STRATEGIES ADOPTED BY COMMERCIAL BANKS IN KENYA IN IMPLEMENTING AGENCY BANKING

BY

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DECLARATION

This project is my original work and has not been presented for a degree in any other University.

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This project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

I dedicate this work to my family and all those who supported me in the completion of this project. Thank you and May God bless you abundantly.

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ABBREVIATIONS AND ACRONYMS

CBK: Central Bank of Kenya

KCB: Kenya Commercial Bank

NGO: Non-Governmental Organization

GSMA: Groupe Spéciale Mobile Association

SMS: Short Message Service

MNO: Mobile Network Operator

ATMs: Automated Teller Machines

MTN: Mobile Telephone Network

CGAP: Consultative Group to Assist the Poorest

OIBM: Opportunity International Bank of Malawi

ICT: Information and Communications Technologies

POS: Points-Of-Sale

FINO: Financial Information Network and Operations Ltd

SBI: Special Background Investigation

BCP: Banco de Credito del Peru

KYC: Know- Your-Customer

SPSS: Statistical Package for Social Sciences

ABSTRACT

Banks, among other organizations, have been facing a dynamic business environment that is technologically driven, globally unbounded, and customer oriented. These challenges, among many others, called for extensive search for suitable strategies to be adopted by organizations for growth and survival in the changing and turbulent marketplace and as such major banks are using branchless banking channels to deliver services and reach new clients through retail outlets. Agents can provide multiple benefits: increase client convenience, reduce transaction costs, and reach out to new customers thus it is important that the bank has clear strategies to implement successful agency banking across the country. The objective of the study was to determine the strategies adopted by commercial banks in Kenya in implementing agency banking. The researcher applied a descriptive design and adopted a cross-sectional survey approach. The target population comprised of all banks that had implemented agency banking which included: Equity bank Kenya Limited, Family Bank Kenya Limited, Kenya Commercial bank Limited, Co-operative Bank of Kenya Limited and Postbank Limited. The study used both primary and secondary data. Primary data was collected by use of a semi-structured questionnaire with both open and closed ended questions while Secondary data was obtained from annual reports and periodicals of the banks. The questionnaires were administered to respondents in person using a drop and pick later method to ensure a high response rate.

The study found that the banks had embraced agency banking as a way of improving services to the customers and had achieved successful implementation of agency banking in Kenya. The study established that the banks built on existing networks whereby they built a new team of

dedicated staff solely focused on monitoring and training agents. There were strategies that banks had adopted in implementing agency banking in Kenya namely: enabling environment; agency banking products and services; ICT Infrastructure; partnership management; managing liquidity; agent networks and channel management; and building the network.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In the global competitive business scenario, banks, among other organizations, have been facing many changing challenges caused by globalization, liberalization, technological advancements, and changing customers' technological-driven expectations (Moreno, Morales & Montes, 2005). Banks, among other organizations, have been facing a dynamic business environment that is technologically driven, globally unbounded, and customer oriented. These challenges, among many others, called for extensive search for suitable strategies to be adopted by organizations for growth and survival in the changing and turbulent marketplace (Al-Mansour, 2007). It has been widely emphasized that customers of the banks are the main business partners that use and promote the products and services. Hence the customers for a bank are more important than salesmen due to their role in attracting new customers and recommending the products and services to others (Peschel, 2008).

At present, a group of major banks is using branchless banking channels to deliver services and reach new clients through retail outlets. Admittedly, the development of any branchless banking scheme takes quite a lot of time and preparation because it implies analyzing and taking action regarding the business case of each actor involved, the customer value proposition, and the local legal and regulatory environment. Many branchless banking clients agree that technology-based financial services can provide cost savings on various products and services. At a cost 50 percent less than any other means of transfer (Moore 2007), M-Pesa is correctly viewed by its customers in Kenya as cheaper than other methods of transferring money.

1.1.1 Strategic Choice

Strategic choices are the core of strategic management and successful companies have between those that carefully select relevant strategies, take into account both strategic positions and the strategic implementations (Johnson and Scholes, 1999). If there are no choices to be made, there can be little value in thinking about strategy at all. Strategic choices is a process that involves understanding the nature of stakeholders expectations, identifying options available, then evaluating and selecting the best strategic options for implementation. Strategic choices have value in creating the way forward, commitment and mobilizing support in an organization (Bunsen, 1989).

Strategic choices have to identify available options and select one that answers the questions of 'what', 'how', 'why', 'who', and 'when'. A good strategy will provide answers to each of these questions. For managers to make strategic choices, it is important to generate strategic options and alternatives in advance and weigh them against a set criterion then make decisions for implementation. Thus it is important to understand other factors influencing the choices and decisions made by organizations. Strategic choice is an aspect of strategy that is considered before any strategic decision is completed. Any action or achievement that conflicts with other operations in the organization may reduce its value. This alternative may not be taken (Johnson and Scholles, 1999). However, the managers should make a choice to seek for synergy. Synergy refers to the degree to which various resource deployments and interactions of the organizations with its environment reinforce or negate one another. A major strategic concern of any organization is selecting a strategy to produce a product or offer service would be how the new projects would affect the existing programmes activities (Hofer and Schendel 1979).

1.1.2 Banking Sector in Kenya

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. Kenya currently has 43 licensed commercial banks and one mortgage finance company. Of these 44 institutions, 31 are locally owned and 13 are foreign owned. Citibank, Habib Bank and Barclays Bank are among the foreign-owned financial institutions in Kenya. The government of Kenya has a substantial stake in three of Kenya's commercial banks. The remaining local commercial banks are largely family owned.

Kenya is hailed as having the most resilient financial system of its neighbors and a mature private sector that welcomes foreign investors. Kenya's commercial banks play a crucial role in ensuring Kenya's economic progress. In 1986, Kenya's financial sector experienced a crisis that resulted in 37 failed banks. Loans in default were at the center of the financial crisis. To protect Kenya's commercial banks from undergoing a similar crisis, the Parliament passed a series of regulations to govern the banking industry, and the Central Bank of Kenya strengthened its regulatory role.

1.1.3 Agency Banking Concept in Kenya

Most of the major Banks in Kenya have embraced Agency Banking as a way of improving their services to their customers and cutting a niche for themselves in an ever competitive market. Agency banking has enabled bank customers to access the basic banking services, for example, cash deposit, cash withdrawal and bank balance inquiry conveniently or what would be termed as within the comfort of their neighbor-hood. Equity, Co-operative, and KCB have hired thousands of agents to mobilize deposits and ease pressure on banking halls, a model promoted by CBK to enhance financial inclusion. Co-op Bank launched its agent banking service "Co-op Kwa Jirani", aimed at providing customers with access to banking facilities in their neighborhood across the country. Agents range from state corporations, sole proprietorships, private companies, cooperative societies, unit trusts, among others. The agents of Co-op Bank will carry out banking services like cash deposits, cash withdrawals, school fee payments, utility payments, balance enquiries and issuance of mini-statements among others. Co-op bank, which has 1,800 agents, plans to raise that number to 4,000 underlining the importance of agency banking. Co-op Bank and Equity have both succeeded with business models aimed at low income customers (www.techweez.com/2011/04/13/**co-op-kwa**-jirani-agency-banking*).*

KCB launched the Agent Banking proposition setting the pace for the provision of formal banking services at the grassroots dubbed 'KCB Mtaani'. Bank rolled out agency banking services to over 500 KCB Mtaani agents across the country that are already approved by the Central Bank of Kenya and trained by the bank. Kenya Commercial Bank is offering cut-down banking via outlets such as supermarkets and petrol stations to attract more of the 9 million Kenyans without access to any form of financial services. Using a cell phone and identification, users are able to deposit and withdraw funds, apply for loans and process salaries and pension

payments. KCB had 2,608 agents by end of 2011 (*bankikanakcb.com/website/new/product-information/kcb-mtaani/*). In May 2011, The Central Bank of Kenya (CBK) licensed over 8,000 establishments to act as Equity agents, with 2,000 such outlets already in operation. Agency banking model is where the agent represents the bank and is in a position to do much more than the customer can do over their phone. Equity rolled out over 2500 agents throughout the country to complement their mobile banking solutions which include: Mkesho, Orange Money and Eazzy 2-4-7 which makes banking easily accessible and very convenient for a range of financial services - such as savings, insurance and credit products. Equity Bank has recruited 8,000 agents, with 2,000 in operation and had 3,339 agents by January. Equity Bank has been able to use its agent network to outsource all fixed costs (www.equitybank.co.ke).

1.2 Research Problem

Agent banking is a relationship where a financial institution licensed and approved by the Central bank of Kenya to provide the services engages the services of another institution (agent) to deliver its services on its behalf in the manner specified in the Agency Banking Guideline (Banking Act, Section 33(4)). Agent banking business means the business carried out by an agent on behalf of an institution as permitted under the guideline. Agency banking allows commercial banks to offer financial services in areas where it would be expensive for the commercial banks to establish a physical branch. Agency banking has contributed immensely to the financial deepening in Kenya by promoting accessibility to financial services especially to rural areas. This network of agents can expand the financial institution's reach to rural areas in order to achieve a higher level of penetration in unbanked markets where there is no physical bank presence, essentially enabling a branchless payment system, outside the traditional bank-led business model.

Agency banking in Kenya is the new way that banking in Kenya is using to take banking services to the unbanked and under banked at a cheaper rate. The banks are training agents who will engage in banking services on behalf of the banks. The agency banking in Kenya guidelines were enacted in 2010. Banks must first apply to central bank of Kenya to get approval to conduct agency banking business. The board of directors of each banking institution interested in agency banking must make policies guidelines and procedures to be followed to ensure that the agents are credible, risk identification and mitigation measures are in place and Agents are audited on an ongoing basis to ensure that the Agents follow the guidelines from central Bank, their contracts and the banking policy. Many Banks have started Agency Banking in Kenya and have trained the agents so as not to affect the service they offer to their customers.

Some of the related studies include: Lengewa (2003) did a survey of the competitive strategies used by NGO micro finance institutions in Nairobi; Oori (2010) did on the strategies employed by commercial banks in Kenya to build competitive advantage; William (2007) did a study on competitive strategies adopted by travel agents in Kenya; Masila (2009) studied on competitive strategies adopted by firms in the logistics industry in Kenya; Mugo (2009) investigated on competitive strategies adopted by Islamic banks: a comparative study of Kenya and the united Arab Emirates; Mwaniki (2009) did on competitive strategies adopted by mobile phone service providers in Kenya. Therefore this study sought to fill the research gap by investigating on the strategies adopted by commercial banks in Kenya in implementing agency banking. To achieve this, the study sought to answer one question: what strategies have been adopted by commercial banks in Kenya in the implementation of agency banking?

1.2 Objective of the Study

The objective of the study was to determine the strategies adopted by commercial banks in Kenya in implementing agency banking

1.4 Value of the Study

The study would benefit the management of commercial banks in Kenya in understanding the strategies to employ in order to successfully implement agency banking that would benefit millions of Kenyans across the country.

It would also be beneficial to the government and policy makers especially the central bank of Kenya in constituting proper policies and measures that would govern agency banking so as to enhance its success across the country.

To the scholars and academicians, this study would form a piece of contribution to the current knowledge in agency banking in Kenya and could be used as a source of reference for further research. It would also give the researcher the opportunity to gain deep knowledge in the agency banking.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter looks at what other scholars have written about the strategies for agency banking. The materials are drawn from several sources which were closely related to the theme and the objectives of the study.

2.2 Strategic Choice

Porter (1980) viewed strategy as building defense against the competitive forces and finding positions in the industry where the forces are weakest. Knowledge of the company's capabilities and of the causes of the competitive forces will highlight the areas where the company should confront competition and where it should avoid. Strategies need to be considered not only in terms of the extent to which the existing resource capabilities of the organization is suited to opportunities but also in the terms of the extent to which resources can be obtained and controlled to develop a strategy for the future.

According to Pearce and Robinson (1997), strategy helps in providing long-term direction for an organization. This provides a perspective for various diverse activities over time, which enables organizations to perform current activities and at the same time viewing them in terms of their long-term implications for the probable success of the organization. Strategy enables companies to focus their resources and effort (Pearce and Robinson, 1988).The development of strategy helps managers identify critical tasks that need to be performed and hence helping in defining an organizational strategic thrust.

Hofer and Schendel (1979) state that for an organization to be both effective and efficient; there will be four components to any of its strategy. They name scope, the extent of the organization present and planned interaction with its environment as one significant factor. This could be referred to as the organization domain. Johnson and Scholes (1995) too put scope as a key aspect of strategic choice base arising from organization purpose and aspiration. Secondly, resource deployment is an important aspect of strategic choice. Hofer and Schendel (1979) suggest that the organizations past and present resource and skill deployment will affect how it achieves its goals and objectives. Financial strategy needs to take care of the risk returns. The financial decisions made by management relate directly to added value of the organization (Johnson and Scholes, 1999). The skill an organization has could enable it deliver a service or a product in a way that no other organization can replicate. This could also be referred to as distinctive competence.

Another component of strategic choice is that which relates to competitive advantage. Hofer and Schendel (1979) state that any strategic decision in an organization must concern itself with unique position an organization develops against its competitors. Johnson and Scholes (1999) too suggest that achieving competitive strategy is an essential base of strategic business unit of an organization (Parker, et al., 1995). Strategic choice is an aspect of strategy that is considered before any strategic decision is completed. Any action or achievement that conflicts with other operations in the organization may reduce its value. This alternative may not be taken (Hofer and Schendel, 1979; Johnson and Scholes, 1999). However, the managers should make a choice to seek for synergy. Synergy refers to the degree to which various resource deployments and interactions of the organizations with its environment reinforce or negate one another.

2.3 Business Models

Different mobile payments business models have emerged depending on the applicable regulatory climate, consumer culture, and demographics.

In the most basic sense, a business model may be bank-centric, mobile-operator led, or partnership led with technology service firms often included to enable the application or platform for payment service delivery (Boer and de Boer, 2009).

2.3.1 Bank-led Models

In the bank-led model, the financial institution controls the customer relationship and provides mobile services primarily as a new channel to existing services. The mobile operator provides the channel for the domestic transfers and international remittances conducted by the financial institution.

There are fewer examples of bank-led models in mobile payments services because of the perceived value proposition relative to legacy payment services and the limited ability to reach the unbanked market segment that has driven adoption in most markets. One example is Rabobank in the Netherlands, which in 2006 launched its own mobile virtual network operator service (Boer and de Boer, 2009). However, the uptake in this service has been slow and the bank has struggled to gain critical mass adoption.

2.3.2 Mobile Network Operator-led Models

A mobile network operator-led business model limits or eliminates the involvement of the financial institution in the payment delivery, clearing, and settlement. In emerging markets, mobile network operators are dominating the mobile money transfer market, creating the customer relationship and providing the service distribution channel, with clearing and settlement functions often agnostic to the participation of mainstream financial institutions or central banks. Mobile network operator models thrive in developing markets because of their ability to reach large numbers of unbanked people in physically remote locations beyond the presence of bank and landline infrastructures. The geographic reach of this model may be extended through bilateral and multilateral agreements with other wireless carriers, which allow them to expand their remittance services beyond their own geographic borders and regulatory jurisdictions (Boer and de Boer, 2009).

Some international remittance mobile operators have begun to establish partnerships with service providers such as Western Union and MasterCard, for example, to expand their subscription and payment system networks. GSMA provides guidance to mobile operators and advocates a multilateral or networked hub model to ultimately establish broad-reaching, ubiquitous network coverage, consolidating various proprietary models in support of interoperability (Jenkins, 2008). Safaricom's M-PESA and Austria's Mobilkorn represent successful models where the mobile operator controls and manages the payment system (Boer and de Boer, 2009). These MNO-led systems typically rely on short message service (SMS)-based low-value payments. In some of the emerging payment schemes, the wireless carriers sometimes charge the mobile-enabled payment sent via text message to the consumer's mobile phone bill.

2.3.3 Partnership Models

In the partnership model, the financial institutions, mobile network operators and third-party service providers that make up the ecosystem partner and collaborate to provide payment services. In this model it may be possible to capitalize on each organization's respective strengths in terms of providing customer service, introducing innovation, and ensuring an environment of sound regulatory compliance.

New payments solution providers face limited barriers to market entry with less stringent regulatory oversight and lower capital requirements than traditional bank counterparts. Companies such as PayPal, Obopay, and Cashedge, to name a few, have launched P2P payment services in the United States and abroad independently and in partnership with financial institutions. Other entrants in the mobile payments space, such as Visa and MasterCard, have announced numerous money transfer initiatives in 2010 in partnership with financial institutions and money service businesses like Moneygram and Western Union (Boer and de Boer, 2009).

2.4 Strategies Used for Agency Banking

Agents can provide multiple benefits: increase client convenience, reduce transaction costs, and reach out to new customers. But it is important that the bank has clear strategies to implement successful agency banking across the country. These strategies will drive decision making, ensure appropriate agent setup and channel support, and permit subsequent performance evaluation against the original strategic intent.

2.4.1 Agent Networks and Channel Management

According to Mas and Siedek (2008) for banks, using agents and setting up an agent network are new business processes that require adjustments to operations. Because agents are another delivery channel, they should fit within a bank's overall distribution strategy, alongside its other channels such as branches and ATMs. Some banks outsource the entire agent operations to a third-party provider; some use an integrator to handle certain aspects such as recruitment and oversight, while other banks create a new internal unit or subsidiary dedicated to manage the agent network. Agents will not provide quality service to customers without ongoing, on-site supervision and in-store training to ensure the agents are liquid, consistently branded, and following the prescribed business processes.

Providers need to decide how to divide the varied management functions and whether to keep those functions in house or outsource to an independent service provider. As the networks grow, it is increasingly difficult for the provider to cover the "last mile" of the distribution chain, so most use third parties for part or all of the channel management functions. Providers need a system of regular agent site visits to ensure that agents are in compliance with the business processes and maintain proper branding and merchandising. Many bank-led deployments choose to outsource agent management. There are service companies that provide a range of services, from only a technology platform to a full package that includes agent selection and contracting, agent installations and training, marketing support, and even handling legal disputes if something goes wrong. In Brazil, network managers also assume part of the risk stemming from agents' actions and are paid a commission per transaction plus a bonus for increasing the transaction volume at the agents (Mas and Siedek, 2008)

One way to manage agent channels is to build a new team of dedicated staff solely focused on monitoring and training agents; MTN Uganda created a new in-house team with the sole responsibility for agent training and monitoring. It works well, but requires a major increase in payroll. Outsource the monitoring function to a third part; Safaricom uses a third party, Top Image, to keep direct and centralized control over key elements of the customer experience, including store selection and agent training and supervision (Davidson and Leishman, 2010). Build on existing networks where possible whereby banks are choosing retail shops, pharmacies, and other community stores where clients are regular visitors. MNOs naturally rely on their airtime sellers to build agent networks. Working with established chains and franchises enables institutions to scale up their agent network rapidly. For example, Brazil's Bradesco purchased the rights to use the national post office network as a banking agent network; Equity Bank in Kenya uses the Nakumatt chain of retail stores as its anchor banking agents; and WIZZIT in South Africa uses the Dunn's chain of about 400 clothing stores to open accounts (Pickens, 2010).

Establish a remuneration and incentive structure where most branchless banking models pay agents based on commission, with a fixed rate for opening accounts and a variable rate (usually a percentage of the transaction value) for withdrawals, payments, and transfers. The current remuneration structure is meant to incentivize agents to promote new accounts and increase the volume of transactions. Recent CGAP studies show that in Kenya, agents earn a 5- percent commission for airtime, compared with 1.1 percent for M-PESA transactions. However, M-PESA transactions yield a profit three times greater than airtime (CGAP, 2010). In Brazil, agents indicated that increased foot traffic, not remuneration, is their prime motivator (McKay, Pickens and Rotman, 2010).

Minimize agents' start-up costs and cash-management burden: banks or network managers have absorbed most of the costs for start-up, including installing a POS device, training, and system integrations. Banks also pay for communications costs and, in certain cases, secure vehicles for transporting cash. The direct costs agents incur are therefore limited to the use of the store space, staff time for processing transactions, and having sufficient cash in the till and the bank. Most banks provide an interest-free overdraft to minimize additional cost to the agent. Depending on transaction volume and the daily cash limit the bank (or the regulator) sets, agents would need to go to the bank every day to deposit or withdraw additional funds, incurring transportation costs and loss of potential revenue while away from the store (Berger, 2009). OIBM in Malawi uses its mobile ATM to bring the bank closer to agents to minimize their travel time, and some banks in Brazil rely on integrators or third-party providers to handle the liquidity management (Opportunity International, 2008).

2.4.2 Agency Banking Products and Services

Branchless/agency banking products and services should be viewed as new products because they are targeted to a different clientele from those being served through traditional bank branches. Offer a "no-frills" savings account as a passport to other financial services; In South Africa, the country's largest banks designed the Mzansi account, which is linked to a debit card, as an affordable and appropriate option for the unbanked. Since the product's launch in 2004, more than six million accounts have been opened, mostly by people who had never had a bank account (Bankable Frontier Associates, 2009). In India, Eko and the SBI have created a simple savings account with no opening fee or minimum balance (Krishnaswamy, McKay, Pickens and Rotman, 2010).

Marketing and branding where customers must be assured that the agent is offering products from a reliable and trusted brand, though agents are the primary customer interface; Banks need to put their —face on their products and raise awareness of their brand through a promotional campaign tailored to low-income and poor populations. Folk play performances in village centers are one effective way of reaching out to populations with low literacy (Doug, 2009). Understand the different needs of rural and urban populations; Seasonality tends to affect income streams in rural areas more than urban areas. Urban populations tend to be more mobile and are engaged in diverse levels of trade and commerce. Financial institutions need to be aware of these differences and tailor their product offerings accordingly. In Malawi, OIBM developed a savings account (Mthandizi, or —Helper) for its rural clientele that includes a funeral benefit and life insurance coverage (FinScope, 2008).

2.4.3 ICT Infrastructure

Technology has become an intrinsic part of banking, making it easier and cheaper to develop and deliver financial services. As a consequence of the highly technological environment developed around the world in the banking industry, the expansion of distribution channels for financial services relies on a very complex network of partnerships (Costa et al. 2007). In recent years, a number of information and communications technologies (ICT) initiatives for delivering banking services to the poor have appeared in different developing countries. Technologies such as ATMs, mobile phones and points-of-sale (POS) have been used to reduce costs and make low-income clienteles profitable to banks (Ivatury, 2006). Use of branchless/agency banking depends on having access to IT and telecommunications infrastructure. IT includes software, hardware, and services such as outsourcing. Branchless banking also requires accessible, reliable, and affordable telecommunications to reach out to rural areas (CGAP, 2007).

There has to be a mix of technologies; No one technology can provide a complete branchless banking solution. It takes a mix of devices and channels that depend on terrain, connectivity, and cost. The most common technologies used in branchless banking have been ATMs, POS devices, and mobile phones. Third-party providers often determine which devices to use in bank-led models. The most important considerations are usually how well the device can talk to the financial institution's back end and cost (Lyman, Pickens and Porteous, 2008).

Financial institutions can Opt for shared infrastructure; when making ICT-related decisions, the financial provider should look at the total cost of ownership for an in-house implementation, as opposed to outsourcing to a third-party provider. Mobile channels and ATM channels provide opportunities for shared infrastructure. In many countries, banks make commercial arrangements to interconnect payment switches, install interoperable ATMs and POS devices, and issue interoperable cards. This type of sharing enables an institution to exponentially increase the number of access points it provides to its customers. Third-party providers also provide an interoperable platform where multiple banks and MNOs can outsource their ATM and payment operations.

2.4.4 Partnership Management

Public policy and private-sector interests converge in branchless banking. Donors and governments see financial inclusion as an important development policy goal that could be achieved through the innovative delivery of financial services; banks, telcos and other private-sector players view the poor unbanked segment as a large untapped market that could be profitable with the right business model and technology (Kumar, Anjali, Nair, Parsons and Urdapilleta, 2006).

Use a public tender process to engage private-sector participation such as Governments in Brazil and India have invited bids from banks and payment providers to extend banking services to underserved populations and locations. In India, FINO and A Little World won bids with SBI to deliver National Rural Employment Guarantee Act payments using agents and branchless banking technologies. In Brazil, Bradesco won a public bid to use postal system outlets as agents for its growing distribution network, with the condition that locations with no access to financial services would be prioritized.

2.4.5 Managing Liquidity

When agents provide a range of services such as account opening, deposits, withdrawals, bill payments, they are able to generate transaction volume and balance liquidity. An agent must maintain adequate cash and e-money float balances to meet customer cash-in/cash-out requests. If too much cash is taken in, the agent may run out of e-float and not be able to accept more deposits. If there are too many withdrawals, the agent will accumulate e-float but run out of cash. In either case, customers will get discouraged if the agent cannot provide the services they need when they need them and a secure mechanism needs to be in place to transport cash needs to and from an agent. An agent is essentially an aggregator for the cash requirements of a community. It is a cash-storing and transfer business that absorbs the risk of cash handling. Providers have developed a variety of mechanisms to ensure agent liquidity and assist the agent in cash handling. The options available depend to a great extent on the banking infrastructure in the markets where the agents operate and the willingness of the banks to take charge of secure cash transport (Benet, Buick, Guillermo, Muñoz, and Poulton, 2009).

Davidson and Leishman (2010) observes that Banco de Credito del Peru (BCP) found outsourcing management of its 2,300 agents to be less efficient and chose to use in-house agent

executives to identify, prepare, and manage each retail outlet. In densely populated areas, BCP agents have a sufficient mix of transactions to balance cash- in/cash-out, but in more remote areas, the agents themselves need to travel to the bank branches more frequently. Davidson and Leishman (2010) further notes that Vodacom Tanzania tested multiple strategies and settled on using "aggregators" to both recruit agents and manage their floats, transporting cash for the agent if necessary.

2.4.6 Building the Network

An effective agent is well trained; trusted by customers; strategically and conveniently located; and properly incentivized to follow procedures, keep sufficient float on hand, and serve customers. Banks typically select established retail outlets, while mobile networks are more inclined to use smaller "mom and pop" shops or kiosks. According to Mas and Siedek (2008) some providers choose to outsource agent recruiting and training where the size and growth of the network has to be carefully planned to ensure there are enough agents to serve the customers and that there are enough customers to keep the agents interested in providing the service.

Davidson and Leishman (2010) states that Safaricom, being the most successful mobile money deployment, invested heavily in developing the M- PESA agent network with a focus on a consistent customer experience. Each one of its 20,000 agents provides the same services by signing up new customers and facilitating cash-in/cash-out transactions. When an agent can both open accounts and facilitate transactions, it not only offers greater incentive for the agent to provide the service to customers, but it encourages customers to use the service as well. If customers cannot transact immediately upon opening an account, they lose the "instant gratification" of being able to use the account.

2.4.7 Enabling Environment

As the number of non-bank players that are entering the branchless banking space increases, regulators and policymakers are concerned with how and how much to regulate. Regulators will have concerns when agents are introduced as an additional layer in the banking supply chain, such as which party is ultimately liable for the transaction, the transparency of pricing and fees as more parties get involved, and the existence of a grievance and redress channel for users when something goes wrong. Because branchless banking is aimed at serving the poor and unbanked, regulators are especially keen to put in measures to protect clients' rights and safeguard their savings. Brazil and India hold the banks liable for their agents' conduct, and many countries have an ombudsman or unit inside the central bank to address customer complaints (Aguirre, Dias and Prochaska, 2008).

Understand the necessary prerequisites for successful branchless banking; According to CGAP, two preconditions are necessary: authorized use of agents as cash-in/cash out points and customer interface and a risk-based approach for anti-money laundering and combating financing of terrorism that reflects the characteristics of low-income clients (e.g., minimal documentation, small-value transactions). Likewise, relaxed requirements for Know-Your-Customer (KYC) compliance could also enable more account openings and bring more unbanked into the formal financial system (CGAP, 2009). Adopt an incremental and iterative approach to regulation as it is important to recognize that branchless banking is evolving and dynamic. For example, regulators in Brazil and the Philippines have adopted a flexible but carefully monitored framework to allow for innovation within safe, sound, and prudent standards. As the models developed, additional provisions and revisions were introduced to reflect the evolution of the market (CGAP, 2008).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents various stages and phases that were followed in completing the study. It comprises the collection, measurement and analysis of data. This identified the research design, the target population, procedures and techniques that were used in the collection, processing and analysis of data.

3.2 Research Design

The researcher applied a descriptive design. Mugenda and Mugenda (2003) describes descriptive research design as a systematic, empirical inquiry into which the researcher does not have a direct control of independent variable as their manifestation has already occurred or because the inherently cannot be manipulated. The research design was chosen because the study was not confined to the collection and description of the data, but sought to determine the existence of certain relationships among the research variables (Mugenda and Mugenda, 2003).

This study adopted a cross-sectional survey approach. According to Malhotra & Birks (2007) a survey is a method of collecting data from people about who they are, how they think (motivations and beliefs) and what they do (behavior). A survey was ideal for this study because of the number of variables to be measured.

3.3 Target Population

According to Kumar (2005), population is the class, families, living in the city or electorates from which you select a few students, families, electors to question in order to find answer to your research questions. Mugenda and Mugenda (2003) further defines target population as that population the researcher studies, and whose findings are used to generalize to the entire population. The target population comprised of all the 43 commercial banks in Kenya due to their involvement in implementation of agency banking in the banks. Because not all banks have implemented agency banking, this study only concentrated on those that had already launched the services. This included: Equity bank Kenya Limited, Family Bank Kenya Limited, Kenya Commercial bank Limited, Co-operative Bank of Kenya Limited and Postbank Limited.

3.4 Data Collection

The study used both primary and secondary data. Primary data was collected by use of semi-structured questionnaires with both open and closed ended questions. The close-ended questions provided more structured responses to facilitate tangible recommendations. The open-ended questions provided additional information that had not been captured in the close-ended questions. A five point likert scale was used where respondents were required to fill in the level of their agreement with the various statements under each variable.

The questionnaires were administered to two levels of employees in each commercial bank. These were stratified into middle and lower level staff. Secondary data was obtained from annual reports and periodicals of the banks. The questionnaires were administered to respondents in person using a drop and pick later method to ensure a high response rate.

3.5 Data Analysis

Prior to processing the responses, data preparation was done on the completed questionnaires by editing, coding, entering and cleaning the data. Data collected was analyzed using descriptive statistics. The descriptive statistical tools helped in describing the data and determining the respondents' degree of agreement with the various statements under each factor.

Data analysis was done using SPSS and Microsoft Excel to generate quantitative reports which was presented in the form of tabulations, percentages, mean and standard deviation. Content analysis was used to analyze data that was qualitative nature or aspect of the data collected from the open ended questions.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presented analysis and discussion of the study findings as set out in the research methodology. The results were presented on the strategies for the implementation of agency banking in Kenya. The data was gathered exclusively from questionnaire as the research instrument which was designed in line with the objectives of the study.

4.1.1 Response Rate

The study targeted a sample of 10 respondents from the banks that practice agency banking out of which 7 filled in and returned the questionnaire giving a response rate of 70%. This commendable response rate was made a reality after the researcher made personal visits to remind the respondent to fill-in and return the questionnaires. This response rate was excellent and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

4.2 Demographic Information

The information presented here describes the demographic information of the respondents including: gender, age bracket, level of education, period worked and position held in the organization.

4.2.1 Gender of the Respondents

The study aimed to establish the gender of the respondents. From the findings majority of the respondents were male at 57% whereas the female recorded 43% which means that more men are in leadership positions in the banks compared to women as illustrated in figure 4.1 below.
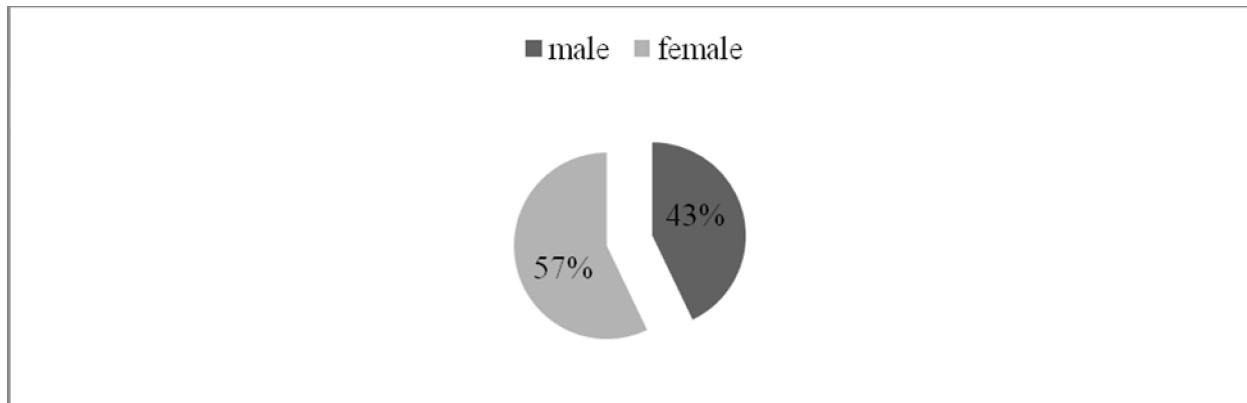
Figure 4.1: Gender of the Respondents

4.2.2 Age Bracket

The study also sought to determine the age bracket of the respondents. According to the findings in figure 4.2 below, most (71%) of the respondents were between the ages of 25-31 years while those aged between 32-38 years and 18-24 years registered 14 each. This clearly shows that youths have taken up leadership position as depicted by the responses whereby majority of the managers are in their late twenties.
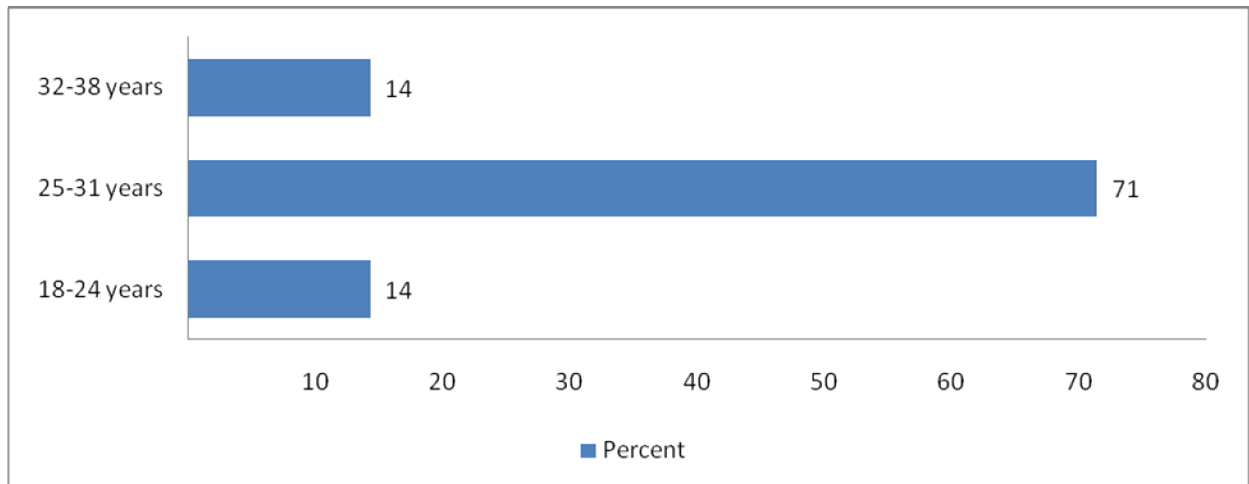
Figure 4.2: Age Bracket

4.2.3 Level of Education

On the respondents' highest level of education, the study established that 57% of the respondents had undergraduate degrees while 43% had post graduate degrees as shown in figure 4.3 below. This shows that most of the respondents were learned hence understood what the study required.
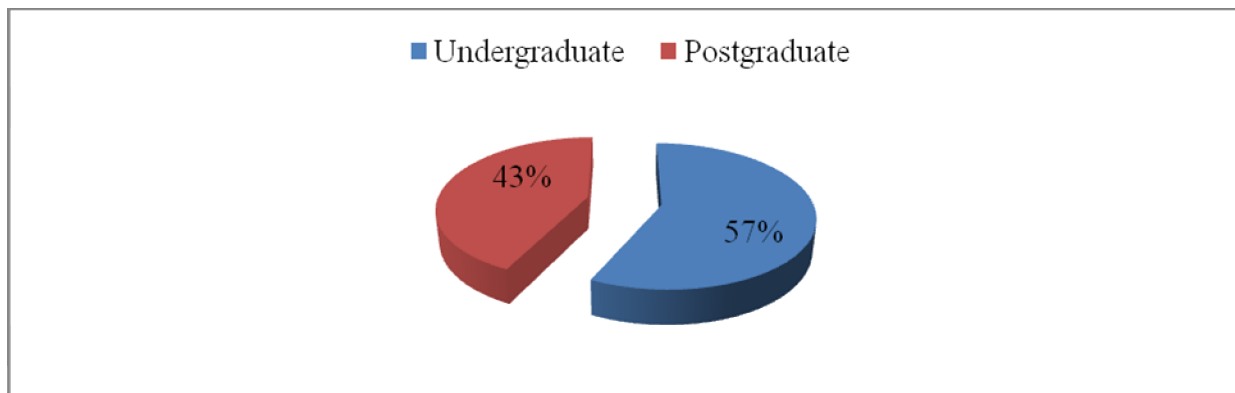
 Figure 4.3: Level of Education

4.2.4 Period Worked in the Organization

The study further sought to establish the period the respondents had worked in the organizations. The findings revealed that majority (71%) of the respondents had worked in the organizations for less than 5 years while the least number had worked for a period of 5-10 years at 29% as

indicated in figure 4.4 below. The respondents had been with the organizations for a good period thus provided relevant information for the study.
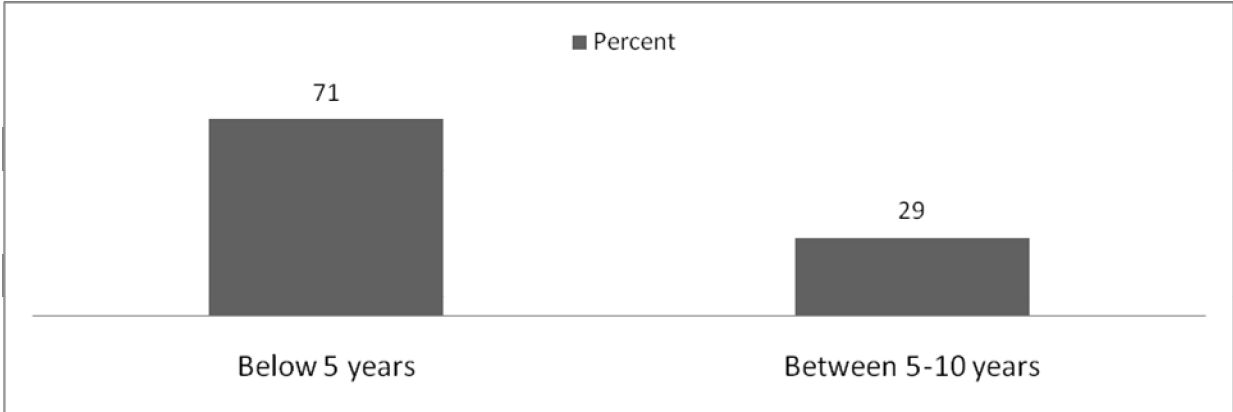
Figure 4.4: Period Worked in the Organization

4.2.5 Position Held in the Organization

On position held by the respondents in their respective organizations, the study found that most of the respondents were in the lower level management at 86% while those in the middle level management recorded 14% as shown in figure 4.5 below.
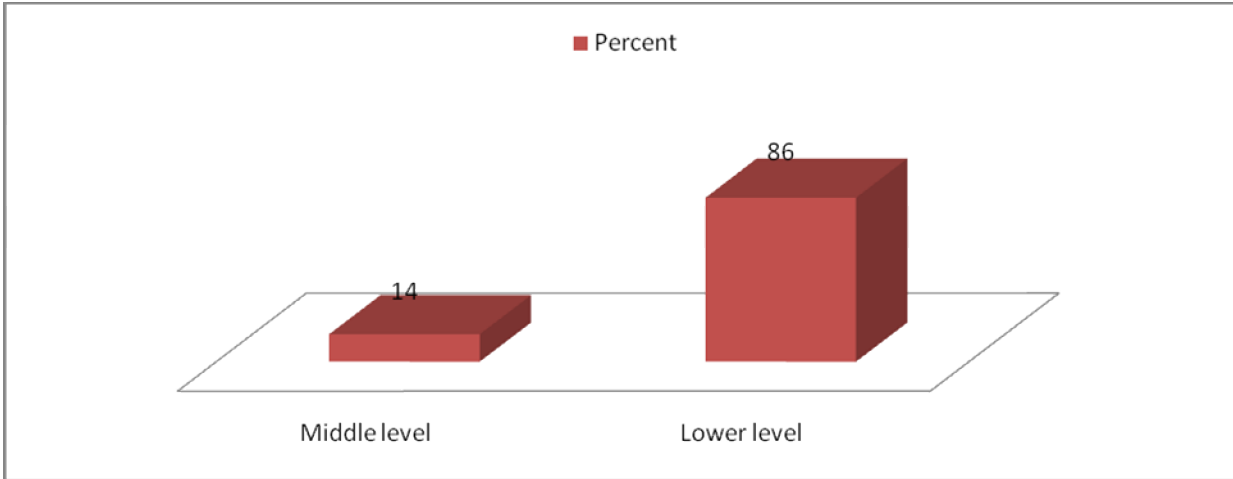
Figure 4. 5: Position Held in the Organization

4.3 Strategies for the Implementation of Agency Banking

The study required the respondents to indicate whether the banks embraced agency banking as a way of improving services to the customers. From the findings, all the respondents unanimously agreed that the banks had embraced agency banking as a way of improving services to the customers as summarized in table 4.1 below.

Table 4.1: Agency Banking

	Frequency	Percent
Yes	7	100
No	0	0
Total	**7**	**100**

On the extent to which the banks had implemented agency banking in Kenya, most (70%) the respondents cited that the banks had implemented agency banking in Kenya to a great extent while 30% indicated that the banks had implemented agency banking in Kenya to a moderate extent as shown in table 4.2 below.

Table 4.2: Extent Bank Implemented Agency Banking In Kenya

	Frequency	Percent
Great Extent	5	70
Moderate Extent	2	30
Total	**7**	**100**

On whether the banks had achieved successful implementation of agency banking in Kenya, all the respondents collectively agreed that they had achieved successful implementation of agency banking in Kenya as shown in table 4.3 below. The respondents further explained the banks had achieved successful implementation of agency banking due to the following factors: the banks

had partnered with existing business hence increasing its agent network presence; the willingness of the customers to accept change in terms of agency banking as an alternative channel to do their banking; through extensive marketing, customers had been made aware of the new products by the banks; convenience that agency banking offered to the customers since most agents were located in areas that were easily accessible; and good mobile banking platform.

Table 4.3: Successful Implementation of Agency Banking In Kenya

	Frequency	**Percent**
Yes	7	100
No	0	0
Total	**7**	**100**

The respondents agreed to great extent that the banks built on existing networks whereby banks chose retail shops, pharmacies, and other community stores where clients were regular visitors; and built a new team of dedicated staff solely focused on monitoring and training agents as shown by means of 4.2857 and 3.8571 respectively. The respondents also agreed to a moderate extent that the banks created a new internal unit or subsidiary dedicated to manage the agent network at a mean of 3.4286; established a remuneration and incentive structure to pay agents based on commission, with a fixed rate for opening accounts and a variable rate for withdrawals, payments, and transfers with a mean of 3.4286; and minimized agents' start-up costs and cash-management burden as shown by a mean of 3.000. On the other hand, they agreed to a little extent that the banks used an integrator to handle certain aspects such as recruitment and oversight and outsourced the entire agent operations to a third-party provider with means of 1.8571 and 1.5714 respectively. This information is summarized in table 4.4 below.

Table 4.4: Agent Recruitment Methods

	Mean	Std. Deviation
Build on existing networks whereby banks choose retail shops, pharmacies, and other community stores where clients are regular visitors	4.2857	0.48795
Build a new team of dedicated staff solely focused on monitoring and training agents	3.8571	0.37796
Creating a new internal unit or subsidiary dedicated to manage the agent network	3.4286	1.27242
Establish a remuneration and incentive structure to pay agents based on commission, with a fixed rate for opening accounts and a variable rate for withdrawals, payments, and transfers	3.4286	0.7868
Minimize agents' start-up costs and cash-management burden	3	0.57735
Use of an integrator to handle certain aspects such as recruitment and oversight	1.8571	0.69007
Outsource the entire agent operations to a third-party provider	1.5714	1.13389

The study sought to establish the strategies that banks had adopted in implementing agency banking in Kenya. The findings revealed that all the respondents agreed that there were strategies that banks had adopted in implementing agency banking in Kenya as summarized in table 4.5 below.

Table 4.5: Whether Bank Had Strategies to Adopt

	Frequency	Percent
Yes	7	100
No	0	0
Total	**7**	**100**

The respondents were required to rate the extent to which the bank used the following strategies to execute agency banking in Kenya. According to the findings in table 4.6 below, the respondents agreed to a moderate extent that the bank used enabling environment at a mean of 3.4286; agency banking products and services with a mean of 3.2857; ICT Infrastructure with a 3.2857; partnership management at a mean of 3.2857; managing liquidity as shown by a mean of

3.1429; agent networks and channel management at a mean of 3; and building the network with a mean of 2.7143.

Table 4.6: Strategies to Execute Agency Banking

	Mean	Std. Deviation
Enabling Environment	3.4286	0.53452
Agency Banking Products and Services	3.2857	0.48795
ICT Infrastructure	3.2857	0.48795
Partnership Management	3.2857	0.48795
Managing Liquidity	3.1429	0.89974
Agent Networks and Channel Management	3	0.8165
Building the Network	2.7143	1.1127

In addition, the study aimed to determine how effective the strategies had been to the banks in ensuring successful agency banking. According to the findings, 60% of the respondents indicated that the strategies had been moderately effective to the banks in ensuring successful agency banking while 40% said it had been effective as indicated in table 4.7 below.

Table 4.7: Effective of the Strategies

	Frequency	Percent
Moderately effective	4	60
Effective	3	40
Total	**7**	**100**

The respondents were required to indicate their level of agreement with the statements about agency banking. The respondents strongly agreed that an effective agent was well trained; trusted by customers; strategically and conveniently located; and properly incentivized to follow procedures, keep sufficient float on hand, and serve customers at a mean of 4.7143; and working with established chains and franchises enabled institutions to scale up their agent network rapidly with a mean of 4.5714.

Similarly, they agreed that banks needed to put their face on their products and raise awareness of their brand through a promotional campaign tailored to low-income and poor populations as shown by a mean of 4.4286; technologies such as ATMs, mobile phones and points-of-sale (POS) had been used to reduce costs and make low-income clienteles profitable to banks at a mean of 4.4286; marketing and branding where customers must be assured that the agent was offering products from a reliable and trusted brand, though agents were the primary customer interface with a mean of 4.2857.

Use of branchless/agency banking depended on having access to IT and telecommunications infrastructure as indicated by a mean of 4.2857; an agent must maintain adequate cash and e-money float balances to meet customer cash-in/cash-out requests at a mean of 4.2857; agents would not provide quality service to customers without ongoing, on-site supervision and in-store training to ensure the agents were liquid, consistently branded, and following the prescribed business processes as shown by a mean of 4.1429.

When agents provided a range of services such as account opening, deposits, withdrawals, bill payments, they were able to generate transaction volume and balance liquidity as shown by a mean of 3.8571; and agency banking products and services should be viewed as new products because they were targeted to a different clientele from those being served through traditional bank branches with a mean of 3.7143. This information is summarized in table 4.8 below.

Table 4.8: Statements on Agency Banking

Statements on Agency Banking	Mean	Std. Deviation
An effective agent is well trained; trusted by customers; strategically and conveniently located; and properly incentivized to follow procedures, keep sufficient float on hand, and serve customers.	4.7143	0.48795
Working with established chains and franchises enables institutions to scale up their agent network rapidly	4.5714	0.53452
Banks need to put their face on their products and raise awareness of their brand through a promotional campaign tailored to low-income and poor populations.	4.4286	0.53452
Technologies such as ATMs, mobile phones and points-of-sale (POS) have been used to reduce costs and make low-income clienteles profitable to banks	4.4286	0.53452
Marketing and branding where customers must be assured that the agent is offering products from a reliable and trusted brand, though agents are the primary customer interface	4.2857	0.48795
Use of branchless/agency banking depends on having access to IT and telecommunications infrastructure	4.2857	0.75593
An agent must maintain adequate cash and e-money float balances to meet customer cash-in/cash-out requests.	4.2857	0.75593
Agents will not provide quality service to customers without ongoing, on-site supervision and in-store training to ensure the agents are liquid, consistently branded, and following the prescribed business processes.	4.1429	0.69007
When agents provide a range of services such as account opening, deposits, withdrawals, bill payments, they are able to generate transaction volume and balance liquidity	3.8571	0.69007
agency banking products and services should be viewed as new products because they are targeted to a different clientele from those being served through traditional bank branches	3.7143	0.75593

Furthermore, the respondents cited other strategies that the banks could use to execute agency banking across the country. This included collaborating with the existing business to increase its agent network footprint; acquisition of POS devices that could improve service delivery; partnering with other financial institutions or commercial service providers; partnering with more recognized retail outlets with strong brand names to expand its agent network; identifying reputable firms in rural areas; security of agency firms in rural areas; and protection of customers information and standards of service was also a challenge.

The respondents also cited the following challenges that the banks faced in the process of implementing agency banking: competition from other banks which had implemented agency banking; system challenges due to poor ICT infrastructure leading to frequent downtime; other organizations didn't recognize receipts from the agency bankers; and agents were not able to balance between e-float and physical float.

The respondents indicated the banks mitigated the challenges by convincing customers that agency banking outlets would offer same services as its branches; the banks recruited more staff to identify potential agents and to market the product; thorough education through advertising thus customers embraced the idea.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four and also gives the conclusions and recommendations of the study based on the objectives of the study. The objective of the study was to determine the strategies adopted by commercial banks in Kenya in implementing agency banking.

5.2 Summary of the Findings

The study found that all the respondents unanimously agreed that the bank had embraced agency banking as a way of improving services to the customers. Most (70%) the respondents cited that the banks had implemented agency banking in Kenya to a great extent. All the respondents collectively agreed that the banks had achieved successful implementation of agency banking in Kenya. The respondents further explained the banks had achieved successful implementation of agency banking due to the following factors: the banks had partnered with existing business hence increasing its agent network presence; the willingness of the customers to accept change in terms of agency banking as an alternative channel to do their banking; through extensive marketing, customers had been made aware of the new products by the banks; convenience that agency banking offered to the customers since most agents were located in areas that were easily accessible; and good mobile banking platform.

In addition, the study established that the banks built on existing networks whereby banks chose retail shops, pharmacies, and other community stores where clients were regular visitors; and built a new team of dedicated staff solely focused on monitoring and training agents. The respondents also agreed to a moderate extent that the banks created a new internal unit or subsidiary dedicated to manage the agent network; established a remuneration and incentive structure to pay agents based on commission, with a fixed rate for opening accounts and a variable rate for withdrawals, payments, and transfers; and minimized agents' start-up costs and cash-management burden. The study found that there were strategies that banks had adopted in implementing agency banking in Kenya where the respondents agreed to a moderate extent that the banks used enabling environment; agency banking products and services; ICT Infrastructure; partnership management; managing liquidity; agent networks and channel management; and building the network. Majority (60%) of the respondents indicated that the strategies had been moderately effective to the banks in ensuring successful agency banking.

The study established that the respondents strongly agreed that an effective agent was well trained; trusted by customers; strategically and conveniently located; and properly incentivized to follow procedures, keep sufficient float on hand, and serve customers; and working with established chains and franchises enabled institutions to scale up their agent network rapidly. Similarly, they agreed that banks needed to put their face on their products and raise awareness of their brand through a promotional campaign tailored to low-income and poor populations; technologies such as ATMs, mobile phones and points-of-sale (POS) had been used to reduce costs and make low-income clienteles profitable to banks; marketing and branding where customers must be assured that the agent was offering products from a reliable and trusted brand, though agents were the primary customer interface; use of branchless/agency banking depended

on having access to IT and telecommunications infrastructure; an agent must maintain adequate cash and e-money float balances to meet customer cash-in/cash-out requests; agents would not provide quality service to customers without ongoing, on-site supervision and in-store training to ensure the agents were liquid, consistently branded, and following the prescribed business processes; when agents provided a range of services such as account opening, deposits, withdrawals, bill payments, they were able to generate transaction volume and balance liquidity; and agency banking products and services should be viewed as new products because they were targeted to a different clientele from those being served through traditional bank branches.

Furthermore, the respondents cited other strategies that the banks could use to execute agency banking across the country included collaborating with the existing business to increase its agent network footprint; acquisition of POS devices that could improve service delivery; partnering with other financial institutions or commercial service providers; partnering with more recognized retail outlets with strong brand names to expand its agent network; identifying reputable firms in rural areas; security of agency firms in rural areas; and protection of customers information and standards of service was also a challenge. The respondents also cited the challenges that the banks faced in the process of implementing agency banking were competition from other banks which had implemented agency banking; system challenges due to poor ICT infrastructure leading to frequent downtime; other organizations didn't recognize receipts from the agency bankers; and agents were not able to balance between e-float and physical float. The respondents indicated the bank mitigated the challenges by convincing customers that agency banking outlets would offer same services as its branches; the bank recruited more staff to identify potential agents and to market the product; thorough education through advertising thus customers embraced the idea.

5.3 Conclusions

From the findings the study concludes that banks have embraced agency banking as a way of improving services to the customers and has achieved successful implementation of agency banking in Kenya. The study also concludes that banks have partnered with existing business hence increasing its agent network presence. The banks build on existing networks whereby banks choose retail shops, pharmacies, and other community stores where clients are regular visitors; and build a new team of dedicated staff solely focused on monitoring and training agents. The banks create a new internal unit or subsidiary dedicated to manage the agent network; establish a remuneration and incentive structure to pay agents based on commission, with a fixed rate for opening accounts and a variable rate for withdrawals, payments, and transfers; and minimize agents' start-up costs and cash-management burden. In addition, the study concludes that banks have adopted enabling environment; agency banking products and services; ICT Infrastructure; partnership management; managing liquidity; agent networks and channel management; and building the network as their strategies build agency banking.

The study concludes that an effective agent is well trained; trusted by customers; strategically and conveniently located; and properly incentivized to follow procedures, keep sufficient float on hand, and serve customers; and working with established chains and franchises enables institutions to scale up their agent network rapidly. Banks need to put their face on their products and raise awareness of their brand through a promotional campaign tailored to low-income and poor populations; technologies such as ATMs, mobile phones and points-of-sale (POS) have been used to reduce costs and make low-income clienteles profitable to banks; use of branchless/agency banking depends on having access to IT and telecommunications

infrastructure; when agents provides a range of services such as account opening, deposits, withdrawals, bill payments, they are able to generate transaction volume and balance liquidity.

5.4 Recommendations

From the findings and conclusions, the study recommends that banks should embrace agency banking as a way of improving services to the customers since it provides convenience. Banks should employ either of the following strategies to execute agency baking: agent networks and channel management; agency banking products and services; ICT infrastructure; partnership management; managing liquidity; building the network; and enabling environment.

The study also recommends that banks should build on existing networks by choosing retail shops, pharmacies, and other community stores where clients are regular visitors; and build a new team of dedicated staff focus exclusively on monitoring and training agents. marketing and branding where customers should be assured that the agent is offering products from a reliable and trusted brand; an agent should maintain adequate cash and e-money float balances to meet customer cash-in/cash-out requests and following the prescribed business processes and agency banking products and services should be viewed as new products because they are targeted to a different clientele from those being served through traditional bank branches. Requirements for Know-Your-Customer (KYC) compliance should also enable more account openings and bring more unbanked into the formal financial system.

5.5 Limitations of the Study

The respondents were reluctant in giving information fearing that the information asked would be used to intimidate them or paint a negative image about them or the company. The researcher handled this problem by carrying an introduction letter from the University and assured the

respondents that the information they gave would be treated with confidentiality and was used purely for academic purposes.

The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence an exhaustive and extremely comprehensive research could not be carried. However the researcher countered this limitation by carrying out the research across the five banks that practice agency banking to enable a generalization of the study findings.

5.6 Area for Further Research

This study recommends that a similar study should be done on all commercial banks and mobile phone operators and another on the effects of agency banking on banks performance for the purposes of benchmarking. This would allow for generalization of study findings.

5.7 Implications on Policy, Theory and Practice

The study should benefit the management of commercial banks in Kenya in understanding the strategies to employ in order to successfully implement agency banking that would benefit millions of Kenyans across the country.

It should be beneficial to the government and policies makers especially the central bank of Kenya in constituting proper policies and measures that would govern agency banking so as to enhance its success across the country.

To the scholars and academicians, this study should be a piece of contribution to the current knowledge in agency banking in Kenya and should be used as a source of reference for further research. It should also give the researcher the opportunity to gain deep knowledge in the agency banking.

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APPENDIX: QUESTIONNAIRE

Kindly answer the following questionnaire by ticking in the appropriate box.

DEMOGRAPHIC INFORMATION

1. Gender

   Male   (   )   Female   (   )

2. Age bracket

   18-24 years   (   )   25-31 years   (   )

   32-38 years   (   )   39-45 years   (   )

   Above 46 years   (   )

3. Level of education

   Diploma   (   )

   Undergraduate   (   )

   Postgraduate   (   )

4. Period you have worked in the organization

   Below 5 years   (   )

   Between 5-10 years   (   )

   More than 10 years   (   )

5. Your position in the organization

   Top level   (   )

   Middle level   (   )

   Lower level   (   )

MAIN ISSUES

6. Has the bank embraced agency banking as a way of improving services to the customers?

   Yes   (   )   No   (   )

7. To what extent has the bank implemented agency banking in Kenya?

   Very Great Extent   (   )   Great Extent   (   )

   Moderate Extent   (   )   Little Extent   (   )

   No Extent   (   )

8. Has the bank achieved successful implementation of agency banking in Kenya?

   Yes   (   )   No   (   )

9. If yes above, explain the factors that have led to successful implementation of agency banking

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10. If no above, what has hindered the success of agency banking implementation in Kenya?

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…………………………………………………………………………………………………

11. To what extent does the bank employ the following methods to get agents and set up an agent network for its business operations? Use a scale of 1-5 where 1=Not at all, 2=Little extent, 3=Moderate extent, 4=Great extent, 5= Very great extent

Agent recruitment method	1	2	3	4	5
Outsource the entire agent operations to a third-party provider					
Use of an integrator to handle certain aspects such as recruitment and oversight					
Creating a new internal unit or subsidiary dedicated to manage the agent network					
build a new team of dedicated staff solely focused on monitoring and training agents					
Build on existing networks whereby banks choose retail shops, pharmacies, and other community stores where clients are regular visitors					
Establish a remuneration and incentive structure to pay agents based on commission, with a fixed rate for opening accounts and a variable rate for withdrawals, payments, and transfers					
Minimize agents' start-up costs and cash-management burden					

12. Are there strategies that bank has adopted in implementing agency banking in Kenya?

Yes　　　(　)　　No　　　(　)

13. Rate the extent to which the bank used the following strategies to execute agency banking in Kenya. Use a scale of 1-5 where 1=Not at all, 2=Little extent, 3=Moderate extent, 4=Great extent, 5= Very great extent

Strategies	1	2	3	4	5
Agent Networks and Channel Management					
Agency Banking Products and Services					
ICT Infrastructure					
Partnership Management					
Managing Liquidity					
Building the Network					
Enabling Environment					

14. How effective have been the strategies been to the bank in ensuring successful agency banking?

Very effective　　(　)　　Effective　　　(　)

Moderately effective (　)　　Less effective　　(　)

Ineffective　　(　)

15. Indicate your level of agreement with following statements about agency banking. Use a scale of 1-5 where 1=strongly disagree, 2=disagree, 3=neutral, 4=agree,5=strongly agree

Statements on Agency Banking	1	2	3	4	5
Agents will not provide quality service to customers without ongoing, on-site supervision and in-store training to ensure the agents are liquid, consistently branded, and following the prescribed business processes.					
Working with established chains and franchises enables institutions to scale up their agent network rapidly					
agency banking products and services should be viewed as new products because they are targeted to a different clientele from those being served through traditional bank branches					

Marketing and branding where customers must be assured that the agent is offering products from a reliable and trusted brand, though agents are the primary customer interface				
Banks need to put their face on their products and raise awareness of their brand through a promotional campaign tailored to low-income and poor populations.				
Use of branchless/agency banking depends on having access to IT and telecommunications infrastructure				
Technologies such as ATMs, mobile phones and points-of-sale (POS) have been used to reduce costs and make low-income clienteles profitable to banks				
When agents provide a range of services such as account opening, deposits, withdrawals, bill payments, they are able to generate transaction volume and balance liquidity				
An agent must maintain adequate cash and e-money float balances to meet customer cash-in/cash-out requests.				
An effective agent is well trained; trusted by customers; strategically and conveniently located; and properly incentivized to follow procedures, keep sufficient float on hand, and serve customers.				

16. In your opinion, what other strategies can the bank use to execute agency banking across the country?

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   ……………………………………………………………………………………………………
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17. What are some of the challenges did the bank face in the process of implementing agency banking and how did the bank counter the challenges?

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Thanks for Your Participation!!