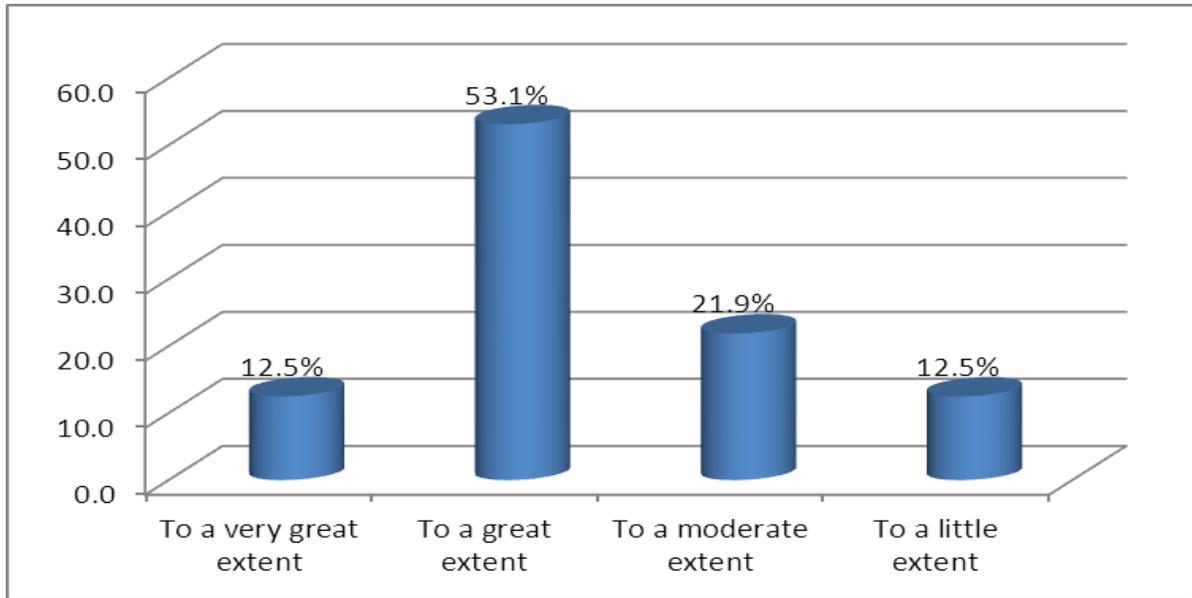


Figure 4.3: Extent to which Mobile Banking affects Performance of Banks

Source: Research Data, 2017

The study further wanted to identify the degree by which various services offered through mobile phone channels influence the performance of commercial banks in Kenya. A scale of 1 to 5 was given where 1= no degree, 2= small degree, 3= moderate degree, 4= huge degree, 5 = extremely huge degree and results presented in Table 4.11

Table 4.11: Services of Mobile Phone Banking that affect Performance of Banks

Banking Services offered through Mobile Phones	Mean	Std. Dev.
Balance enquiry	3.5521	0.6938
Money transfer	3.6563	0.6932
Mini-statements	3.4792	0.6321
Payment of bills	3.6042	0.6724
Automatic advice to clients on credits and airtime purchase	3.4896	0.6323

Source: Research Data, 2017

In regard to the study findings, a huge number of the respondents recapped that the transfer of money impacts the performance of commercial banks in Kenya to a huge degree as indicated by the mean score of 3.6563, payment of bills influences the performance of commercial banks in Kenya as indicated by the mean score of 3.6042 and that balance enquiry affects the performance of commercial banks in Kenya as demonstrated by the mean score of 3.5521.

The respondents further shown that automatic advice to customers on liabilities as well as airtime purchase impacts the performance of commercial banks in Kenya to a moderate degree as indicated by the mean score of 3.4896 and that mini-statement impacts the performance of commercial banks in Kenya to a moderate degree as demonstrated by the mean score of 3.4792. The respondents were required to show their rate of acceptance of the following agreement statements regarding the use of mobile banking channels and its effect on the performance of commercial banks in Kenya. The results are as depicted in Table 4.12.

Table 4.12: Use of Mobile Banking Channels and its Effect on Banks' Performance

Use of mobile banking channels and its effect on the performance	Mean	Std. Dev.
Mobile banking influences low cost of production and transactional cost	3.6042	0.6724
Mobile banking has increase commission base income	3.4896	0.6323
Mobile banking has increases interest of the bank	3.5521	0.6938
Mobile banking has led to bank growth	3.5625	0.6123
Mobile banking investments is shorter and very productive	3.2321	0.6293
Incomes from mobile banking boosted the bank revenue	3.5089	0.6711

Use of mobile phones encouraged more clients to bank	3.6894	1.0001
Use of mobile phones added revenue and banking platform	3.4643	0.5357
The deposits have increases due to mobile phones	3.7109	0.9928
Innovation has increases due to the use of mobile phones	3.4554	0.5350
Mobile phones brought several retail clients than corporate clients to the bank	3.5672	1.1092

Source: Research Data, 2017

In regard to the results portrayed in Table 4.12, a bigger number of the respondents accepted the facts that mobile handsets usage enhanced the level of deposits for the bank as shown by a mean score of 3.7109, the usage of mobile handsets has increased the possibility of the clients to access their deposits and bank services as indicated by the mean score of 3.6894. Mobile banking influences decrease of the cost of operation thus good return on assets for the bank as demonstrated by the mean score of 3.6042, mobile handsets attracted various retail clients compared to the corporate clients to the bank as demonstrated by the mean score of 3.5672.

Mobile banking has enhanced the banks' ability to generate income as demonstrated by the mean score of 3.5625, mobile banking has influences positively the raise of interest based income as demonstrated by the mean score of 3.5521 and that revenue collected from mobile banking have had optimistic influence on bank income limits as demonstrated by the mean score of 3.5089. The respondents showed neutrality that mobile banking has had a optimistic influence of raising commission charge based income as demonstrated by the mean score of 3.4896 and the usage of mobile handsets added to more gainful trade opportunities to the bank as demonstrated by the mean score of 3.4643.

Use of mobile handsets has contributed to the existence of various bank innovations as demonstrated by the mean score of 3.4554 and mobile banking investments have a less than three years payback, therefore better return on assets as highlighted by the mean score of 3.2321.

4.6 Discussion

It is very evident from the data analysis that alternative banking channels have a significant impact on performance of commercial banks in Kenya. Adoption of alternative banking channels is also promoting adoption of innovation in operations. Based on the findings of Kaleem Ahmad (2008) Electronic banking diminishes the cost of dealings, saves time, minimizes tiresomeness, provision of current information, increases active effectiveness, reduces HR needs, simplifies quick answers, expands service quality as well as reduces the possible perils that emanate from the handling of cash.

Mobile banking and agency banking are the two ABCs that have been widely used across the country due to easy accessibility even in rural areas and with anyone that has a phone. Mobile banking involves an avenue in which the client can easily interact with the bank by using the mobile gadgets or personal digital assistant (PDA) (Barnes & Corbitt, 2003). Case in point is the success of m-pesa in Kenya where anyone with a smart phone can make money transfers, pay their bills and even take loans. There is an opportunity however to grow internet banking which is yet to grow to a higher level like the other ABCs.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of the study was to determine the strategic effects of alternative banking channels on performance of commercial banks in Kenya. The objectives of the study were to establish the various alternative banking channels strategies adopted by the commercial banks in Kenya and to determine the relationship between alternative banking channels strategy and performance of the commercial banks in Kenya. The contextual scope of the study was the head offices of commercial banks in Nairobi, Kenya. The study was based on the realization that a problem exists in Kenyan banks where, despite the many benefits involved in deploying and adopting alternative banking channels, the realization of these benefits is often undocumented.

This chapter summarizes the whole study process from the introduction to the end of data analysis. The chapter results after recognition of the background, problem existing plus the objectives listed in the first chapter, chapter two shows the literature review, chapter three of the study shows the methodology to be applied in data gathering, and chapter four examine the data collected. This section concentrates on summarizing of the study findings, making conclusions and constructing recommendations and suggestions on the strategic effects of alternative banking channels on the performance of commercial banks in Kenya.

5.2 Summary

The study found that alternative banking channels have a significant effect on the performance of the banks in Kenya. The results also revealed that alternative banking channels affect transaction volume to a great extent as well as customer deposits, return on assets (profitability) cost efficiency (income), customer base and human resource cost. This is a clear indication that ABCs are crucial banking tools that affect various aspects of performance of the commercial banks in Kenya.

The study found that internet banking channels affect the performance of commercial banks in Kenya to a great extent. From the results, security management affects the utilization of internet banking channels in commercial banks in Kenya to a moderate extent, perceived privacy affects the utilization of internet banking in banks to a moderate extent, consumer attitude affects the utilization of internet banking channels in Kenyan banks to a moderate extent and perception towards internet banking affects the utilization of internet banking channels in commercial banks in Kenya to a moderate extent.

There was agreement that internet banking services made it possible for clients to access their money at ease making internet banking so positive on the bank's productivity as well as three years' payback period thus superior return on investments. Internet banking powered decrease of the cost of operation also improved return on assets for the bank, making investment in the internet banking so provoked by the benefits emerging from it and the profitable business avenues resulting from it.

Internet banking has got an optimistic influence of raising commission fee based income, internet banking services have engrossed corporate clients as well as deposits, the application of internet based services have lead to various banks innovations, internet banking services have engrossed additional retail clients for the banks plus internet banking has prejudiced absolutely the swell of interest based income. However, there was neither agreement nor disagreement on that internet banking has extended the income generating ability of the bank, internet banking has got a low cost of maintenance hence high levels of productivity over their given economic lifetime, the use of internet services enhanced the level of deposits for the banks, incomes from internet banking have had optimistic rise on banks income, internet services resulted to various retail clients compared to corporate clients to the banks and use of internet services has improved consumer right of entry to banks services

The study established that agency banking influences the performance of commercial banks to a huge degree. The study also established that affordability of services, extended duration of service delivery, infrastructure cost, strictness of formalities to access services, transaction cost, and range of services offered, ease of use of agency banking transactions, privacy of information, accessible quality services and levels of confidentiality and control affects the performance of commercial banks to great extents. In addition, perceived usefulness of agency banking services, customer perceived value and convenient locations to customers affects the performance of commercial banks to moderate extents. The results indicated that bank agents make it cost effective to use banking services. Agency banking reduces cost, is dependable as well as easy way of carrying out business.

It has an optimistic indication on transmit, expenses, deposits as well as withdrawals in financial dealings and enhances faster service delivery in the banks. Agency banking ensures right of entry to data plus sustain services that might not have otherwise been obtainable; agency banking provides increased value for customers' banking transactions and agency banking results in potentially more reliable information delivery. There was neutrality on that clients can be accessible or absolute services, agency banking service providers are fair in their conduct of customer transactions, agency banking decreases the costs of serving low-income clients, clients enjoy better expediency as well as admission plus ability to conduct dealings without necessarily the customer moving long distances to access convenient banks.

The study found that self-service halls/ ATM services affect the performance of commercial banks in Kenya to a huge degree. From the study, debit & credit cards services as well as electronic funds transfer influences the performance of commercial banks in Kenya to huge degree, while cash/cheque deposits affect the performance of commercial banks in Kenya to a moderate degree. From the study, income from ATMs have had optimistic influence on bank income limits, ATMs have grown the income generating ability of the banks, ATMs influence decrease in the cost of operation thus good return on assets for the bank. ATMs have affected absolutely the rise in interest based income and have got low cost of maintenance leading to high levels of productivity over their economic lifetime. Income from ATMs has high margin hence contributing positively to bank annual profitability and investment in ATMs is typically provoked by earnings to the banks.

With regard to mobile banking, the research established that m-banking channels affect the performance of commercial banks in Kenya to a huge degree. The research found that money transfer, payment of bills and that equilibrium enquiry influences the stability of commercial banks in Kenya to a huge degree, while automatic advice to customers on credits plus airtime buy influences the performance of commercial banks in Kenya to a moderate degree. The application of mobile banking platform has enhanced the rate of deposits for the bank, application of mobile phones has increased customer access to bank services, it has as well increased productivity due to a decrease in the cost of operation making a desirable return on the assets for the bank. The use of mobile phones also enhances an extra retail consumer than corporate consumers to the bank. The use of Mobile banking platform has also enhanced the generation of revenue of the bank, with this revenue generated through this platform bringing an optimistic shock to the business's revenue limits. On the other hand, there was neutrality on that mobile banking contributed positively to the increase of commissioned fee income, as well as adding extra benefits to the various banks revenue collection avenues, leading to various income generating activities, with a less than three years payback period plus better returns on assets.

5.3 Conclusions

The study concludes that alternative banking channels are efficient at producing sales, advance client fulfillment as well as preservation. According to the study, alternative banking methods such as ATM, internet banking, bank automation, core banking, credit cards, debit cards and mobile banking have revolutionized the way of obtaining banking services amongst the customers.

The study deduced that ABCs minimize the cost of productions, minimizes inconvenience, saves time, provides up-to-date information, improves service quality, increases operational efficiency, facilitates quick responses, reduces HR requirements, and minimizes the risk of carrying cash. The study concludes that internet banking channels have substantial effect on the performance of commercial banks in Kenya. The study deduced that the utilization of internet banking is moderately affected by various issues.

The study also concludes that the preamble of agency banking is destined to increase admission to financial services. It is also clear that as agency banking gains growth its contribution to the overall performance of commercial banks also increases. The expediency of entrance to banking services as well as the comprehensive hours that the banking agencies work is attractive features to the customer. The study deduces that customer security of agency banking affects performance of banks. Consumers are increasingly turning to agency banking services to conduct everyday tasks consumers to feel more comfortable about using their bank agents for financial transactions and security of financial transactions are addressed by agents and the banks' it departments.

The study further deduced that that ATM services have a vital upshot to the performance of commercial banks in Kenya. The study also made it clear that the Kenyan banking industry has been expanding banking services through ATMs including electronic funds transfer, debit & credit cards services and cash/cheques deposits. ATM Banking enables banks to meet the demand of the various customers in diverse geographical settings with minimal effort.

The study concludes that mobile banking affects performance of commercial banks. The mobile banking platforms are utilized in balance enquiry, money transfer, mini-statements and payment of bills. In this regard M-Banking affects service quality, design of greater consumer significance stood to be the actual desire associated with promotion departments in the banking institutions and enlightening of customers on technological issues. The study concludes that there is a high uptake and use of m-banking services among low income earning customers of the banks in Kenya. As such they are exposed to mobile banking transactions, ease of use mobile banking and frequent use of mobile banking and to interaction with mobile banking.

5.4 Recommendations

5.4.1 Managerial Policy

The study further recommends that bank managers need to ensure that there are bank agents in areas that are not yet covered. More so, they need to ensure that the agents are active. It is prudent for banks to invest heavily on technology instead of the putting more funds on bricks and branches, since technology will aid them to manage effectively their cost of production through an efficient control of the channels of service delivery, hence improve productivity.

In addition the managers of the commercial banks in Kenya ought to distinguish as well as control alternative banking channels in order to boost their performance. Having a clear understanding of the exact nature of strategic effects of alternative banking channels will aid companies to put forward their market, production and process strategies, to be followed by appropriate subsequent action plan. Commercial banks ought to discover more ways of make the most of their consumption and returns from alternative banking.

5.4.2 Managerial Practice

The study recommends that banks may pursue consumers with demographics that favour internet banking and therefore, adopt appropriate technology. The study recommends apt management of associated risks to enhance customer confidence, ensuring accessibility to target consumers, incorporation of wide range of services, provision of consumer knowledge, and internal efficiency mechanisms to dealing with security concerns.

Based on the findings, the study recommends to the management of commercial banks to adopt more alternative banking channels as well as exploiting more innovation that enhance alternative banking. As such the banks should engage their employees to capacity-building, professional training and IT skills and competencies prior to and during the implementation of technological innovations in the organizations. The commercial banks should be viewed based on their demands as well as applying the best technology to attain their objectives.

5.5 Limitations

The main limitation of the study was its inability to include more financial institutions in Kenya which have adopted alternative banking channels in their operations other than just commercial banks. This was a study focusing on the strategic effects of alternative banking channels on performance of commercial banks in Kenya. The research may have cover extra financial institutions in a way of giving extra wide examination. The study countered this challenge through conducting a research among all the commercial banks in Kenya to serve as the representative.

There was a big fear from the respondents in giving adequate information, due to the fear that the same information may be used to harass them or shed a pessimistic outlook about them or their employer. This made a number of them turn down the researcher's request of answering the questionnaires. Financial institutions like commercial banks in the current competitive environment operate on tight schedules. In this regard, respondents were likely to be unable to participate in the study in the best time as well as this would have overstretched the data gathering period. To diminish this constraint, the investigator utilizes the network to influence respondents that were aimed to participate in the study.

The researcher was also likely to meet challenges to draw out information from the respondents regarding the needed information on the subject of discussion to areas of thoughts, emotions, approaches as well as observation, which might not be precisely computed and/or demonstrated impartially. This might have resulted to zero response because of the veil of discretion surrounding the banks. The investigator asked the respondents to contribute without concealing the information they could be having as the study tools didn't bear their names.

The study was also faced with the limitation that despite various banks having various alternative banking channels, they lacked records of alternative banking channels of some years and where they were available they lacked consistency owing to the fact that the ABCs uptake came to being practiced in Kenya in different time periods. Rather, the banks only acknowledged the presence of alternative banking channels in their financial statements.

The study used yearly data because of the time constraint in retrieving the daily and monthly data regarding alternative banking channels and bank performance. The study could have found differing results probably if monthly or quarterly data was used. In addition, some international banks had annual reports generated based on all the regions they cover which resulted to lengthy process of extracting Country specific information. This was likely to be a tedious process of extracting data for Kenyan operations only, however the researcher sought direct information from the relevant banks on the strategic effects of alternative banking channels on performance of banks in Kenya.

5.6 Recommendations for further research

This study established that there are various alternative banking channels strategies adopted by the commercial banks in Kenya and have varying effects on the performance of the banks. Most banks appear to derive value from mobile and agency banking, with most banks perceiving alternative banking channels as effective operations strategies. Implementing and managing alternative banking channels was perceived as easy and medium difficulty for most of the banks.

While most of the ABCs were initially perceived to enhance access to banking services in remote areas and enhance financial inclusion they have become populous and concentrated in the urban areas and few are located in rural areas hence limiting realization of economic pillar of Kenya's Vision 2030 of financial inclusion. Therefore, future research studies could be conducted to gauge the extent of financial inclusion through each of the alternative banking channels in Kenya.

Other areas related to alternative banking as a strategy that can be advanced from this work include establishing factors influencing customer adoption trends, relationship between level of investment and operational benefits and customer satisfaction levels with the internet banking service.

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APPENDICES

Appendix I: List of Commercial Banks in Kenya

1. African Banking Corporation Ltd.
2. Bank of Africa Kenya Ltd.
3. Bank of Baroda (K) Ltd
4. Bank of India
5. Barclays Bank of Kenya Ltd.
6. CFC Stanbic Bank Ltd.
7. Charterhouse Bank Ltd.(Under statutory management)
8. Chase Bank (K) Limited (In Receivership)
9. Citibank N.A Kenya
10. Commercial Bank of Africa Ltd.
11. Consolidated Bank of Kenya Ltd.
12. Co-operative Bank of Kenya Ltd.
13. Credit Bank Ltd.
14. Development Bank of Kenya Ltd.
15. Diamond Trust Bank Kenya Ltd
16. Ecobank Kenya Ltd
17. Equatorial Commercial Bank Ltd.
18. Equity Bank Ltd.
19. Family Bank Limited
20. Fidelity Commercial Bank Ltd
21. First Community Bank Limited
22. Giro Commercial Bank Ltd.
23. Guaranty Trust Bank (K) Ltd.
24. Guardian Bank Ltd
25. Gulf African Bank Limited
26. Habib Bank A.G Zurich
27. Habib Bank Ltd
28. Imperial Bank Ltd (In Receivership)
29. I & M Bank Ltd

30. Jamii Bora Bank Limited.
31. Kenya Commercial Bank Ltd
32. Middle East Bank (K) Ltd
33. National Bank of Kenya Ltd
34. NIC Bank Ltd
35. Oriental Commercial Bank Ltd
36. Paramount Bank Ltd
37. Prime Bank Ltd
38. Sidian Bank Ltd.
39. Standard Chartered Bank Kenya Ltd
40. Trans-National Bank Ltd
41. UBA Kenya Bank Limited
42. Victoria Commercial Bank Ltd

Source: Central Bank of Kenya, August 2016

Appendix II: Letter of Introduction

Dear Sir/Madam,

RE: REQUEST TO COLLECT DATA FOR AN MBA PROJECT

I am a postgraduate student at the University of Nairobi pursuing a Masters of Business Administration degree. I am currently conducting a research project on **STRATEGIC ALTERNATIVE BANKING CHANNELS AND PERFORMANCE OF THE COMMERCIAL BANKS IN KENYA**. The focus of my research will be on the commercial banks in Kenya which shall involve use of questionnaires administered to management staff working in the head offices of the commercial banks in Kenya.

I humbly request you to participate in this study by assisting in filling the questionnaires and providing any other relevant information that would be of value to this study. The information collected will be treated with utmost confidentiality and is for academic purpose only. The findings and recommendations of the research will be availed to you upon completion of the research.

Thank you in advance.

Yours faithfully,

FELISTER NJERI

Appendix III: Research Questionnaire

This research is intended to fulfill the requirements for a degree in Masters of Business Administration from the University of Nairobi. I would appreciate if you could spare some time complete filling this questionnaire. Please answer the questions by ticking in the appropriate box or filling the spaces provided. The information given will only be used for purposes of this study and will be treated with utmost confidentiality. Your cooperation in this research will be highly appreciated.

PART A: INSTITUTION DETAILS AND BIO DATA

1. The department you work:

- Human resource Finance
- Procurement Operations
- Marketing Other (Specify.....)

2. What is your designation?

- Manager Assistant manager
- Supervisor General staff
- Other (Specify.....)

3. What is your work experience (in years) in this commercial bank?

- 0-5 yrs 5-10 yrs
- 10-15 Over 15 yrs

PART B: ALTERNATIVE BANKING CHANNELS AND BANKS' PERFORMANCE

4. To what degree do alternative banking channels influence the performance of this bank?

To an extremely huge degree	To a huge degree	To a fair degree	To a small degree	To no degree

5. In this bank, to what degree do alternative banking channels influence the performance of commercial banks in Kenya? Rate on a scale of 1 to 5 where 1= No degree, 2= Small degree 3= Fair degree, 4= Huge degree, 5 = extremely huge degree.

Aspects of Performance	1	2	3	4	5
Return on assets (profitability)					
Customer deposits					
Cost efficiency (Income)					
Human resource cost					
Operational cost					
Customer base					
Transaction volume					
Others (Specify.....)					

6. In your own thoughts, what aspects of alternative banking channels influence the performance of commercial banks in Kenya?

.....

7. To what degree does internet banking affect the performance of commercial banks in Kenya?

To an extremely huge degree	To a huge degree	To a fair degree	To a small degree	To no degree

8. To what degree do the factors listed below influence the utilization of internet banking channels in commercial banks in Kenya? Use a scale of 1 to 5 where 1= No degree, 2= Small degree, 3= Fair degree, 4= Huge degree and 5 is extremely huge degree

Factors affecting utilization of internet banking channels	1	2	3	4	5
Perceived privacy					
Security management					
Consumer attitude					
Perception towards internet banking					
Others (Specify.....)					

9. Indicate your thoughts on the following statements about the effects of internet banking channels on the performance of commercial banks in Kenya?

Use a scale of 1 to 5 where 5= Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1 = Strongly Disagree

Effects of Internet Banking Channels	1	2	3	4	5
Internet banking has had an optimistic influence on the increase of commission fee based income					
Internet banking has inclined to optimistically increase interest based income					
Internet banking has improved the revenue creating probability of the bank					
Internet banking reduces the cost of operation, leading to better gain on assets for the bank					
Internet banking investments contain a less than 3 years payback hence good return on assets					
Incomes from internet banking have got an optimistic influence on banks income limits					
Income obtained from internet banking have a great margin hence absolutely causal to banks annual productivity					
Internet banking is less costly hence high productivity levels over their economic lifetime					
Investment in internet banking is mostly motivated by profits to the bank					
Internet banking services have engrossed a number of retail depositors in the bank					
Internet banking services made it possible for clients to withdraw their money at all times.					
Internet banking services have brought in a number corporate customers plus deposits					
Use of internet services made it easy for consumers to access to banks services					
Use of internet services has increased revenue generating avenues into the bank					
The use of internet services led to enhanced the rate of deposits for the bank					
Use of internet services contributed at large extent to the bank's innovation.					
Internet services attracted a good number of retail clients than the corporate clients to the bank					
Others (specify.....)					

10. How would you rate the degree to which agency banking influences the performance of commercial banks in Kenya?

To an extremely huge degree	To a huge degree	To a fair degree	To a small degree	To no degree

Rate the degree to which aspects of agency banking influence the performance of commercial banks in Kenya. Use a scale of 1 to 5 where 1= no degree, 2= small degree, 3= moderate degree, 4= huge degree, 5 = extremely huge.

	1	2	3	4	5
Transaction cost					
Affordability of services					
Customer perceived value					
Infrastructure cost					
Perceived usefulness of agency banking services					
Privacy of information					
Ease of use of agency banking transactions					
Levels of confidentiality and control					
Convenient locations to customers					
Accessible quality services					
Extended duration of service delivery					
Range of services offered					
Strictness of formalities to access services					
Others (specify.....)					

To what degree has agency banking enhanced the below listed aspects of performance of commercial banks in Kenya? Use a scale of 1 to 5 where 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree.

	1	2	3	4	5
Agency banking enhances faster service delivery in the banks					
Customers can be offered additional or extended services					
Customers enjoy greater convenience and access					
Agency banking results is potentially more reliable information delivery					
Agency banking ensures access to data and support services that may not have otherwise been available					
Ability to conduct transactions without necessarily the customer moving long distances to access convenient banks					
Bank agents make it cost effective to use banking services					
Agency banking service providers are fair in their conduct of customer transactions					
Agency banking has an optimistic outlook on transmits, expenses, deposits as well as withdrawal in financial dealings					
Agency banking is an inexpensive, consistent as well as easy					

way of doing business					
Agency banking brings down the cost of serving clients with fewer turnovers in their accounts.					
Agency banking gives an increased worth for consumers banking dealings					
Other (Specify.....)					

11. To what degree do self-service Halls/ ATM services have an impact on the performance of commercial banks in Kenya?

To an extremely huge degree	To a huge degree	To a fair degree	To a small degree	To no degree

To what degree do the following aspects of ATM services affect the performance of commercial banks in Kenya? Use a scale of 1 to 5 where 1= no degree, 2= small degree, 3= moderate degree, 4= huge degree, 5 = extremely huge degree.

Aspects of ATM services	1	2	3	4	5
Electronic Funds Transfer					
Debit & credit cards services					
Cash/cheque deposits					
Other (Specify.....)					

12. What do you think about these statements regarding the effects of ATMs on the performance of commercial banks in Kenya? Use a scale of 1 to 5 where 5= Strongly Agree, 4 = Agree, 3 = neutral, 2 = Disagree and 1 = Strongly Disagree

Effects of Self-Service Halls/ ATM Services	1	2	3	4	5
ATMs positively influence the increase of commission fee based income					
ATMs positively influence the increase of interest based income					
ATMs positively influence the growth of the income generating possibility of the bank					
ATMs influence the decrease of operational cost as well as a better return on bank's assets.					
ATMs investments have got a less than three years payback period thus good return on assets					
The ATMs collections in terms of revenue, have influenced the bank's income generation					

Investment in ATMs is classically provoked by profits to the bank					
The Income from ATMs contributes much on the bank annual revenue					
ATMs as a result of its low cost of maintenance increases productivity					
Other (Specify.....)					

13. How would you rate the degree of mobile banking on the performance of banks in Kenya?

To an extremely huge degree	To a huge degree	To a fair degree	To a small degree	To no degree

14. To what degree do various services offered through mobile phones have an impact on the performance of this bank? Use a scale of 1 to 5 where where 1= no degree, 2= small degree, 3= moderate degree, 4= huge degree, 5 = extremely huge degree

Banking Services offered through Mobile Phones	1	2	3	4	5
Balance enquiry					
Money transfer					
Mini-statements					
Payment of bills					
Automatic advice to clients on credits and airtime purchase					
Others (Specify.....)					

15. What is your opinion on the following statements regarding the use of mobile banking channels and its effect on the performance of commercial banks in Kenya. Rate of scale is 1 to 5 where 5= Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1 = Strongly Disagree

Use of mobile banking channels and its effect on the performance	1	2	3	4	5
Mobile banking influences low cost of production and transactional					
Mobile banking has increased commission based income					
Mobile banking has increased interests of the bank					
Mobile banking has led to bank growth					
Mobile banking investments return is shorter and very productive					
Income from mobile banking has boosted the bank revenue					
Use of mobile phones encouraged more clients to bank					
Use of mobile phones added revenue and banking platform					
The deposits have increased due to mobile phones					
Innovation has increased due to the use of mobile phones					
Mobile phones brought several retail clients than corporate clients to the bank					
Other (Specify.....)					

16. Is there any other information you would like to add about the strategic impact that alternative banking channels have on performance of commercial banks in Kenya?

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17. In your opinion what can be done to enhance the benefits of alternative banking channels on performance of commercial banks in Kenya?

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THANK YOU!!!