

**CHALLENGES FACING THE IMPLEMENTATION OF AGENT  
BANKING STRATEGY IN  
COMMERCIAL BANKS IN KENYA**

**BY:**

**BWENGI NAOMI KWAMBOKA**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF  
THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF  
MASTERS OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS,  
UNIVERSITY OF NAIROBI**

**OCTOBER, 2012**

## DECLARATION

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

Signed: .....  ..... Date: .....  .....

**NAOMI KWAMBOKA BWENGI**

**D61/60649/2010**

This research project has been submitted for examination with my approval as the University supervisor.

Signed: .....  ..... Date: .....  .....

**DR. JOHN YABS**

**LECTURER**

**SCHOOL OF BUSINESS**

**UNIVERSITY OF NAIROBI**

## **ACKNOWLEDGEMENTS**

To the Almighty God for having given me good health and the strength for my entire life and particularly during this period of my research work.

To my family for giving both material and moral support throughout this study period and to my employer KCB, for giving me the opportunity and resources to pursue my education further.

To Dr. Yabs my supervisor, for his valuable guidance, incisive comments, support and dedication throughout the period of study and for availing his time, and insights which kept me focused on the project.

To all my colleagues and friends for their moral support, am truly grateful for your support.

## **DEDICATION**

To my family members who have ensured I have excelled in my education May the Lord bless you. To my beloved husband Chalton Badaso. thanks a lot for your support and encouragement during my educational endeavors.

## ABSTRACT

In Kenya, agency banking is regulated by the Finance Act, 2009 that became operational in January 2010. The Central Bank of Kenya published on May 3<sup>rd</sup> 2010 the guidelines under which the agency banking model will be operated in Kenya and which are meant to minimize risk inherent in the agency banking system by providing a clear regulatory framework. This marked the launch of agency banking in Kenya whereby banks' deposit taking, microfinance institutions and mortgage finance companies could roll out their agency banking services, as per the Guideline on Agent Banking- CBK/PG/15. This study sought to determine the challenges of implementing agent banking strategy in commercial banks in Kenya.

The research adopted descriptive survey approach focusing on the commercial banks in Kenya that are currently operating agency banking model. The population of the study consisted of three commercial banks, KCB Group, Equity Bank and Co-operative Bank with a target respondent of 120 staff members. Sample data was collected by use of questionnaire administered through "drop" and "pick" technique by the researcher. Personal Interviews were also conducted to validate the data obtained from the questionnaires. Data analysis method used was based on the qualitative approach using descriptive distribution tables, mean and standard deviation to improve the presentation of the analyzed results for ease of interpretation.

The study revealed that all the three commercial banks under study had implemented agency banking for more than one year and they invested their time and efforts in the strategy before its full implementation. The research indicated that the factors agent banking strategy included fraud and money laundering and fear of break into the premises of the agents. The least of the challenges was lack of trust to the agents and government set policies on agent banking.

The research indicated that it is the management's responsibility to ensure that the strategy is well communicated and understood organization wide before the implementation process begins. 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 strategy implementation process. Inadequate resource allocation; availability of skilled manpower, material and financial resources are some of the challenges facing the implementation of agent banking strategy.

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## **ACROYMS**

**CBK- Commercial Bank of Kenya**

**ICT- Information Communication and Technology**

**KBA- Kenya Bankers Association**

**KCB- Kenya Commercial Bank**

**POS- Point of Sale**

## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the Study

Agent banking is the most significant shift/enhancement in banking policy in recent times (<http://www.wazua.co.ke>). An agent bank is a form of organization commonly used by an already established and formal financial banking institution to access the un-banked population. The main institutions closely supervise their agents, have full and round the clock access to internal systems, documents, reports, records, staff and premise of the agent as far as the agency is concerned. The agent banking business means the business carried out by an agent on behalf of an institution as permitted under some outlined guideline. Agents are allowed to undertake the following services; cash deposits, withdrawals, loan application, repayments and transfer of funds, CBK/PG/15- (<http://www.cbk.co.ke>).

Agent banking enables clients to store, 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.

The agency banking minimizes fixed cost; by leveraging existing retail outlets and stores hence financial service providers do not need to invest in their own physical infrastructure and also by using mobile phones rather than POS terminals as technology platform, financial service providers do not even have to incur equipment costs, for each

new retail outlet opened. Such a variable cost structure makes the agent's economics very simple (Plok, 2009).

### **1.1.1 Strategy Implementation**

According to Thompson and Strickland (1998), strategy is a blue print of all the important organizational moves and managerial approaches that are to be taken to achieve organizational objectives and to carry out organization's mission. In this context, strategy consists of competitive moves business approaches that managers are employing to grow the business, attract customers, compete successfully, conduct operations and achieve targeted levels of organization's growth.

Strategy implementation involves conversion of a formulated strategy into action and good results. Putting strategy into action is an extension of the planning process (Johnson and Scholes, 2002). Strategy formulation and implementation depends on the identification of the organizations goals and the rational analysis of its external environment and internal resources and capabilities (Grant, 2000).

Once a firm formulates a strategy, it has to put into action by selecting appropriate organizational culture and managing its execution by tailoring the management systems of the organization to the requirements of the strategy (Hills et al 1997). The administrative part includes putting the formulated strategy into place by getting individual and organizational units to execute their part of the strategy successfully (Thompson and Strickland, 1998). Managing the implementation and the organizational

issues that go with it, is so frequently the source of complexities and difficulties that characterize the strategy implementation process (Grundy, 1995).

### **1.1.2 Challenges of Implementing Agent Banking Strategy**

Agent banking means the provision of banking services by a third-party agent to customers on behalf of a licensed, prudentially-regulated financial institution, such as a bank or other deposit-taking institution. In this model, the customer has a direct contractual relationship with the bank that is offering the services of agency banking. With the introduction of agency banking various challenges have been faced during its implementation and some of the challenges are discussed as follows:

Regulators want to ensure that agents, as extensions of the banking system, are able to provide professional customer service, keep records, handle cash, and manage liquidity. Regulations often impose some form of “fit and proper” requirements, mandating a form of agent due diligence that requires financial institutions to verify that would-be agents have good reputations, no criminal records, and no history of financial trouble or insolvency (Ignacio and Siedek, 2008).

Liquidity management is a significant concern in the agent banking money model. When customers are unable to make transactions due to agents’ lack of liquidity, the service is less useful and this can lead to a deterioration of trust and reliability in the entire system. Agents have to ensure they have sufficient e-money and hard cash so that customers can be able to make their cash deposits or withdrawal transactions. Security of handling of

the cash is also a challenge since most of the agents are left with the full responsibility of ensure security in their premises.

Incentivizing the agent network is an essential component to ensuring their co-operation and ongoing commitment to delivering quality service. The operator must recognize that the cash-in/cash-out points are the face of the brand product and customers need to have a good experience at these points in order to earn their trust and continued use of the service. Banks therefore have to ensure that agents undergo basic banking training on how to handle their client and remain professional so as to retain their customers.

Commission structure is also a challenge that banks face while dealing with agents. Initially, implementing an attractive agent commission model can be costly but as the volume of transactions increases, the investment pays off. Banks have to come up with competitive commission structure that will attract the agents and at the same time earn revenues from agent banking strategy (Ignacio and Siedek, 2008).

Banks have to vet the location whereby the agents have to set up their shops. Various factors have to be analyzed before final decision can be made. Most banks will want to have agents well distributed where by they will have large numbers of clientele. The banks will also ensure that the agents are easily accessible for quick and frequent supervision (Guideline on Agent Banking, 2010).

### **1.1.3 Banking Sector in Kenya**

The banking sector in Kenya comprises of Central Bank of Kenya as the regulatory authority, commercial banks, non bank financial institutions, Foreign Exchange Bureau and deposit taking Micro finance institutions as the regulated entities. The banking sector was liberalized in 1995 and exchange control lifted. The CBK which falls under the Minister of Finance docket is responsible for formulating and implementing monetary policy and fostering the liquidity solvency and proper functioning of the financial system. The bank provides online information on Kenya's commercial banks, non banking financial institutions, interest rates and other publications and guidelines (Central Bank of Kenya Annual Report, 2010).

There are forty six bank and non bank financial institutions, fifteen micro finance institutions and forty eight foreign exchange bureaus in Kenya. Thirty five of the banks, most of which are small to medium sized are locally owned. The industry is dominated by a few large banks most of which are foreign owned though some are partially locally owned. Six of the major banks are listed on the Nairobi Stock Exchange. The banks have come together under the Kenya Bankers Association (KBA) which serves as a lobby for the banks' interests and addresses issues affecting member institutions.

The Kenyan Banking Sector has demonstrated a solid growth over the past few years. The industry continues to offer significant profits opportunity for the major participants. Banks generally earn their revenues from taking in funds and lending them out at a higher rate. Through strategy, the banking sector has embraced changes occurring in information technology with most banks having already achieved branchless banking as a result of the



adoption of new technology. According to the Central Bank of Kenya Annual Report (2010), the increased utilization of modern information and communication technology has for example led to several banks acquiring ATMs as part of their branchless development strategy measures.

The Kenyan banking sector is currently facing many challenges including cut-throat competition among each other and CBK strict regulations especially on minimum cash deposits, interest rates on amounts borrowed as well as floor rates. Other challenges including serving more educated and discerning customers, technological innovations, globalization and encroachment into banking services by mobile phone providers in money transfer and utility bill payment services.

## **1.2 Research Problem**

The World Bank estimates that in many countries, over half of the population, “the unbanked”, has never had a bank account. The poor tend to be terrified of banks, since they are often humiliated or ignored when they try to enter them. That means they cannot leave their savings anywhere safe, pay a bill without walking with the cash to the office or prove that they are credit worthy (<http://www.worldbank.co.ke>).

Studies done by CGAP in other countries, specifically in Brazil, Peru and Chile has shown that there is growing interest in many parts of the developing world in delivering financial services through the retail agents, including post offices, airtime sellers and local shops. Many potential advantages have also been indentified in those countries for

providers of banking services being able to transact local retail agents. (Ignacio and Siedek, 2008).

It is noted that at least three banks in Kenya had launched Agent Banking services in the Year 2011, almost one year after the guidelines were released. The Banks are KCB Group, Equity and Co-operative Bank of Kenya. This study seeks to determine the challenges of implementing agent banking strategy in commercial banks in Kenya. Other studies have been done in the areas of adoption and alternative banking channels. They include, Nyakondo (2010), did a survey on factors influencing banking industry to adopt strategic positioning in mobile banking. The study found that banks had adopted moderate technology to a moderate extent and there was need to do more in this area; Ngigi (2010), conducted a study on challenges of E-banking adoption which revealed that e-banking was a relatively new distribution channel in Kenya and the key challenges facing it included ICT security, quality as well as consumer awareness programme. Otieno (2006) investigated the internet banking technology adoption among commercial banks in Kenya.

Ontunya (2006) on the other hand did a survey of consumer adoption of mobile phone banking in Kenya. Mugambi (2006) in her survey of internal delivery systems in KCB observed that the bank should address various challenges facing it so as to improve on quality of service. In her study of "the role of executive development in corporate strategy implementation, a comparative study of KCB and National Bank of Kenya," Njuguna (2007) observed that both banks realize that well equipped executive confer competitive advantage to their companies. Kiptugen, (2003) observed that KCB has

addressed its changing competitive situation by formulating and implementing strategic responses that include restructuring, marketing, information technology and culture change. However there still was need for more strategic actions that need to be undertaken by KCB in order to enable the bank to fully match the environment in which it operates.

Although a number of studies have been done on banking sector in Kenya, a knowledge gap still exists on the challenges facing the implementation of agent banking strategy in Commercial banks in Kenya. It is in the background of these issues that this research study fills in the gap by answering the question; what are the challenges of implementing agent banking strategy in Commercial Banks in Kenya given the changing and turbulent environment it is operating in?

### **1.3 Research Objectives**

To examine the challenges faced by Commercial banks in the implementation of Agent Banking Strategy.

### **1.4 Value of the study**

The findings of this study will go a long way in assisting Commercial Banks formulate or design appropriate mechanisms to identify and overcome challenges while implementing its agent banking strategy so as to achieve the set organization's goals and objectives. The findings will also help other similar organizations to identify and tackle the challenges encountered in agent banking strategy implementation process.

The study is expected to contribute to the existing literature in the field of challenges facing the implementation of agent banking strategy. It is hoped that the study will form the basis for further research on this subject.

The study will be valuable to the policy makers in addressing issues related to agent banking and its implementation in regards to financial institutions and other relevant institutions.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This section reviews available literature on strategy, its implementation and the challenges experienced in the implementation of strategies. The review is done from a general perspective owing to the limited availability of literature that has focused directly on challenges of agent banking strategy implementation.

### **2.2 The External Environment and Strategy**

The essence of formulating competitive strategy is to relate an organization to its environment. All organizations are environment dependent and environment serving. They receive their inputs from the external environment. They process (transform) the inputs internally into various output products (the process called throughput). The output products are sent back to the external environment for consumption. This then implies that an organization cannot operate in isolation from the external environment, which supplies the organization with inputs and the feedback on customer satisfaction levels and expectations as well as competitor activities.

Ansoff and McDonnell (1990) say that the management system used by a firm is a determining component of the firm's responsiveness to environmental changes because it determines the way that management perceives environmental challenges, diagnoses their impact on the firm, decides what to do and implements the decision. As the environment turbulence levels change, the management develops systematic approaches to handling the increasing uncertainty, novelty and complexity.

When formulating strategy, a firm has to put into account the external environment in relation to its internal capabilities. The aim is to create a competitive advantage for the firm. Competitive advantage is having an edge over rivals in attracting customers and defending against competitive forces (Johnson and Scholes, 2002). An organization will achieve competitive advantage through designing and implementing winning competitive strategies.

### **2.3 Strategy Implementation**

According to Pearce and Robinson (2003), strategy implementation being one of the components of strategic management, refers to a set of decisions and actions that result in the actualization of long term plans designed to achieve organization's objectives. It completes the transition from strategic planning to its execution by incorporating adopted strategies throughout the relevant systems.

Various researchers (Aosa, 1992, Koske, 2003, Alexander, 1991, Muthuiya, 2004, Ochanda, 2005) have brought out the difficulties encountered in strategy implementation process as poor or vague strategy, conflicts with the organizational power structure, poor or inadequate sharing of information, inappropriate organizational structure, unclear responsibility and accountability in the implementation process, inability to manage change including cultural change, weak management roles and uncontrollable factors in the external environment.

## **2.4 Factors Responsible for Successful Strategy Implementation**

For an organization to obtain desired results, formulated strategies must be successfully implemented. Successful strategy implementation involves empowering others to do all the things needed to put the strategy into place and execute it proficiently (Thompson, Strickland and Gamble, 2007). Since the strategy implementation process imparts every part of the organization, every manager has to take an active role as a strategy implementer.

The most important outcome that leaders, managers and planners should aim from successful strategy implementation is real value added through goal achievement and increased stakeholder satisfaction. Successful strategy implementation in organizations depends on various factors. Aosa (1992) observed that strategy implementation is likely to be successful where there is a fit between several organizational elements. These elements include organizational structure, culture, resource allocation, systems and leadership.

Strategy used by an organization is fundamentally influenced by the structure of the organization. It dictates how policies and objectives are established and how resources are allocated. When an organization changes its strategy, the existing organization structure may be ineffective. Though an effective structure, organization's members are able to develop synergies that promote effective strategy implementation.

The culture of an organization defines the social context in which an organization functions. It provides guidance to the organizational members in decision making, time

management and energy investment, what kind of people to work for the organization and any other social activity done in the organization. Pearce and Robinson, (2003) states that culture affects the way managers behave in an organization including the decisions they make that affect the relationship between the organization, its strategy and the environment. Appropriate culture will facilitate successful strategy implementation.

According to Pearce and Robinson (2003), leadership ensures that organizational effort is united and directed towards achieving its goals and objectives. This makes leadership a very fundamental aspect in effective strategy implementation. Leadership provides the organization with vision, initiative, motivation and inspiration that affect the performance of the organization.

Organizational systems play a fundamental role in the strategy implementation effort and process. Systems means all procedures, formal and informal, that make the organization carry out its function on a daily basis and these may include capital budgeting systems, training systems, cost accounting procedures and budgeting systems (Mintzberg and Quinn, 1991). Poor information sharing, unclear responsibility and accountability mechanisms can lead to failure of strategy implementation

## **2.5 Challenges to Successful Strategy Implementation**

Challenges that occur during the strategy implementation process are an important area of research because even the best strategies would be ineffective if not implemented successfully. It is the management's responsibility to ensure that the strategy is well understood organization wide before the implementation process begins. 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 (Byars et al, 1996). Lack of understanding of strategy is one of the obstacles to strategy implementation process.

Another very fundamental challenge is the ability of most organizations to maintain continuity in senior management. Senior managers might leave too soon after the implementation process has been started. When this happens, staff's commitment and enthusiasm for strategy implementation is undermined and they start to distrust the new strategy and prefer old and familiar situation. Staff attitudes and perspectives go a long way towards subverting the firm's plan.

Finding and bringing on board the right people to implement and manage change is a significant challenge to the strategy management process in many organizations today. Changes do not implement themselves. It is people that make them happen. Selecting people for key positions by putting a strong management team with the right personnel chemistry and mix of skills is one of the important steps towards successful strategy implementation (Thompson and Strickland, 1998).

Reward and motivational challenges also exist. Organizations often find it difficult to carry out their strategies because they have executive compensation systems that measure and reward performance in a way that ignores or even frustrates strategic thinking, planning and action.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1. Introduction**

This chapter describes how the research study was conducted. It explains the research design, population sample that was used and the sampling methods applied. It also explains the data collection methods that were applied and how the data was analyzed to produce the required information for this study.

### **3.2. Research Design**

A research design is the general plan of how one goes about answering the research questions (Thomas, 2011). According to Thomas, a research design constitutes the blueprint for data collection, measurement and analysis.

This study was carried out through a descriptive survey design. This design was considered appropriate as it dealt with many members in a population where it was not possible to study all of them and hence calling for sampling in order to come up with a generalizations and inferences about the whole population.

### **3.3. Population and Sample**

The population of this study comprised of three commercial banks namely, KCB Group. Co-operative bank and Equity bank registered with Central Bank of Kenya to carry out agency banking. The target correspondents were Head of Departments of Agent banking, Agent banking managers and agent banking consultants from all the three banks.

### **3.4 Data Collection**

Data was collected using a semi structured questionnaire served on respondents through drop and pick method. This was followed up by one on one discussions with some of the respondents were necessary. Secondary data obtained from the commercial banks annual reports was also used.

### **3.5 Data Analysis**

Data analysis was conducted using Statistical Package for Social Sciences (SPSS). Editing was undertaken before data analysis. The data collected was sorted appropriately and then edited for errors. Both primary and secondary data was used in the study. The analysis of the data from questionnaires was employed, statistical procedures such as frequencies distribution, mean and percentages were appropriate to measure the extent of the challenges in agent banking in commercial banks.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS**

### **4.1 Introduction**

This chapter gives the analysis and findings of the questionnaires administered as set in the research methodology. The study findings are presented on challenges facing the implementation of Agent Banking Strategy in Commercial Banks in Kenya. The findings are presented in frequency tables computed to show the mean, standard deviation and the percentage of each response. The analysis is presented in tables.

### **4.2 Response Rate**

The study targeted 120 respondents in collecting data out of which 110 responded and returned their questionnaires contributing to 92% response rate. This reasonable response rate was made a reality after the researcher visited respondents at their places of work and made appointments for the interview with those that were busy and also personal calls and emails to remind the respondents to fill the questionnaires.

### **4.3 Demographic Information**

#### **4.3.1 Distribution of respondents by gender**

The study sought out to find the gender of the respondents. According to the findings, 38% of the respondents were male while 62% of the respondents were female. Male were 42 while female respondents were 68.

**Table 4.1: Gender of the respondents**

Gender	Frequency	Percentage
Male	42	38%
Female	68	62%
Total	110	100%

#### **4.3.2 Name of the respondents banks**

According to the findings, 32% of the respondents were In Equity Bank, 18% of the respondents were in Cooperative Bank and 50% were in KCB Bank. The numbers were 35 respondents from Equity, 20 from Cooperative Bank and 55 from KCB.

**Table 4.2 Name of respondents' banks**

Name of Bank	Frequency	Percentage
Equity	35	32%
Cooperative	20	18%
KCB	55	50%
Total	110	100%

### 4.3.3 Position held in the bank

Out of the 110 questionnaires analyzed, the respondents held various positions of Head of Departments, Agent Banking Managers and Agent Banking Consultants. From the findings shown in Table 4.3, the Head of Departments represents 18%, Agent Banking Managers represent 35% and Agent Banking Consultants represent 47%. This is a fair representation as the Head of Departments are viewed as strategists while the agent banking managers are seen as the first line supervisors in the implementation of the strategies and the agent banking consultants have to ensure full implementation of the strategy to the agents in the fields.

**Table 4.3 Positions held in the bank**

<b>Position Held</b>	<b>Frequency</b>	<b>Percentage</b>
Head of Departments	20	18%
Agent Banking Managers	38	35%
Agent Banking Consultants	52	47%
<b>Total</b>	110	100%

### 4.3.4 Period of Existence and operation of Agent Banking

The period within which the commercial banks have been operating agent banking can influence their business operations and growth strategy. The respondents were asked to indicate the length of time that the bank has operated agent banking in Kenya and from

the results shown in table 4.4, 100% of the three commercial banks have operated agent banking above 1 year. This is a clear indication that commercial banks have participated in agent banking and have experience in challenges facing the implementation of agent banking strategy. Thus the issue under research is familiar to the respondents.

**Table 4.4 Period of Operation of Agent Banking**

<b>Period of Existence</b>	<b>Frequency</b>	<b>Percentage</b>
0-3 months	0	0%
4-8 months	0	0%
9-12 months	0	0%
Above 1 year	110	100%

#### **4.3.5 Investment of time and effort before adopting agency banking**

In order to gather the factors influencing the challenges facing the implementation of agent banking strategy, the researcher also wanted to know whether the commercial banks invested time and effort before the adoption of the agent banking strategy. This would be a clear indication whether there were other factors considered before the implementation of the strategy. The following were the results; 91% said the banks invested time and effort while 9% said the banks did not invest in time and effort. This was inferred by the researcher to mean that the respective commercial banks had undertaken environment scanning before launching agent banking

**Table 4.5 Investment of Time and Effort before the Implementation of Agent Banking Strategy.**

Whether the bank has invested time and effort	Response rate	Percentage
Yes	100	91%
No	10	9%
Total	110	100%

#### **4.4 Factors affecting Agency Banking Strategy in Commercial Banks**

The study sought to find out the factors that affected the respondents to using agent outlet. The respondents were asked questions rated on a five point scale. This was on a scale of 1-5, in which 1-Strongly Disagree, 2-Disagree, 3-Not sure, 4-Agree and 5-Strongly Agree. The results are as in table 4.6.

**Table 4.6 Factors affecting Agent Banking Strategy**

Statement	Mean	Standard Deviation
Lack of proper government polices	2.01	1.009
Vetted location for the set up of the agent outlets	3.02	1.251
Customer poor response	2.09	1.136



Lack of trust with bank agents	3.30	1.104
Fraud and Money Laundering	4.32	0.601
Pricing model for the service to the customers	2.36	0.924
Liquidity management is crucial for the agent banking model	4.13	0.645
Reward system is essential for agent outlets	1.19	1.147

From the research data as shown in the table above, the factors affecting agent banking strategy includes fraud and money laundering, liquidity management and lack of trust with bank agents. These were factors that indicated a representation or equivalent to influence by a strongly extent. Factors that were found to be least challenging included customers' poor response and lack of proper government policies.

#### **4.5 Factors Enabling Strategy Implementation**

To determine the factors that influenced strategy implementation, the respondents were asked questions rated on a five point scale where one (1) represented a strong level of disagreement with the statement while (5) represented a strong level of agreement. According to the statistics in table 4.7, the respondents strongly agreed that the allocation of resources in the organization enables successful strategy implementation and have a mean score of 4.58. The strategic leadership of the organization also has a mean score of 4.42 and thus revealed that it enables successful strategy implementation.

**Table 4.7 Factors enabling strategy implementation**

<b>Statement</b>	<b>Mean</b>	<b>Standard Deviation</b>
The allocation of resources in the organization	4.58	0.751
The culture of the organization	3.82	0.983
The strategic leadership of the organization	4.42	0.936
Training and development of the organization	3.33	1.384
The organizational systems of the organization	3.15	1.286
Performance management system of the organization	2.7	1.237

#### **4.6 Factors Impending Strategy Implementation**

From the research study carried out, the researcher wanted to understand some of the factors that impeded strategy implementation of agent banking. The respondents were asked questions on a five point scale and below in table 4.8 are the findings of the study.

**Table 4.8 Factors impending strategy implementation**

<b>Statement</b>	<b>Mean</b>	<b>Standard Deviation</b>
The allocation of resources is not in aligned with the strategy of the	4.12	0.992

organization		
The strategy is not effectively communicated to the workforce	4.75	0.707
The workforce does not understand the strategy	3.52	1.251
Top managers do not support the strategy implementation	4.02	0.892
Human capital is not effectively developed to support strategy implementation	3.73	1.097
Reward and motivational compensation systems are not aligned with the strategy	3.3	1.23
The leaders are not competent enough to implement the strategy	3.7	1.133
Implementation of the strategy is not effectively controlled	4.52	0.990
The strategy is poor or vaguely formulated	3.36	1.23

From the research data above, if the strategy is not effectively communicated to the workforce had a mean score of 4.75. Implementation of the strategy is not effectively controlled had a mean score of 4.52 and top managers do not support the strategy implantation had a mean score of 4.02. The findings show that these are among the factors that impeded strategy implementation in an organization. On the other hand, reward and motivational compensation systems are not aligned with the strategy had a mean score of 3.3 and thus found to be least influential.

## **CHAPTER FIVE:**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides a summary of the findings of this study, the conclusion, limitations of the study and recommendation for further studies. The objective of the study was to determine the challenges facing the implementation of agent banking strategy in commercial banks in Kenya.

#### **5.2 Summary of findings.**

The respondents of this study were Head of Departments, Agent banking managers and agent banking consultants. These are staff members' of the commercial banks who are more involved in the formulation and implementation of agent banking strategy. Out of the 120 questionnaires given only 110 were returned and analyzed.

The study revealed that all the three commercial banks under study had rolled out agent banking and have been in operational for above one year. The study also revealed that 91% of the respondents were in agreement that their respective banks had invested time and effort before the implementation of the agent banking strategy, while as only 9% of the respondents indicating that no time and effort was invested before implementation of the agent banking strategy. This was inferred by the researcher to mean that the respective commercial banks had undertaken market survey before launching the agent banks.

The study further revealed that fraud and money laundering and liquidity management were among the factors that affected agent banking strategy. The respondents inferred that agents dealing with agent banking did not have full confidence with the users of the service for at times the deposits and withdrawals made from their outlet would be as a result of money laundering or fear dealing with fraudulent cases. For the liquidity management, it was a challenge to the agents for fear of holding a lot of money that would result into breakages in their premises.

From the study finding, the researcher noted that for a strategy to be successful in its implementation, the allocation of resources is very vital. Respondents strongly agreed and it had a mean of 4.58 with a standard deviation of 0.751 as presented in table 4.7. The strategic leadership of an organization is also important in any success of strategy implementation.

### **5.3 Limitation of the study**

One of the major limitations of this study incurred was the population of the study; the target population of the study was the commercial banks licensed by CBK to carry out agency banking in Kenya. Currently there are only four commercial banks licensed to operating agency banking out of forty four commercial banks in the country. Thus the researcher could not get information from other commercial banks who are awaiting approval of their licenses by CBK to operate agency banking.

The second limitation faced by the researcher was the time frame. Agency banking having been launched in Kenya around May is a fairly new model within the within

banking sector. Hence this research only covered a period between the years 2010 and 2012. The period covered by this research is generally short since most of the agency banking department within the sampled commercial banks are in their formative stages, thus a more comprehensive view of the topic under study may not be attained.

#### **5.4 Recommendation to the study**

The recommendation to the study includes both suggestions to commercial banks management as well as other service oriented organizations that wish to implement this agent banking strategy. The commercial banks' strategies need to be communicated to all employees. The bank should adequately train its staff in preparation for implementation of any strategy to be successful. The training should ensure all employees understand the strategy, its goals and objectives and their expected contribution to its successful implementation. For this strategy to be successfully implemented, the management needs to be supportive and ensure that all the resources required are available.

The agents operating on behalf of the commercial banks should also be trained against risks of fraud and money laundering, how to determine and report such incidences in accordance with the laid down procedures given by CBK. The commercial banks should also ensure that the agents' outlets or premises are insured against theft so as to secure the agents security.

#### **5.5 Areas of further studies**

The study was concerned with commercial banks in Kenya that have already been licensed by CBK to operate agency banking. There is need to replicate these results to

cover other banks that will adopt agency banking model in future hence increase the population and sample frame.

Further studies needs to be done to find out how this strategy can be used to enhance the brand visibility and differentiation in the market. Further studies also need to be done to establish the influence of agency banking on financial performance of the commercial banks in Kenya.

### **5.6 Implication of the study on policy, theory and practice**

This study is of great significance to the Commercial Banks in Kenya. The findings of the study clearly show that there is a link between strategy and its implementation. The banks can use the recommendations of this study to strategically come up with newer initiatives that will enable it have successful agent banking implementation. They can also use the recommendations to mitigate the challenges faced by this agent banking strategy when implementing similar strategies in the future.

Organizations that operate in the similar service industry can also use this study to re-examine their strategies and come up strategies that will enhance successful agent banking strategy. They will also learn the benefits of the strategy, challenges of implementing this strategy and how to mitigate the impact of those challenges.

The researchers in the area of customer experience will find this study more useful. The study provides a reference point for those researchers intending to carry out further studies in this area. The study has provided a theoretical framework upon which further

studies can be done. It also provides an opportunity for the researchers to come with theories supporting the agency banking models.

In terms of practice, the results of the study will also assist the employees in the bank and in other organizations to appreciate the importance of successful strategy implementation and learn the compelling reasons of why they should at all times support any strategy implementation. The study highlights the critical role the employees play in the successful implementation of the strategy.

### **5.7 Conclusion**

The study also revealed that the support of the strategy from all stakeholders is critical to its successful implementation. The operational staff must be involved not only in the implementation but also in the formulation stages to enhance their ownership of the strategy. This involvement will enable the employees change their attitude towards the strategy and also seek to acquire requisite skills to enable them successfully implement the strategy.

Effective communication is also vital in the success of the strategy implementation. Employees should have the right information to help implement the strategy effectively. Timely information should also be communicated to the employee so as to keep up with any changes in the strategy implementation.

From the study, lack of strategy control was cited as an impediment to successful implementation of the strategy the banks need to put into place effective and efficient control measures to have a successful strategy implementation. The bank needs to assess



all the resources that will be required and make them available during the implementation stage. These resources include: availability of skilled manpower, material and financial resources.

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## APPENDIX 1: LETTER OF INTRODUCTION

**NAOMI KWAMBOKA BWENGI**

P, O Box 70-80122: Mombasa. [nbwengi@yahoo.com](mailto:nbwengi@yahoo.com)

Cell 0720325518

Dear Sir/Madam

### **RE: MBA RESEACH PROJECT**

I am a post graduate student at the University of Nairobi pursuing an MBA-Strategic Management course. In partial fulfillment of the course requirements, I am undertaking a research on “The challenges facing the implementation of agent banking strategy in commercial banks in Kenya”

I kindly request you to grant me an opportunity for an interview to gather information regarding the research topic to enable me complete the project. The information to be gathered is needed purely for academic research purpose and will therefore be treated with utmost confidentiality.

Your assistance in facilitating the same will be highly appreciated.

Yours faithfully,

Naomi Bwengi

Student

Dr. John Yabs

Supervisor



# UNIVERSITY OF NAIROBI MOMBASA CAMPUS

Telephone: 020-2059161  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsities

P.O. Box 99560, 80107  
Mombasa, Kenya

DATE: 28<sup>TH</sup> SEPTEMBER, 2012

## TO WHOM IT MAY CONCERN

The bearer of this letter, Bwengi Naomi Kwamboka of Registration Number D61/60649/2010 is a Master of Business Administration (MBA) student of the University of Nairobi, Mombasa Campus.

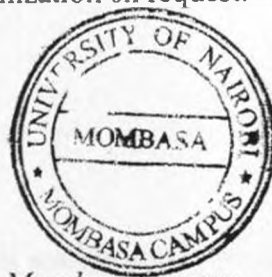
She is required to submit as part of her coursework assessment a research project report. We would like the student to do her project on *Challenges Facing the Implementation of Agent Banking Strategy in Commercial Banks in Kenya*. We would, therefore, appreciate if you assist her by allowing her to collect data within your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organization on request.

Thank you.

Zephaniah Ogero Nyagwoka

Administrative Assistant, School of Business-Mombasa Campus



**APPENDIX 111: QUESTIONNAIRE:**

This questionnaire is designed to analyze the challenges of implementing agent banking in Kenya and the responses will be treated with utmost confidentiality.

**Part One: General information**

- 1. Gender: Male                      Female
  
- 2. Name of your institution (bank) .....
  
- 3. Please indicate the position you hold in the bank .....
  
- 4. Are you using agent banking services? (Tick one) YES                      NO
  
- 5. If your answer is no in the above question kindly explain why  
.....  
.....
  
- 6. How long has your commercial bank operated agency banking in Kenya?  
  
(0-3) months  
  
(4-8) months  
  
(9-12) months  
  
Above 1 year
  
- 7. Has your commercial bank invested time and effort in order to adopt agency banking model? (Kindly tick one)  
  
YES                      NO

For sections B, C and D, please indicate the extent to which you agree to the statements using the five point scale.

1. Strongly Disagree
2. Disagree
3. Not Sure
4. Agree
5. Strongly Agree.

**Section B**

Please tick to what extent the following affects agency banking in your bank

Statement	1	2	3	4	5
Lack of proper government polices					
Vetted location for the set up of the agent outlets					
Customer poor response					
Lack of trust with bank agents					
Fraud and Money Laundering					
Pricing model for the service to the customers					
Liquidity management is crucial for the agent banking model					
Reward system is essential for agent outlets					



**Section C: Factors Enabling Strategy Implementation**

To what extent do the following factors contribute positively to the implementation of agent banking strategy?

Statement	1	2	3	4	5
The allocation of resources in the organization					
The culture of the organization					
The strategic leadership of the organization					
Training and development of the organization					
The organizational systems of the organization					
Performance management system of the organization					

**Section D: Factor Impeding Strategy Implementation**

Indicate the extent to which you believe that each of the items mentioned below is a barrier to effective implementation of agent banking strategy in this organization

Statement	1	2	3	4	5
The allocation of resources is not in aligned with the strategy of the organization					
The strategy is not effectively communicated to the workforce					

The workforce does not understand the strategy					
Top managers do not support the strategy implementation					
Human capital is not effectively developed to support strategy implementation					
Reward and motivational compensation systems are not aligned with the strategy					
The leaders are not competent enough to implement the strategy					
Implementation of the strategy is not effectively controlled					
The strategy is poor or vaguely formulated					

**Thank you for your cooperation and assistance.**

**APPENDIX IV: COMMERCIAL BANKS OPERATING AGENCY BANKING IN KENYA  
AS AT 31 AUGUST 2011**

Source: Central Bank of Kenya Website <http://www.cbk.co.ke>

Name of Bank:

1. Equity Bank
2. Cooperative Bank
3. Kenya Commercial Bank