

**MANAGEMENT PERCEPTION OF AGENCY BANKING AS A
COMPETITIVE TOOL AT KENYA COMMERCIAL BANK**

BY

ONYANGO JUDE THADDEUS AWUONDO

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENT FOR THE AWARD OF DEGREE OF MASTER OF
BUSINESS ADMINISTRATION (MBA) SCHOOL OF BUSINESS,
UNIVERSITY OF NAIROBI**

OCTOBER 2013

DECLARATION

This research project is my original work, and has not been presented for examination in any other university

Signed

Date

.....

.....

JUDE THADDEUS A. ONYANGO

D61/61001/2010

This project has been submitted for examination with my approval as university supervisor.

Signed

Date

.....

.....

MR. ALEX JALEHA

LECTURER, BUSINESS ADMINISTRATION DEPARTMENT

LOWER KABETE CAMPUS

UNIVERSITY OF NAIROBI

ACKNOWLEDGEMENT

It is a pleasure to thank those who made this research project possible. I wish to express my gratitude to the Almighty God for the gift of life, strength, insights and concentration to have this project accomplished. To my supervisor Mr. Jaleha for his support guidance and patience during the project period which has enabled me finish the project. To my all the lecturers of University of Nairobi for the knowledge imparted in me as a student at the university. To my parents, family and friends for the encouragement and support during the course of my study. I would like to express my sincere gratitude for their guidance, support, advice and encouragement which added considerably to enrich my work. To my employer KCB for financial support during this study.

DEDICATION

This project is dedicated to My Parents Mr. and Mrs. Leo Onyango for always being there in offering support and encouragement, to my brothers James, Felix and Joseph, Sisters Everlyne, Carolyne, Dorothy and Babra my constant source of inspiration and to my nephew and niece Josh and Margaret for believing in me.

TABLE OF CONTENTS

DECLARATION.....	ii
ACKNOWLEDGEMENT.....	iii
DEDICATION.....	iv
LIST OF TABLES.....	vii
ABSTRACT.....	viii
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.1.1 The Concept of Perception.....	3
1.1.2 Concept of Competitive Strategy.....	4
1.1.3 Agency Banking.....	5
1.1.4 Banking Industry in Kenya.....	7
1.1.5 Kenya Commercial Bank Group Limited.....	7
1.2 Research Problem.....	8
1.3 Objective of the Study.....	10
1.4 Value of the study.....	10
CHAPTER TWO: LITERATURE REVIEW.....	12
2.1 Introduction.....	12
2.2 Theories Underpinning the Study.....	12
2.3 Competitive Strategy.....	13
2.4 Management Perception.....	16
2.6 Agency Banking and Competitive Advantage.....	19
CHAPTER THREE: RESEARCH METHODOLOGY.....	21
3.1 Introduction.....	21
3.2 Research Design.....	21
3.3 Study Population.....	21
3.4 Data collection.....	22

3.5 Data analysis	23
CHAPTER FOUR: DATA ANALYSIS FINDINGS AND DISCUSSIONS.....	24
4.1 Introduction	24
4.2 Demographic Characteristics of Respondents.....	24
4.3 Market Leadership in Agency Banking	26
4.4 Adoption of Agency Banking as a competitive tool	26
4.5 Agency Banking as a Competitive tool in KCB	27
4.6 Discussions.....	31
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS	33
5.1 Introduction	33
5.2 Summary of Research Findings	33
5.3 Conclusion.....	34
5.4 Recommendations for policy and Practice.....	34
5.5 Limitations of the study.....	35
5.6 Suggestion for Further Research	35
REFERENCES.....	37
APPENDICES	40
Appendix I: Cover Letter	40
Appendix II: QUESTIONNAIRE	41

LIST OF TABLES

Table 4.1 Respondents Gender.....	24
Table 4.2 Duration of Employment at KCB.....	25
Table 4.3 Market Leadership in Agency Banking.....	26
Table 4.4 Adoption of Agency Banking as a competitive tool in KCB.....	27
Table 4.5 Agency Banking in KCB as a competitive tool.....	28

ABSTRACT

This study sought to determine the management perception of agency banking as a competitive tool at Kenya Commercial Bank. This was a survey with one main objective which was to determine the management perception of agency banking as a competitive tool at Kenya Commercial Bank. The study adopted a descriptive survey design as the main design for the study. Stratified sampling was used to arrive at the study population of 55 senior managers at Kenya Commercial Bank as respondents. The study used questionnaires as the main method of data collection. Self-administered structured drop and pick questionnaires were distributed to the respondents who were senior managers in KCB working at the regional offices, agency banking unit, finance and strategy. Descriptive analysis was employed; this included the use of means, standard deviation, percentages, and calculation of perception index. The study found out that Kenya Commercial Bank is a market leader in agency banking and that adoption of agency banking led to increase in geographical coverage area, penetration of the unbanked population and improved customer service. The study recommends the adoption of agency banking as a competitive tool by all commercial banks and that banks should invest in systems and equipment that supports agent transactions and seamless interaction between agent banking systems and the banks main system, the study also recommends that banks should vet their agents properly to ensure that service standards are maintained across all the agent outlets. The study suggested that future researchers should undertake a study on the management perception of agency banking as a competitive tool in other banks and also on effectiveness of agency banking as a competitive tool in the banking industry.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The Kenya finance Act (2010) amended the Banking Act to allow commercial banks to contract third party retail agents to provide financial services on their behalf. Agent banking which leverages heavily on Information and Communications Technology (ICT), is a component of branchless banking that allows financial institutions to offer financial services outside the traditional brick and mortar bank premises (Mas,2008: Mas and Siedek, 2008) it allows customers conduct a limited range of financial transactions at third party retail outlets including post offices, supermarkets, general and grocery stores, pharmacies and gas stations among others, located in remote areas.

Perception is the process by which organisms interpret and organize sensation to produce a meaningful experience of the world (Lindsay & Norman, 1977). The person interprets the stimuli into something meaningful to him or her based on prior experiences. However, what an individual interprets or perceives may be substantially different from reality. A major theoretical issue on which psychologists are divided is the extent to which perception relies on the information present in the stimulus. Some argue that perceptual processes are not direct, but dependent on the perceiver's expectations and previous knowledge as well as the information available in the stimulus itself. This controversy is discussed in respect to Gibson (1966) who has proposed a direct theory of perception in which a 'bottom-up' theory and Gregory (1970) who has proposed a constructive (indirect) theory of perception which is 'top-down'. There must be an intermediate process between sensation and our conscious perception of the real world such process would be for example, 'inferential thinking' – which allows us to go beyond the

evidence of the senses hence perception is more than direct registration of sensations but other events intervene between stimulation and experience Helmholtz (1894). Perceiving is an activity resembling hypothesis formation and testing. Signals received by the sensory receptors trigger neural events and appropriate knowledge interacts with these inputs to enable us to make sense of the world (Gregory, 1923)

Competitive behavior is the overall patterns of purposeful, observable and specific moves that a firm deploys in seeking competitive advantage or benefits (Huff and Reger 1987). Organizations are viewed as open systems that take input from the environment and through series of activities convert them into output to achieve some objectives. As open systems organizations needs careful management to satisfy and balance internal need and to adapt to environmental circumstances. Game theory involves strategic behavior which means interdependent decision making. The essence of this interdependent decision making is that when one firm makes a decision it will consider the reaction of other firms to its different strategies. According to the contingency theory there is no one best way to organize a corporation, to lead a company, or to make decisions. The optimal course of action is contingent upon the internal and external situations prevailing (Burns, 1991).

One of the ways of staying on top is by formulating and implementing effective strategies. In the recent past Kenya Commercial Bank (KCB) has undertaken intensive investment in infrastructure to position itself as a financial solution service provider in Africa with a global reach. As a strategy the bank is also reviewing and developing new products and among the recent products added to the bank's product basket include: - KCB Diaspora is banking targeting Kenyans living and working in the Diaspora and KCB Internet banking. The bank has also

invested in ICT and this has improved on their service turnaround. The bank is now banking on agencies to drive its products (Banking Survey 2012).

1.1.1 The Concept of Perception

Perception is our sensory experience of the world around us and involves both the recognition of environmental stimuli and actions in response to these stimuli. Through the perceptual process, we gain information about properties and elements of the environment that are critical to our survival. Perception not only creates our experience of the world around us; it allows us to act within our environment (Buchanan, 2002).

Perception is closely related to attitudes. Perception is the process by which organisms interpret and organize sensation to produce a meaningful experience of the world (Lindsay & Norman, 1977). In other words, a person is confronted with a situation or stimuli. The person interprets the stimuli into something meaningful to him or her based on prior experiences. However, what an individual interprets or perceives may be substantially different from reality.

A major theoretical issue on which psychologists are divided is the extent to which perception relies on the information present in the stimulus. Some argue that perceptual processes are not direct, but dependent on the perceiver's expectations and previous knowledge as well as the information available in the stimulus itself. This controversy is discussed in respect to Gibson (1966) who has proposed a direct theory of perception in which a 'bottom-up' theory and Gregory (1970) who has proposed a constructive (indirect) theory of perception which is 'top-down'. There must be an intermediate process between sensation and our conscious perception of the real world such process would be for example, 'inferential thinking' – which allows us to go beyond the evidence of the senses hence perception is more than direct registration of

sensations but other events intervene between stimulation and experience Helmholtz (1894). Perceiving is an activity resembling hypothesis formation and testing. Signals received by the sensory receptors trigger neural events and appropriate knowledge interacts with these inputs to enable us to make sense of the world (Gregory, 1923) Aside from understanding mental organization it is important to understand how individuals perceive the world. This is because perception affects the way that people come to view themselves, those around them and the environment around them (Chiras, D. 2005).

1.1.2 Concept of Competitive Strategy

Strategy is a match between organization's internal capabilities and its external relationships. The strategy has to take care of the organization's mission, goals and objectives while a competitive advantage is an advantage gained over competitors by offering customers greater value, either through lower prices or by additional benefits that justify similar or higher prices. Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value. The principal concepts and tools of positioning era become industry analysis (The so-called "5-forces" model; competitor analysis; market analysis; value chain analysis and profit impact of market strategy (Porter, 2005).

The fact of the matter is that in practice competitive strategy encompasses a wide variety of strategic and tactical decision making from pricing of products to investment in production and distribution facilities to contracting practices with customers and input suppliers to research and development expenditures. Game theory has emerged as one of the predominant methodology for analyzing business strategy. It involves specifying a game among competing firms and then solving that game in extensive form using non cooperative solution like concept of Nash

equilibrium or one of its refinements. Strategic conflict theory is based on rationality assumption and maximizing behavior of agents it takes conflict for granted but also assumes common interest between the adversaries it assumes a ‘rational’ maximizing behavior and it focuses on the fact that each participant’s best choice of action depends on what he expects the other to do and that strategic behavior is concerned with influencing another’s by working on his expectation of how one’s own behavior is related to his Schelling (1963). The theory tries to capture the threat or potential versus actual destruction in case of a limited war.

Strategy implementation is accomplished through organizational design and structure. It is the way the company chooses to create its arrangements and design that will help it to achieve formulated strategy efficiently and effectively. The task is to find the best way to connect the activities of different people in various divisions. Strategy implementation is the action that converts the strategic plan into a reality and accomplishment. Creating a company climate and structure that forces planning and encourages participation is essential in the implementation process (Katsioloudes 2006)

1.1.3 Agency Banking

An agent is a form of organization commonly used by an already established and formal financial banking institution to access the unbanked population. The main institution closely supervise their agents, have full and round – the – clock access to the internal systems, documents, reports, staff and premises of the agent as far as the agency banking is concerned. Agents are allowed to undertake the following services; cash deposit, cash withdrawals, payment

of salaries, loan applications, repayments, transfer of funds and documents collection Byers & Ledere (2002)

Agent banking enables clients to deposit, and send and receive electronic money through local agents, rather than travelling to the nearest bank branch. It is hoped that by moving financial services beyond banks' traditional "bricks – and mortar" infrastructure and shifting them to a more scalable, variable- cost channel, financial services can be provided profitably and sustainably to segments of the population that are poorer or more remote and that are currently neglected by regulated financial institutions (Helms, 2006)

A banking agent is a retail or postal outlet contracted by a financial institution or a mobile network operator to process clients' transactions. Rather than a branch teller, it is the owner or an employee of the retail outlet who conducts the transaction and lets clients deposit, withdraw, and transfer funds, pay their bills, inquire about an account balance, or receive government benefits or a direct deposit from their employer. Banking agents can be pharmacies, supermarkets, convenience stores, lottery outlets, post offices, and many more. Globally, these retailers and post offices are increasingly utilized as important distribution channels for financial institutions. (Street journal 2010)

Banking agents are usually equipped with a combination of point-of-sale (POS)card reader, mobile phone, barcode scanner to scan bills for bill payment transactions, Personal Identification Number identification number (PIN) pads, and sometimes personal computers (PCs) that connect with the bank's server using a personal dial-up or other data connection. Clients that transact at the agent use a magstripe bank card or their mobile phone to access their bank account or e-wallet respectively.

1.1.4 Banking Industry in Kenya

As at December 2012 the Kenyan banking sector comprised of 43 commercial banks, 2 mortgage finance companies and 123 foreign exchange bureaus. The sector witnessed an increase in the branch network from 930 in June 2009 to 980 in December 2012. Three micro finance institutions have been licensed to take deposits from the public. The Micro finance institutions include Faulu Kenya, Jamii Bora and Kenya Women Finance Trust (KWFT)

The banking industry has been expanding branch networking amid the introduction of branchless banking system which includes the use of Electronic Funds Transfer (EFTs), Real Time Gross settlement (RTGS), automatic Teller Machines (ATM) cards, SMS banking. CBK (2009) clearly indicates that branch network has been slowly expanding since 2002.

The banking industry has also over the years continued to introduce a wide range of new products prompted by increased competition, embracing ICT and enhanced customer needs. As a marketing strategy, the new products offered in this segment of market, continue to assume local development brand names to suit domestic environment and targeting the larger segment of local customer base. All the above clearly indicates Kenyan banking industry has greater development potential like other banking market in the world

1.1.5 Kenya Commercial Bank Group Limited.

Kenya Commercial Bank (KCB) is a financial services provider headquartered in Nairobi, Kenya. As of December 2012, it was among the three largest commercial banks in Kenya with assets of more than US\$2.65 billion (KES:223 billion), and shareholders capital valued at US\$486 million (KES:40.9 billion). The other two large Kenyan commercial banks are Barclays Bank Kenya and Standard Chartered Bank Kenya (<http://www.kcbbankgroup.com> July 2013).

In February 2011 Kenya Commercial Bank through its Board of directors contracted McKinsey consultants to look at its business model to enable transformation of the bank from a good bank to a great bank one of the key transformation initiatives was channel migration where the bank wanted to give its customers several options of accessing banking services one of the alternatives was the use of agents hence the 'KCB MTAANI' The brand name for Kenya Commercial Bank's agency banking services (KCB cascade April 2011)

Kenya Commercial Bank launched its Agency Banking on 13th April 2011 as a strategic tool to tap into the large unbanked population especially in the rural areas to increase its deposit base and also number of customers to improve its market share. Compared to other players in the industry who were also licensed to offer these services Kenya Commercial bank seems to be lagging behind since as at 30th June 2013 the bank had 6092 agents approved by the Central Bank of Kenya. (KCB Cascade 2012)

1.2 Research Problem

Competitive strategy is concerned with how a company can gain a competitive advantage through a distinctive way of competing. (Harvard Business review January 2008) An important first step in any discussion of "competition" is to recognize that, in entering into competition an organization is seeking competitive advantage; and that competitive advantage lies at the heart of corporate success (Porter, 1985). Once this has been recognized it is just as important to know that there are only two routes to achieving competitive advantage. One route is by adopting a cost-leadership strategy. A company that adopts this strategy will be offering products which are equivalent to those offered by competitors, but will be doing so far more efficiently and therefore at lower cost than competing organizations. Agency banking is the most significant shift/enhancement in the banking industry in recent times (<http://www.wazua.co.ke> June 2013). An

agent bank is a form of organization commonly used by an already established and formal financial banking institution to access the unbanked population

Perception is the process by which individuals organize and interpret their sensory impressions in order to give meaning to the environment. However, what we perceive can be substantially different from objective reality. It is important to understand perception because people's behavior is based on their perception of what reality is and not on reality itself. Individuals in an organization make decisions, choices from among two or more alternatives.

Kenya Commercial Bank Launched its Agency banking Service "KCB Mtaani" on 13th April 2011 to enable it reach the huge unbanked population in the rural area. It is a strategy designed to increase the number of customers and deposit base, leading to an increase in market share while also giving the existing customers an additional channel of service delivery closer to them hence reducing crowds in the banking hall. This is in line with its transformational agenda of reviewing the current business models and making recommendations for changes that will lead to enhancement of stakeholder values. (Kenya commercial Bank journal- KCB Cascade June 2012)

Locally a number of studies have been carried out on strategies adopted by various companies and agency banking. Little focus has been put on management perception of agency banking as competitive tool. Wambugu (2011) discussed factors influencing adoption of agency banking by commercial banks in Kenya, Obiero (2008) studied competitive strategies adopted by universities in Kenya, Okoth (2005) focused on competitive strategies employed by sugar manufacturing firms in Kenya, Mwangi (2010) Strategic responses to competition among large fast food restaurants in Nairobi Central Business District, Karoney (2008) dwelt on competitive strategies adopted by KTN of the Standard Group, Kanini (2011) studied factors influencing adoption of agency banking innovations among commercial banks in Kenya, Otieno (2011)

studied agency banking as an expansion strategy at KCB . None of this studies looked at management perception on implementation of agency banking as a competitive tool. In addition the researcher is not aware about any research carried out in Kenya on management perception of agency banking as a competitive tool. This constitutes a gap in literature that the present study sought to bridge and to establish. This study therefore sought to answer the question; what is the management perception on implementation of agency banking as a competitive tool at Kenya Commercial bank?

1.3 Objective of the Study

The objective of the study was to determine the management perception of Agency banking as a competitive tool at Kenya Commercial Bank.

1.4 Value of the study

The study will be valuable to the various stake holders in the banking industry. The study will provide information on management perception on agency banking as a competitive tool in the banking industry in Kenya to potential and current scholars. This will expand their knowledge on the use of agency banking as a competitive tool and will also provide information for further research into the use of agency banking in the banking industry.

This study will assist the board of directors and the senior managers of Kenya Commercial Bank and consultants working in the banking industry as it will show how agency banking can be implemented positively to help banks increase their geographical coverage, number of daily transactions and revenue while reducing their operational costs.

The findings of the study will be beneficial to the Government of Kenya through the Central Bank in understanding the effectiveness of existing policies governing agency banking hence leading to improvement of existing regulation laws so as to make them more relevant and applicable to the prevailing economic circumstances in the banking industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the theories underpinning the study; it discusses competitive strategy, management perception and also covers agency banking and competitive advantage.

2.2 Theories Underpinning the Study

Organizations as open systems recognize the fact that outside environment is critical for their survival hence they have to control or adapt to the external environment. The external environment consist of all stake holders concerned with the organization, i.e. customers, communities, suppliers, trade organizations, competitors as well as the macro environment which include technology, socioeconomic and political factors. Contingency theory believes that there is no one best way of leading a company, or to make decisions. The optimal course of action is contingent upon the internal and external situations (Burns, 1961). Under the contingency theory it is believed that different decisions will be made depending on the prevailing conditions in an organization. Vroom and Yetton (1988) the effectiveness of a decision procedure depends upon a number of aspects of the situation: the importance of the decision quality and acceptance; the amount of relevant information possessed by the leader and subordinates

Strategic behavior is concerned with how individuals and groups make decisions when they recognize that their actions affect, and are affected by the actions of other individuals or groups. Game theory is the study of how rivals make decisions in situations involving strategic interactions (i.e. move and counter move) to achieve an optimal outcome. In many respects, running a business is like playing a game of football or chess. The object of the game is to achieve an optimal outcome. But the unlike in these games, the “best” outcome does not always

mean that your opponent loses. In game theory decision makers are called players and players make decisions based on strategies (Augustine Cournot 1987).

Attribution theory of perception is concerned with how individuals interpret events and how this relates to their thinking and behavior. Attribution theory assumes that people try to determine why people do what they do. A person seeking to understand why another person did something may attribute one or more causes to that behavior. Internal attribution is the inference that a person is behaving in a particular way because of something about that person and that could be attitude, character or personality. External attribution inference that a person behaves in a certain way because of something about the situation he or she is in. Our attributions are also significantly driven by our emotional and motivational drives (Weiner 1986)

2.3 Competitive Strategy

Competitive strategy is concerned with how to achieve a sustainable competitive advantage in a particular industry in which a company operates in. Banks are no longer the exclusive suppliers of traditional banking services, an implication of a conclusion that banks have lost most of their specialness in that banks no longer have a natural competitive advantage (Edwards 1993). As competition intensifies between banks it can be said that banks are also vulnerable to competition from other players because of the following reasons:-Alternative suppliers to traditional banking services have emerged, the cost of alternative suppliers of intermediation have fallen, the supply price of financial intermediation may have risen and the lending margin widened among others. One of the ways of staying on top is by formulating and implementing effective strategies and

Kenya Commercial Bank is now banking on Agencies to drive its products Banking Survey (2012)

Competitive strategies have been classified into three types: cost reduction; innovation and quality enhancement. Others argue that there is only one essential factor in determining a competitive advantage; the ease with which competitors can enter or expand in a given market (Greenwald and Khan, 2005). If a company can erect strong barriers to entry, through customer captivity, lower production costs, or economies of scale, it can manage these advantages, anticipate competitors' moves, or achieve stability through bargaining and cooperation. It is claimed that addressing barriers to entry is by far the most important activity in business strategy, and avoiding competition is the only way to escape an open playing field in which only the best survive and prosper.

Besterfield (2003) made a distinction between cost leadership, that is, low cost strategies, and best cost strategies. They claim that a low cost strategy is rarely able to provide a sustainable competitive advantage. In most cases firms end up in price wars. Instead, they claim a best cost strategy is preferred. This involves providing the best value for a relatively low price. This strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. There are three main ways to achieve this (Besterfield 2003)

Ansoff matrix suggest four alternative marketing strategies to achieve competitive advantage and they focus on whether the products are new or existing or whether the markets are new or existing and the four strategies include:- Market penetration which involves increasing market share within existing market segments. This can be achieved by selling more products/services to established customers or by finding new customers within existing markets. Product development involves developing new products for existing markets. Product development involves thinking about how new products can meet customer needs more closely and outperform the products of competitors. Market development entails finding new markets for existing products. Market research and further segmentation of markets helps to identify new groups of customers. Diversification involves moving new products into new markets at the same time. It is the most risky strategy. The more an organization moves away from what it has done in the past the more uncertainties are created. However, if existing activities are threatened, diversification helps to spread risk (Ansoff, 1987).

Strategy implementation is the process by which chosen strategies of an organization are put into operation within the external context and constrains of the people, the governance mechanisms, the structure, the resources, the capacity, the limiting factors and the culture of the organization within the context, values and constraints of the external legislative and competitive environment (Tony Morden 2007)

There are three general types of strategies that are commonly used by firms to achieve and maintain competitive advantage. These three generic strategies are defined along two dimensions: strategic scope and strategic strength. Strategic scope is a demand-side dimension and looks at the size and composition of the market you intend to target. Strategic strength is a

supply-side dimension and looks at the strength or core competency of the firm. In particular he identified two competencies that he felt were most important: product differentiation and product cost (efficiency). He originally ranked each of the three dimensions (level of differentiation, relative product cost, and scope of target market) as either low, medium, or high, and post them in a three dimensional matrix (Porter 1985).

2.4 Management Perception

Perception is the process by which individuals organize and interpret their sensory impression in order to give meaning to their environment (Robbins, 2005). Apart from understanding the mental organization it is important to understand how individuals perceive the world. This is because perception affects the way that people come to view themselves, those around them, and the environment around them (Chiras, 2005).

Perception determines our behavior towards others and can cloud our judgment towards other people. Hence, it is important that managers understand why people do what they do. Clear understanding of a strategy gives purpose to the activities of each employee and allows them to link whatever task is at hand to the overall organizational direction. Lack of understanding of strategy is one of the obstacles to the strategy implementation process.

2.5 Agency Banking

A banking agent is a retail or postal outlet contracted by a financial institution or a mobile network operator to process clients' transactions. Rather than a branch teller, it is the owner or an employee of the retail outlet who conducts the transaction and lets clients deposit, withdraw, and transfer funds, pay their bills, inquire about an account balance, or receive government benefits.

or a direct deposit from their employer. Banking agents can be pharmacies, supermarkets, convenience stores, lottery outlets, post offices, and many more. Globally, these retailers and post offices are increasingly utilized as important distribution channels for financial institutions. (Street journal 2010)

The theory of agency was first explicitly modeled by Jensen and Meckling (1976) in their study of the structure of the firm. Agency theory addresses all exchanges involving cooperative effort and delegation of work and decision making by one party (called the principal) to another (called agent). Jensen and Meckling describe an agency relationship as a contract (implicit or explicit) in which one or more persons, the principal(s), engage another person, the agent(s), to take actions on behalf of the principal(s) which involves the delegation of some decision making authority to the agent. It is taken as unquestionable that an uninformed principal can benefit from this delegation to an informed agent and that it is in fact optimal principal to do so given their lack of skills, information, qualifications, knowledge and experience (Bender. et al. 2001).

Agency banking presents various benefits for the banks, for the customers, for the agents and for the country in which it is practiced. First and foremost agent banking allows financial institutions to establish physical presence in rural areas, remote areas or low population density where the cost of opening a branch may not make business sense. Secondly, it allows customers to access financial services in a more familiar way than in the bank branches as the unbanked are not familiar with the procedures of a traditional bank branch. Thirdly it increases the sales from customers seeking banking services while increasing the income source for the agents through the commissions of fees they get from banks. Last but not least agent banking contributes to a more efficient and inclusive financial system by extending financial services to a wider population

(Mass & Siediek, 2008)

Local regulations will determine if financial institutions are allowed to work through retail outlets. Regulators generally determine what kind of, if any, financial institutions are permitted to contract banking agents, what products can be offered at the retail outlets, how financial institutions have to handle cash transport, Know Your Customer requirements, consumer protection, and other operational areas (Lambert 2002). Banking agents help financial institutions to divert existing customers from crowded branches providing an “alternative”, often a more convenient channel. Other financial institutions, especially in developing markets, use agents to reach an “additional” client segment or geography. Reaching poor clients in rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost of a branch. In such environments banking agents that piggy back on existing retail infrastructure – and lower set up and running cost - can play a vital role in offering many low-income people their first-time access to a range of financial services. Also, low-income clients often feel more comfortable banking at their local store than walking into a marble branch.

In Kenya Agency banking is regulated by the finance Act, 2009 that became operational in January 2010. It is the prerogative of The Central Bank of Kenya (CBK) to approve individual agents who can be owner – operators, a partnership or a company. Currently, only 4 out of the 44 commercial banks in Kenya have been awarded licenses by CBK to operate agency banking. (CBK 2012).

The Central Bank of Kenya published on May 3rd 2010; the guideline under which the agency banking model will be operated in Kenya and which are meant to minimize risk inherent in the

agency banking in Kenya, whereby banks, deposit taking microfinance institutions, and mortgage finance companies could roll out their agency banking services, as per the guidelines on Agent Banking – CBK/PG/15, (<http://www.cbk.co.ke>).

2.6 Agency Banking and Competitive Advantage

Consultative Group to Assist the Poor (CGAP) technology program (2007), described the different approaches pioneers in Latin America have taken in establishing and managing a network of banking agents and the benefits to the different actors involved. It was observed that banking agents increase convenience to existing customers since very poor, customers in remote areas do not feel comfortable in a branch and do not trust banks, improves indirect branch productivity and efficiency by offering additional points of sale, expanding customer base outside the existing branch network and reducing upfront cost by leveraging existing infrastructure. The study also observed that the cost of establishing and operating one branch is equal to over 40 banking agents.

Agent banking improves the bank's geographical coverage and competitiveness so that existing and potential customers can benefit from a greater level of convenience in accessing banking services. This convenience is offered through agents of the bank and when combined with new services can expand the bank's target beyond the traditional markets. The introduction of agency banking has expanded access to financial services leading to upscale of deposits, especially in rural areas where it has been expensive for banks to maintain a presence, owing to the smaller volumes. Banks tap in to the network of Savings And Credit Co – Operative Societies (SACCOS) micro-finance institutions to access their front office services while guaranteeing customers' deposits (CBK 2012)

CBK (2009) states that there are many technological and operational challenges in employing a successful agency banking strategy. Technology should be in place to enable banks and their customers to interact remotely in a trusted way through existing local retail outlets. Agent banking requires a generally good infrastructure in terms of road network, communication and information technology. Consideration should be made for areas that are hard to reach due to fixed infrastructure and poor transport system.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter focuses on the research methodology and approaches to be employed by the researcher. This includes the research design, population of the study data collection techniques, data analysis and presentation methods.

3.2 Research Design

The study was a descriptive survey. Descriptive design is used when the purpose is to describe characteristics of certain goals, estimate the proportion of people who behave in a certain way and make specific predictions (Churchill, 1991). A descriptive research determines and reports the way things are besides attempting to describe such things as possible behavior, attitudes, values and characteristics Mugenda and Mugenda (2003).

This method is preferred because it allowed for a description of what the opinions, perceptions and experiences of principals and or their deputies on the management perception of agency banking as a competitive tool at Kenya Commercial Bank.

3.3 Study Population

According to Oso and Onen (2008), the population of study is the total number of subjects or the total environment to the researcher. It is the population that the researcher can actually investigate. In this study, the target population was all Managers in Kenya Commercial Bank. As at the time of study Kenya commercial bank had 550managers. The researcher targeted senior managers in the regional offices, agency banking unit, finance and strategy

Stratified random sampling was used by the researcher to arrive at 55 senior managers as respondents during the study. Stratified sampling was used by the researcher since would help the researcher gain in precision the estimates of the characteristics of the whole population. Since the researcher targeted senior managers in regional offices, agency banking unit, finance and strategy stratified sampling enable this since stratified sampling can ensure that specific groups are represented, even proportionally in the sample.

3.4 Data collection

In order to determine the management perception on the use of agency banking as a competitive tool at Kenya Commercial Bank, self – administered drop and pick questionnaires were distributed to all the senior managers working at Kenya Commercial Bank in the regional offices, Agency Banking, Finance and strategy departments. Questionnaire was designed for the managers to give their perception of agency banking as a competitive tool at Kenya Commercial Bank.

The study used primary data through questionnaires with open and closed ended questions. The closed ended questions used Likert scale of 1 to 5. Part one of the questionnaire consisted of general information about the bank and the respondents, while part two covered changes in KCB since adoption of Agency Banking, factors that led to adoption of Agency Banking as a competitive tool in KCB. The questionnaires were dropped and picked later. The target respondents were senior managers in KCB dealing with agency banking, strategy and finance.

3.5 Data analysis

Data analysis entails separation of data to constituent parts or elements or an examination of data so as to distinguish its component parts or elements separately and in relation to the whole. Data analysis enables the researcher to reduce the field of information to a usable size.

Descriptive statistics was used to analyze the research data and the analysis was guided by the objective of the study which was to determine the management perception of agency banking as a competitive tool in KCB. Data collected was analyzed using frequency tables, percentages, arithmetic mean and standard deviation. Arithmetic mean was used to measure the central tendency of the responses received from the managers on their perception of agency banking. Standard deviation was used to measure any wide discrepancies in the respondents' perception. Finally the researcher calculated the perception index on the respondents based on their feedback on the various statements in the questionnaires.

CHAPTER FOUR: DATA ANALYSIS FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter covers the findings of the research and data analysis. The study had one objective namely to determine the management perception of the use of agency banking as a competitive tool at Kenya Commercial Bank. The study targeted 55 senior manager at Kenya Commercial Bank and was executed by the use of questionnaires designed to specific responses for qualitative analysis. The researcher was however unable to get 100% response rate as five respondents did not respond to the questionnaires leading to a response rate of 90% which according to Cooper and Schindler (2000) is a response rate sufficient for a social scientific study to take place. This chapter covers the respondents demographics, the respondents duration of employment at KCB, agency banking in KCB and market leadership, adoption of agency banking in KCB and agency banking as a competitive tool in KCB.

4.2 Demographic Characteristics of Respondents

Table 4.1 Respondents Gender

Gender	Frequency	Percentage
Male	34	68
Female	26	32
Total	50	100

The respondents were requested to indicate their gender. The findings show that 68% were male while 32% were female. This shows that most of the respondents in these departments were male. The respondents were further asked to indicate how long they had worked at KCB in order to ascertain whether they were the right respondents. The results are presented in table 4.1

Table 4.2 Duration of Employment at KCB

Duration of Employment in KCB in years	Frequency	Percent
0 – 5	18	36
6 – 10	12	24
11 – 15	10	20
16- 20	6	12
21 Years and above	4	8
Total	50	100

The findings presented in table 4.2 indicates that 36% of the respondents had worked in KCB for less than 5years while agency banking was adopted in KCB in April 2011 meaning that agency banking has been in operation for two and a half years hence the respondents were in a position to adequately respond to the questionnaires since the majority have worked for the bank within the period of adoption of agency banking at KCB and have seen agency banking adopted and implemented in KCB.

4.3 Market Leadership in Agency Banking

Table 4.3 Market Leadership in Agency Banking.

	Frequency	Percentage
Market leader	40	80
Average	10	20
Total respondents	50	100

When the respondents were asked to rate KCB in terms of market leadership, 80% of the respondents perceived KCB as a market leader and this is in line with literature covered by Otieno (2012) in his Project Agency banking as an expansion strategy at Kenya Commercial Bank. Data from the Central Bank of Kenya as at end of June 2013 stated that 13 commercial banks had been licensed to contract third parties to offer agency banking services with KCB having 6000 of the 18,082 licensed agents

4.4 Adoption of Agency Banking as a competitive tool

The respondents were then asked their perception on motivation of adoption of agency banking as a competitive tool in KCB.

Table 4.4 Adoption of Agency Banking as a competitive tool In KCB

	Frequency	Percentage	Rank
Increase in geographical coverage	18	36	1
Provisions of more service points	13	26	2
Decongested banking halls	10	20	3
Improve customer service standards	6	12	4
Reduction of costs for branch network	3	6	5
	50	100	

The results in table 4.4 above shows that 36% of the respondent perceived KCB to have adopted agency banking as a competitive tool in order to increase its geographical coverage. The above finding is in line with the findings of a research carried out by Kithuka (2012) in his study Factors influencing growth of agency banking in Kenya: the case of Equity bank, Kwale county, Kenya

4.5 Agency Banking as a Competitive tool in KCB

The respondents were also asked their perception of continued operation of agency banking in KCB since its launch in February 2011 and their responses are captured in the Table 4.5 below.

Table 4.5 Agency Banking as a Competitive tool in KCB

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Rank	Std Dev	Perception index (PI) %
Increase geographical coverage.	0	0	0	12	38	4.76	1	0.43125	95.2
Improved Customer Service standards	0	0	0	15	35	4.7	2	0.55142	94
High penetration to the unbanked population	0	0	0	17	33	4.66	3	0.69851	93.2
Divert customers from crowded banking halls	0	0	0	20	30	4.6	4	0.48532	92
Reduced operation costs of opening bank branches	0	0	5	17	28	4.46	5	0.52114	89.2
Reducing upfront costs by leveraging on existing infrastructure	0	0	11	12	27	4.24	6	0.42546	86.4
Keeping up with the trend in the banking sector	0	2	6	18	24	4.28	7	0.55689	85.6

As shown in Table 4.5, the responses were scored on a scale of 1-5, with 1 representing the respondents' strong disagreement and 5 representing strong agreement with each of the factors.

With a mean score of 4.76 the managers of KCB perceive KCB to have adopted and continued operating agency banking as competitive tool to aid the bank increase its geographical coverage in rural areas. With lack of branches in rural areas the bank has not been able to reach most of the customers in this area but by engaging agents already operating in this places has enabled the bank to provide services to their customers in rural areas.

The second factor improve customer with a mean score of 4.7. With agents spread across the country including places where the bank does not have branches agency banking has made it possible for bank customers to access services at any of the agent points this has made it possible for the bank staff to dedicate more time in service the customers who visit branches for service.

With a standard deviation of less than one as calculated from the responses collected from the respondents on the seven (7) statements implying that the managers in KCB have a general perception on adoption of agency banking as a competitive tool.

Perception Index PI

$$PI = \frac{Fv1+Fv2+Fv3+Fv4+Fv5}{N.V5} \times 100$$

N.V5

Where:

PI – Perception index

F – Frequency

V1, V2, V3, V4, V5 – Values as pert the likerts scale

N- Total number of respondents

NI – No of statements

Increase geographical coverage

$$\text{PI} = \frac{12 \times 4 + 38 \times 5}{50 \times 5} = \frac{238}{250} \times 100 = 95.2\%$$

Improved customer service standards

$$\text{PI} = \frac{15 \times 4 + 35 \times 5}{50 \times 5} = \frac{235}{250} \times 100 = 94\%$$

High penetration to the unbanked

$$\text{PI} = \frac{17 \times 4 + 33 \times 5}{50 \times 5} = \frac{233}{250} \times 100 = 93.2\%$$

Diversion of customers from crowded banking halls

$$\text{PI} = \frac{20 \times 4 + 30 \times 5}{50 \times 5} = \frac{230}{250} \times 100 = 92\%$$

Reduction in operating costs of opening new branches

$$\text{PI} = \frac{5 \times 3 + 17 \times 4 + 28 \times 5}{50 \times 5} = \frac{223}{250} \times 100 = 89.2\%$$

Reduction of operational costs by leveraging on existing infrastructure

$$\text{PI} = \frac{11 \times 3 + 12 \times 4 + 27 \times 5}{50 \times 5} = \frac{216}{250} \times 100 = 86.4\%$$

Keeping up with the trend in the banking sector

$$\text{PI} = \frac{2 \times 2 + 6 \times 3 + 18 \times 4 + 24 \times 5}{50 \times 5} = \frac{214}{250} \times 100 = 85.6\%$$

$$\text{Hence PI} = \frac{\sum \text{PI}}{\text{NI}} = \frac{95.2 + 94 + 93.2 + 92 + 89.2 + 86.4 + 85.6}{7} = \frac{635.6}{7} = 90.8\%$$

As calculated and presented in Table 4.5 above, manager in KCB have a perception index of 90.8%

4.6 Discussions

The study findings reveal that managers in KCB perceive KCB to be a market leader in adoption of agency banking as a competitive tool. KCB has 6000 agents as at end of June 2013 after adoption and operation of agency banking since April 2011. As at June 2013 CBK had licensed thirteen commercial banks to contract agents to offer banking services on their behalf and the banks have a total of 18,082 licensed (CBK 2013). With 6,000 contracted agents as a player in the industry with 13 licensed banks KCB is perceived to be a market leader by the respondents with a Perception Index of 90.8%

The use of agency banking as a competitive tool in KCB has led to increase in geographical coverage coverage in the rural areas. Through agency banking KCB has been able to deliver banking services to customers in areas where the bank does not have bank branches and this is in line with other studies done on agency banking that found out that agency banking improves a bank's geographical coverage and competitiveness so that existing and potential customers can benefit from a greater level of convenience in accessing banking services (Helms, 2006)

The study also reveals with a mean of 4.66 the adoption of agency banking is perceived to have seen the penetrate the unbanked population since banks do not need to open bank branches

especially in the rural areas where the bankable population may not support the existence of a branch and this is in line with available literature that points out that use of retail agents has opened up windows of opportunities for financial service providers to reach out more people especially in rural areas. Agency banking (also referred to as correspondent banking) was introduced in Brazil and within a short span of nine years this alternative delivery channel has facilitated the opening of over 13million new savings account (Lyman, Ivatury & Staschen, 2006).

The findings of the study also reveal that adoption and use of agency banking has improved customer service standards and this is as a result of the fact that agency banking offers several service points hence customers do not have to jam the banking halls for service hence freeing the bank staff to give better services to customers who walk into the banking halls for service and also give room for cross selling hence increase of wallet share by the existing customers. Since gives the staff more time to understand ne needs of the customers and why they prefer a particular product in place of another suiting their business needs or their individual financial needs.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings that the analysis produced. The study is then concluded with a summary of recommendations for further research work.

5.2 Summary of Research Findings

The objective of the study was to determine the management perception of Agency Banking as a competitive tool at Kenya Commercial Bank. The study found out that the respondents perceive the Agency Banking activities and the level of agency banking in KCB to be average compared to the other players in the industry, The respondents also perceive the use of Agency banking as a competitive tool in KCB to have led to increase in the number of daily transactions done by the bank, an increase in the number of accounts opened on a daily basis by the bank , expansion of geographical coverage, decongestion of the banking halls and a reduction in costs in terms opening new branches to offer banking services.

The study also revealed the factors perceived by the respondents to have led to the adoption of Agency banking as a competitive tool in KCB to be increase customer coverage in rural areas, Increase number of transactions, High penetration of the unbanked, diversion of customers from crowded banking halls, reduced operation costs, reducing upfront costs by leveraging on existing infrastructure, enhance revenue and to keep up with the trend in the industry.

There were no significant divergent views as regards the level of agency baking undertaken KCB, the changes witnessed in the bank since the adoption of agency banking in KCB and the factors that led to the adoption of agency banking in KCB. Hence we can say that managers in

KCB have a general consensus that agency banking as a competitive tool is contributing positively towards achievement of the bank's strategic goals.

5.3 Conclusion

The study concludes that adoption of agency banking as a competitive tool in KCB is perceived to have contributed positively towards achievement of strategic objectives. The respondents perceive KCB to be a market leader in terms of agency banking. The study also reveals that adoption of agency banking as a competitive tool in KCB has led to increased geographical coverage by the bank since now KCB customers in rural areas where there is no formal bank branch can access banking services through KCB Mtaani outlets. The study further reveals that the use of agency banking as a competitive tool has led to improved customer service standard within the bank branches since staffs have more time to dedicate to customers who visit the bank branches for service while agency banking has also increased penetration of the bank to the unbanked population as customers and potential customers can walk into any of the agent outlets for transactions account opening or inquiries and since some of the agents are locals and known to the customers they feel comfortable transacting with them

5.4 Recommendations for policy and Practice

The researcher recommends that commercial banks should adopt agency banking as a competitive tool since the use agency outlets enable banks to increase their geographical coverage while penetrating the unbanked population and increasing customer service standards. While recruiting agents it is important for banks to appraise their agents properly to ensure

service levels are maintained and to invest in systems and equipment that will ensure seamless interaction with the bank core systems to support transactions at agent points.

5.5 Limitations of the study

The study was limited to determining the management perception of agency banking as a competitive tool at Kenya Commercial Bank. The study did not cover perception of managers in other banks operating in the banking industry in Kenya.

The other limitation was that the researcher was unable to get all the fifty five respondents since three of them could not be reached as they were out of work during the study period while another two were unable to respond to the questionnaire as a result of their busy work schedule and that the researcher cannot ascertain a hundred percent that the intended respondents are the ones who filled the questionnaire since they were dropped to the respondents and collected later.

The other limitation that affected the study was that the study was conducted over a short period of time and this denied some of the respondents to respond to the study questions as some had very tight work schedules and some were out of office during the study period and were to report after the study period.

5.6 Suggestion for Further Research

The study focused on the management perception of agency banking as a competitive tool at Kenya Commercial Bank. However it did not consider other players in the banking industry it is therefore recommended that further research should be done on the management

perception of agency banking as a competitive tool in other banks in the industry in order to depict a reliable result in the entire banking industry. The study also recommends that study should be carried out on the effectiveness of agency banking as a competitive tool in the banking industry.

REFERENCES

- Aaker David (1996) should you take your brand to where the action is. *Harvard Business Review Sept 1986*.
- Ackerberg, D.A. and Gowrisankaran, G (2006). *Quantifying Equilibrium Network*
- Adam Smith (2001), *Perfect and Imperfect Competition*
- Amulyoto A.L. (2004), Addressing the Agency Problem among NGOs Dealing with Refugees in Kenya. *Unpublished MBA project*, University of Nairobi.
- Ansoff H.I. & McDonnell, E. (1990), *Implementing Strategic Management*, 2nd Ed. England, Printice Hall.
- Ansoff H. I (1987), *Corporate Strategy*, Middle sex, England: Penguin.
- Bierman, H.S.,and L. Fernandez (1998), *Game theory with Economic Applications*
- Banking Survey (2012), *Growth in Difficult Times*
- Brigham, E.F. and Gapenski, L.C. (1993), *Intermediate Financial Management*. 4th Edition, Orlando: The Dryden Press.
- Burns, T., Stalker, G. M., (1961): *The Management of Innovation*. London: Tavistock.
- Carol Basterfield, Dale H. Basterfield (2003) *Total Quality Management* revised third Edition
- Chacarbaghi; Lynch (1999), *Competitive Advantage: Creating and Sustaining Superior*
Central Bank of Kenya. (2009), *Report on knowledge on Agent banking to Brazil and Columbia*.

Cole, G.A (1990). *Management Theory and Practice* D.P Publications Ltd, 3rd Edition.

Colin W. (2004), *Strategic Management Palgrave macmillan*

Cooper Rg. (1993), *Winning at New Products, Accelerating the process from idea to launch*, MA: Addison –Wesley.

Developments in the Kenyan banking sector (2013). August Retrieved From

<http://www.cbk.co.ke>

Eck P. & Wieringa R. (2001). *An Investigation into Agency Requirements in e-business*

<http://www.kcbbankgroup.com>

Howcroft, B., Hamilton, R., Hewer, P. (2002), “Consumer attitude and the usage and adoption of home-based banking in the United Kingdom”, *International Journal of Bank Marketing*, Vol. 20 No. 3, pp 111-21

Jensen, M.C and Meckling, W.H. (1976). *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*, *Journal of Financial economics*, 3, pp. 305-360. .

Kenya commercial Bank journal (2012) –Report on the knowledge on Agent Banking
Kenya Commercial Bank group strategic plan 2010 -2014

Kothary C. R (2004), *Research Methodology, Methods and Techniques*

Lambert, R.A. (2002), *Variance Investigation in Agency Settings*. *Journal of Accounting research* (Autum): pp.633-647.

Marios I. Katsioloudes. (2006), *Strategic Management. Global Cultural Perspective for Profit and Non Profit Organizations*

Medhi, I., Ratan, A., & Toyama, K. (2009) Mobile-Banking Adoption and Usage by low literate, Low-Income Users in the Developing World, *Internationalization, Design and Global Development*, Volume 5623, 485-494.

Merton R.C. (1992). Financial Innovation & Economic Performance, *Journal of Applied Finance* 4: pp.12-22.

Nachimas C & Nachimas D. (1996), *Research Methods in Social Sciences*, St. Martin Press.

Njuguna G. (2010), A survey of the agency problem and the resolutions mechanisms among pension schemes IN KENYA. *Unpublished MBA project*, University of Nairobi.

Porter (1985), *Completion and Leadership Strategy*.

Vroom, V.H., & Jago, A.G. (1988), *The new leadership: Managing participation in organizations*. Englewood Cliffs, NJ: Prentice Hall

APPENDICES

Appendix I: Cover Letter

Jude Thaddeus Onyango
C/o University of Nairobi
Kisumu Campus

30th September 2013

TO WHOM IT MAY CONCERN

Dear Respondent,

REQUEST FOR RESEARCH DATA ON MANAGEMENT PERCEPTION OF AGENCY BANKING AS A COMPETITIVE TOOL AT KENYA COMMERCIAL BANK

I am a post graduate student in the School of Business at the University of Nairobi. I am undertaking a survey on the Management Perception of Agency Banking as a Competitive tool at Kenya Commercial Bank, in partial fulfillment of a requirement for the award of a Master of Business Administration (MBA) degree.

I therefore request for your kind assistance in completing the attached questionnaire. The information you give will be treated with strict confidence and is solely for academic purposes. Even where a name is given, it will not under any circumstances appear in the final report. A copy of the final report will be availed to you upon request

Your assistance and co-operation will be highly appreciated.

Thank you.

Jude Thaddeus Onyango

Appendix II: QUESTIONNAIRE

Management perception on Implementing Agency Banking as a competitive tool in Kenya

Commercial

PART I

1. What is Your Name? (Optional).....

2. Gender Tick

Male

Female

3. Which position do you hold within the Bank

4. For how long have you worked in KCB

a) 0 – 5 Years

b) 6 – 10 Years

c) 11 – 15 Years

c) 16 – 20 Years

d) 21 Years and above

5. How long has KCB operated agency banking in Kenya?

a) 0-3 months

b) 4 -8 months

c) 9 - 12 months

d) Above 1 year

6. The number of agents currently operational in the country

7. Kindly rate KCB in terms of agency banking (**please tick**)

a. Market leader

b. Follower

PART II

1. The statements below implies why KCB adopted Agency banking as a competitive tool do you agree or disagree? Kindly tick your response

	Strongly Disagree (1)	Disagree (2)	Not sure (3)	Agree (4)	Strongly Agree (5)
Increase in geographical coverage					
Provisions of more service points					
Decongested banking halls					
Improve customer service standards					
Reduction of costs for branch network					

2. Indicate any other changes witnessed

- a).....
- b).....
- c).....
- d).....

3. KCB adopted and has continued operating agency banking to what extent do you agree or disagree with the following statements. Kindly tick your response

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Increase geographical coverage.					
Improved Customer Service standards					
High penetration to the unbanked population					
Divert customers from crowded banking halls					
Reduced operation costs of opening bank branches					
Reducing upfront costs by leveraging on existing infrastructure					
Keeping up with the trend in the banking sector					

3 Any other comment on agency banking in KCB

- a.
- b.
- c.

Thank you