INNOVATIVE RESPONSES ADOPTED BY EQUITY BANK LTD TO SUSTAIN COMPETITIVE ADVANTAGE IN AGENCY BANKING

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ACRONYMS AND ABBREVIATION

1. SBU-Strategic Business Unit
2. RBT-Resource Based Thoery
3. ICT-Information Communication Technology
4. CBK-Central Bank of Kenya
5. Ltd----Limited

DECLARATION

This research project is my original work and has not been submitted for examination in any other University or institution of higher learning. No part of this research project can be reproduced without prior written permission of the author and/ or University of Nairobi.

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DEDICATION

This book is dedicated to my mother Veronica Nyadoi Oginere who has always encouraged me to work hard and further my studies.

My father Thadayo Jonah who tirelessly encouraged me take up my post graduate studies and gave me all the support.

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ABSTRACT

The practice of agency banking is a new wave of development in the banking sector. Consumers are always cautious towards new practices behaviors. Agency practices have had their share of challenges ranging from fear of customer confidence, insecurity of funds enlisted at agency levels and poor infrastructural facilities.

The study was to establish the innovative responses adopted by Equity Bank Limited to sustain competitive advantage in agency banking practices in the local industry.

The adoption of agency banking practices, Hall (2004) identifies the characteristics of promulgated by Rogers (1980) the degree to which an innovation if perceived to offer superior advantages to one preceding it. The current banking practices in Kenya are quite educationary and taking new diverse directions, online banking, agency banking practices, mobile money and insurance services. Agency banking is evidently coming up as a very strong alternative banking and channel. Banks effort to degitalize and offer branchless banking is a way forward towards the future. Agency banking practices needs be perceived positively if the intended goal of the practice is to be attained .

The study gathered the following information as summarized here under. The response rate was very good 71% the individual demographics indicate a well-educated work force within the bank structure, quite experienced and highly motivated in terms of work assignment. The findings indicated that the banks have been in to create differential competitive advantage. The study also enlisted the various strategies utilized by banks to improve service delivery through use of physical intermediaries and electronic intermediaries. Challenges were also outlined through use of brokers and agents to deliver banks services especially the agency banking practices.

The study also touched ion issue of consumer complaint management and customer response to service failures, The study makes the following recommendations; that need to strengthen the ICT levels at the agency operated units to make the units viable and competitive. There is also need to upgrade the various services offered at agency level to closely reflect the bank standards.

The study also recommends urgent training among agency staff, introduce academic qualifications for the agency personnel to improve their operational performance. There is need to educate the challenges associated with use of intermediaries and strengthen the orger level of intermediary which use e-enabled technology. Complaint management practices need also be improved and customer feedback channels enhanced, so that it becomes easy to understand the customer.

Finally the study recommends the improvement of service productivity levels in all the agency levels.

CHAPTER ONE: INTRODUCTION

Background of the Study

Business organization in the current 21st Century are operating in a highly dynamic and diverse environment (Ansoff and Dowel 1990). The firms need to adopt some strategies which will enable them to have competitive edge over rivals in business. The changes in the environment are recognized to be out of the compelling forces of change (Pavitt 2016). Causes of this rapid and continuous change seem to stem from globalization effects, changing customer expectations, short product life cycles, social change, as well as environmental factors. Burnes (2000) argues that these changes cells for development of innovative strategies which firms can adopt to gain competitive advantage. David (2005) indicates the strategy formulation involves the process of developing a visionary approach to environmental issues and organizational analysis, establishing objectives, generating alternative strategies and choice of particular strategies to pursue. Organizations have no option except to be adoptive, innovative and respond to changes immediately as these will enable them to operate profitably.

The resource based view theory, indicates the firm's ability in possessing superior resources and is not easily immutable by the competition (Wernerfelt 1984). The study also by the diffusion of innovation theory (Rogers, 1962) whereby its concepts, ideas, products and services are highly influenced by various factors relative to their being accepted in the target market. The theory also indicates that innovations use Agency Practices tend to be communicated through certain medium and channels within a social strata. Baker (2001) Product adopter category model indicates various degree of readiness that the product, service adoption assumes in practices. The Model have assumptions that innovations start with those who are quick and ready to adopt and ends with the least ready to adopt.

The Model is quite useful in trying to understand the acceptance of innovative products, services and practices and those factors which encourage or inhibit their adoption.

Equity Bank Ltd had tremendously registered growth both in customer base numbers and product, and service diversification portfolio and the banks approach to accommodate the unlinked low income category of customers has greatly enhanced its image with the industry circles and various stakeholders. The bank has unique approaches to various target market. Seqment needs and coutume to register high success rates. The current mobile money transfer services have tremendously improved service delivery of the bank services to its clientele and boosted its overall growth and performance. The current locations of its various branches and agency services also enabled the bank to reach a wide range of customer clientele hence giving the bank a competitive edge for the competition(www.equitybank.co.ke)

Concept of Strategy

Thompson and Strickland (1999) indicates that strategy is a game folon which management utilizes for positioning the firm in particular target markets and competitive arena to achieve targeted business performance. Johnson and Scholes (2002) describes strategy as the direction and scope of an organization over a long period of time which aims to achieve competitive advantage for the organization through its configuration of resources within a changing environment to meet the needs of markets and fulfill stakeholder expectations. A well formulated strategy should encompass the kind of services the organization will offer, target markets served; and the degree of uniqueness in strategy implementation. Firms have different levels of strategy formats; there is the overall corporate strategy, business unit strategy, and operational strategy. The essence of strategy is to enable the firm to compete effectively within its industry operations and maximize on its competitive advantage.

Johnson and Scholes (2009) explains that corporate level strategy as concerned with the corporate overall shape of an organization and how value will be added to different parts (business clients) of the organization: They argue that this includes issues of geographical coverage, diversity of products and services, how resources will be distributed between different parts of the organization. Corporate strategy is also concerned with the interests of stake holders and the stock market; it also encompasses of the vision and mission statements of the organization.

The business level strategy is about the mode of organizations mode of competition in particular markets and how to provide the best value services especially in public spheres. It includes which products to consider producing or marketing and which markets to serve. Most decisions in strategic business unit is that section of the organization of which these is a district external market for goods or services that is different from other SBU. All these levels of strategy need be linked and synchronized together. Finally these are operational strategies which are concerned with how the organization organization deliver effectively corporate strategies. (Johnson & Scholes 2009)

1.1.2 Competitive Advantage

Porter (1988) argues that every firm competing in an industry must have competitive advantage whether explicit or implicit. Competitive strategies refers to how a company can compete in a particular environment, competitive strategies are concerned with how a company can compete in a particular environment, it is also concerned with how a firm can gain competitive edge over the competition as the industry forces dictate the level, type and structure of competition. Johnson and Scholes (2004) states that competitive advantage is the base on which a business achieves competitiveness over others in the market; for the firm to gain and achieve competitive advantage, it must analyze and understand its internal and external environment, one o the goals of crafting and implementing business strategy is to achieve sustainable competitive advantage. Porter (1985) argues that the firm’s performance which achieves high investment returns than the competition is deemed to have competitive advantage over rivals in the industry. He further concludes that competitive advantage is attained through provision of greater value either through prices or provision of extra benefits and services, competitive advantage is never static, it's dynamic as the business environmental forces, these calls for the firm's continual analyses and revision of the firm's strategies to make it current and competitive.

1.1.3 Innovation Practices

The innovation primarily focuses on the development of products, services by a firm. Product development in this context implies creation of something new and developing a business around it. The distinguishing feature of innovation is the newness with respect to the customer; markets as well as to the producing organization; it's a means of organizational renewal, innovation involves a conjoint hiter play of professional skills in the area of product development, production and marketing, product development skills involves new concepts, and insights, in the field of design, materials and components. Production skills require experience and knowhow in the field's techniques, engineering, operations and processes. Marketing skills are concerned with recognition of consumer needs, understanding of emerging trends, and shifts and cultivation of customer contacts. Innovation is the basis of a company's growth. Entrepreneurship is the basis of innovation (Rastogi 2008) Kotler (2000) indicates that an innovation is a process of translating an idea or invention into a good or service that creates value or for which customers will pay. Innovations must be aligned to the corporate mission which forms the basis of corporate objectives and strategy.

Drummond et al (2001) clearly indicates that organizations cannot remain focused on the past. Innovation means change, such change compasses of complex events and combinations of actions and functional activity. Most innovations are concerned with commercial application of ideas. Management should create a culture and climate for innovations to thrive. Innovations creates enemies for successful product development, modification, product imitation and innovation are all concerned with innovation.

These are various enablers of the innovation process. Teamwork is critical. Successful innovations require combination of skills and resources; that's marketing research and development, design. Exchange of information and ideas should be encouraged, this also enhances teamwork. Information flow is quite important in innovative process.

Senior management role is also very essential in any innovation process. They need to develop strategies which core accommodative and relevant to all innovative processes. This involves its calculation of risks and resource allocation. Senior management should also show commitment to failure growth of the firm through innovation processes. Reward is the recognition for innovative processes and ideas. Individuals who have contributed to innovations need be recognized and rewarded. (Drummond 2001)

1.1.4 Agency Banking

According to Major (1967) Agency relationship arise when the principal undertakes express appointment; by use of law which arises from the conduct of the parties, that is agency by estopel, or from the necessity of the case that is agency of necessity; or by a partnership agreement. Banking firms have recently entered into agency agreements with outside organizations to provide their services on behalf hereby referred as agency banking practices. Money deposits, withdrawals, transfers takes place by use of technology hence bringing services closer to the customers hence improving service quality and delivery. Agency practices are seen as modern strategic alliance practices in the banking industry especially in the current century and practices. Firm's competitiveness is achieved if services are unique and highly differentiated from the other industry players.

Agency banking practices are legal contracts which must fulfill the basics of contractual obligations Sankaran (2001) outlines some of the essentials at a valid contract. It states every agreement is a contract for lawful consideration and with lawful object and not hereby expressly declared to be void. The following are the basics that it should be an agreement, whereby two parties are involves. One party making the offer and the other accepting the offer; It should be a legal relationship; both parties are liable to each other legally in case of breach of contract.

It should also reflect lawful consideration; capacity for parties free consent, lawful objects, certainty and possibility of performance, and have legal formalities. Sankaran (2001) concludes that discharge of contract should follow a particular process which should include by agreement, by performance of a contract by the lapse of time; by operation of law, by material alteration, by subsequent impossibility of the performance and by breach.

There are various remedies to the aggrieved party in the agency relationships; these include recession of the contract, suit for damages, suit for specific performance, and suit for injuction.

1.1.5 Commercial Banks in Kenya

The local banking sector dates back to the end of 19th century. The pioneer players in the industry were the National Bank of India in Kenya in 1896, followed by Standard Chartered Bank of South Africa in 1910, in 1916 the National Bank of South Africa merged with Anglo Egyptian Bank Ltd to form Barclays Bank (Sashoo 2012).

The local Banking industry is regulated in the Central Bank of Kenya act; other acts include the company's act, and banking act; all these harmoniously work together with guidelines from the Central Bank of Kenya. The C.B.K is mandated with formulation and implementation of the monetary and fiscal policies. It is the ultimate authority in the country's financial systems (Chege 2008). The industry has 43 banks including one mortgage lender; these are three credit reference bureau undertaking credit rating services for the banks. There are also various agents undertaking agency banking services on behalf of their respective banks; the latest development has been mobile money transfer services undertaken by Equity Bank; the industry has witnessed partnership with other mobile subscribers like Safaricom to undertake various utility related payment services (RABA 2015).

1.1.6 Equity bank (K) Ltd

Equity Bank established in a building saving society becomes a fully-fledged Bank in 1989. The Bank has since witnessed tremendous growth in its operations. Currently the Bank has …….. branches countrywide. The Bank has operational offices in parts of east Africa including the Southern Sudan Republic; The bank recently introduced a money transfer service facility known as Equitel; the move in line with the current trends of digitizing customer operations.

Equity Bank has also greatly contributed towards society responsibility issues; The Bank has a foundation which sponsors, poor students to acquire the relevant education. Equity Bank has also uplifted the lives of the majority unbanked, unprivileged popular in the society, offering banking services to very little income savers like Hawkers, vegetable vendors, bodaboda operators among others.

The Bank has also created successfully partnerships with corporate clients and engaged in government related service provision of funds and finance projects. (w.w.w equitybank.co.ke)

1.2 Research Problem

Achieving and maintaining competitive advantage is critical for organizations. Khettak& Ur Rehman (2010) explains competitive advantage as a product or service that an organization's customers value more highly than similar offering from the competition. Competitiveness can be overtaken by rival firms if they are able to duplicate the strategy adopted (Thompson and Strickland 2007). Nagpur argues that competitive advantage exists when the firm is able to deliver the same benefits at a lower cost (cost advantage) or deliver thus, benefits that exceed those of competition (differentiation). Competitive advantage enables the firm to create superior value for its customers and superior profits for itself hence cost and different advantage are summed up as positional advantages since it denotes the firms position in the industry as a leader in cost or in differentiation. Rastogi (2008) indicates that gaining competitive advantage must be in regard to the design and delivery of the product or service and entails existence of skills assets, capabilities of the organization. It's effective tool towards achieving sustainable advantage. The firm must utilize its internal capabilities to exploit external opportunities in order to gain sustainable competitive advantage.

Ludssig and Pemberton (2011) argue that competitive strategies are more skill based and involve strategic thinking innovation, exaction, critical thinking and positioning. Innovativeness signifies newness, organizational renewal, and encompasses both products and services. New product development, innovation, may also involve non trivial improvement and development of existing production processes and technologies. Innovation is however a broad, terminology encompassing new and superior methods, procedures, and approaches in managerial practices. Equity Bank has uniquely carved its position in the industry through various innovative practices. The money transfer services Equitel has greatly enhances quick financial transactions, massive networks, and high caliber agency alliances have made the bank one of the leading large banks, competing effectively with former larger multinational banks. The recent introduction of Master Card Credit Card has also greatly positioned the bank as undue in its on operations and member bank category.

A number of researches have been undertaken on organizational competitiveness. Dusik and Abdulla (2007) investigated on the competitive strategies applied by Banks in China; the findings were that the sector has witnessed that exit and entry of large players in the industry; legal regulations, structure and intensity of competition become apparent hence leading to firm adopting differentiation, and focus as competitive tools and approaches. Alliance for financial inclusion (2012) conducted a study on agency banking in Latin Americ; Lozano and Madrile (2010) undertook a study on New Agent Banking for branches in Colombia; E.FINA (2012) undertook a study on 'enhancing finance, innovation, and access evaluated agent banking practices in five countries locally. Mutuii (2015) undertook a study on innovative responsive adapted by NIC (National Industrial Credit) to achieve sustainable competitive advantage in the local banking industry; Wanjohi (2015) researched on the strategic innovative responses adopted by real estate firms to attain sustainable competitive advantage in the industry. A case study of Suraya (K) Ltd Muhonja (2015) undertook a study on strategies adopted by Kenya Commercial Bank to stimulate adoption of agency banking in Kenya.

From all the above international and local studies no research has been undertaken in the field of agency banking practices of Equity Bank, the research question is "what are the innovative responses adopted by Equity Bank Ltd to sustain competitive advantage in agency banking practices in the local banking industry"

1.3 Research Objective

The objective of the study was study intends to establish the innovative responses adopted by Equity Bank Ltd to sustain competitive advantage in agency banking practices in the local industry.

1.4 Value of the Study

The study will be of great value to the participating bank as it will open up various avenues and opportunities to improve on competitive strategies the bank will adopt to sustain competitive advantage.

The study will also benefit stakeholders' industry players to understand the impact of each factor on the operations of their operations. This will give them an opportunity to step up and create working alliances to achieve the expected results.

Finally the study will benefit the academia and related policy formulation organs. The academic will benefit it greatly through policy manual write ups and res

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The section introduced the theoretical framework of the study and the relevant literature reviews thus covers;

2.2 Theoretical foundations of the Study

This study is anchored on the following theories, the Resource Based View; the Agency Theory, the Rogers diffusion of innovation theory

2.2.1 The Resource Based View

The Resource Based Theory (RBT) initially advanced by many proponents among them Prahalad and Harmel (1990) Burney and Hesterly (2010) views the firm as a unique bundle of assets and resources which can create competitiveness of utilized to the maximum; they argue that the firm can outsource other processes other than its core competencies (unique capabilities) or processes (Quinn 1992 Mclvor 2010). The proponents of the resource based view argue that the heterogeneity in organizations knowledge based resources and capabilities explain differences in performance and sustainability of a competitive advantage (Teece et al 1997).

These strategic resources should be valuable, rare, imperfectly imitable and have no easy substitute to secure competitive advantage. (Barney 1991). Firms will try to retain in house activities to match their strategic resources to enhance competitiveness. In the event the firm does not have strategic advantage and lacks requisite resource complementarily, the firms will outsource the processes.

2.2.2 Agency Theory

The agency theory indicates that a principal urgent relationship cannot perfectly implement the goals set up by the principal, Jensen and Mechlung (1976). According to Ensenthardt (1985) agency theory is concerned with resolving two problems which occur in the agency relationships; the first is the problem which arises when the desires or goals of the principal and agent conflict and it becomes difficult or expensive for the principal to verify what the agency is actually doing; the second problem is the issue of sharing risks; which arises when the agent and principal have different risk preferences.

2.2.3 Rogers Innovation Diffusion Theory

Rogers (1993) indicated five district features of innovations which significantly influenced adaption process; Venkatraman and price (1990) concurs with Rogers that there are certain product and service characteristics which affect the diffusion of innovations process, and these influences the acceptance of new products or services. Rogers (1993) candidly explains that the relative advantage of an innovative product/service is its offering or the existing products and services; which accelerates its rate of adoption by the target market;

Kotler and Keller (2006) argues that the compatibility of an innovative product and services offering in the existing background behaviors and lifestyle patterns of consumers affects its adoption by the consuming public; the nature and level of complexity of a product also affects its adoption and diffusion process; innovations which are easy to understand and use get quick response in terms of buyer purchases.

The ease of product testing also accelerates its acceptance; Rogers (1995) quotes that observability as the ease with which the product can be observed; the idea of observability also references the degree to which a product/service benefits van be easily observed, imagined and perceived by the potential consumer (Kottler 2006). The diffusion of innovations is a process consisting of awareness, interest evaluation, trial and adoption, a customer can reject the innovation during this process.

2.3 Diffusion of Innovations

The study of diffusion addresses two main issues, first acceptance of new product or ideas in the market place hence the concept of diffusion, secondly the studies probe into decision making process that lead to consumers acceptance or rejection of the new product or ideas hence known as adoption. The diffusion process is a macro process concerned with spread of its original source to and throughout the general public adaption process deals with the stages that an individual goes through to before acceptancing a product (Wozniak et al 2001).

Robertson (1967) identifies four basic components of diffusion process, the innovation, the channel of communication, the social systems, time: innovations can be classified under three sections; discontinuous, dynamically continuous, and continuous innovations. Distinction of these three classes is found on two elements, the extent to which they represent changes in technology, and the extent to which innovations require (Schiffman and Kanuk 2009).

Nessim et al (2001) explains the diffusion of innovations as a process consisting of four elements, the innovation, the channel of communications, the social systems, time. Discontinuos innovations are unique pioneering products that significantly disrupt and alter established purchasing and consumption routine. They involve major technical advances on the part production. As a result of this development, the innovations require new consumption or usage patterns. The marketing task at this stage is sell the concept; this involves consumer education programmes. So that consumers can respond to the innovation positively.

Dynamically continuous innovation are new products that do not strikingly alter the customers established usage patterns. This category involve adaptations or improvements to existing products, but they have same disrupting influence on the consumption patterns and may require new learnings is the continuous innovation category, these are new products which require minimal; if any adjustments in consumption patterns. These are low learning cases and need minimal if adjustments to the conventional consumption routine. Finally these is the symbolic innovations, whereby a product conveys a new social or psychological meanings; hairstyles, fashion, electronics potray the same and relevant meanings to symbolic innovations. (Nessim et al 2009)

2.4 Factors that Influence the Decision Making Process

Consumer buying behavior is a complex issue which is the outcome of very many perspectives. These perspectives include culture, subculture, social class, personal factors and psychological factors. One of the most visible determinants of buyer behavior is culture which is defined as the sum total of shared values , norms and beliefs. Culture is said to be prescriptive i.e culture dictates human behavior. A people who share the same culture will exhibit similar buying behaviors. Culture is said to be enduring but it has also been argued that culture can change.

Buying behavior is also Said to be influenced by social factors which include reference groups, family and social roles of the person. Reference groups are those groups that the consumer refers to in the process of making consumption decisions. These groups may be referred to either to belong or to avoid. An avoidance reference group is a reference group that the consumer refers to so as to make purchase decisions that distance them with the group as much as possible .

Buying behavior is also influenced by such factors as personal factors. These factors include age, income, education level, stage in life cycle among others. The life cycle model has particularly been found to have a lot of application in the analysis of buyer behavior. The following life cycle stages have been identified: Bachelor stage, New family stage, mature family and the empty nest. Each of these stages has been found to exhibit different purchase behaviors.

2.5 Competitive Strategies

Competitive advantage is the advantage the firm has over its rivals which allows it to generate greater sales or margins and remain competitive in the industry. Competitiveness can be analyzed from many dimensions product offerings, distribution, networks, customer support programmes; Porter (1985) indicates that competitive advantage stems from many discrete activities a firm undertakes like marketing, delivering support for its products each contributing to the firms relative cost position and creates basis for differentiation. Firms can adapt three generic strategies; these are cost leadership, differentiation, and focus. Mbaya (2007) concludes that the essence of a strategy lies in creating tomorrow's competitive advantage faster than the competitors can imitate the current ones. Competitiveness should be guarded from obsoleteness from the changes in industry and other external forces.

Porter (1985) outlines three successful generic strategies; these are cost leadership, differentiation, and focus in a low cost strategy approach. The firm sets to become low cost producer in the industry. In differentiation strategy a firm seeks to be unique in the industry along some characteristics, such customer value and are of quite benefit to their needs and expectations; differentiation can originate from the product itself, the systems; the marketing approach, the service itself. Focus strategy implies a firm specializing in a Niche market, serving a narrow market segment of specialized needs.

The focus strategy tends to serve tailor made needs (Porter 1985); Barney (2007) concludes that a competitive strategy when it seeks to gain superior economic performance by contending with other firms, the firms' internal capabilities and expectations and influences of stakeholders are all valuable in formulation of competitive strategy (Johnson and Scholes)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the research methodology that was employed in this study.The section contains : the research design, data collection and data analysis.

3.2 Research Design

Research design is a scheme or outline or plan that is utilized to generate solutions to research problems. A case study was adapted for the study. George and Bennet (2005) indicates that a case study is an in-depth inquiry into a sources meant to describe a situation comprehensively with specific focus on one issue and not generalizations of the context. Zainal (2007) concludes that a case study provides information of causativeness relationship in the particular context and offers all inclusive viewpoint on the relationship since it treats specific context as a whole.

3.3 Data Collection

The researcher used primary data. Primary data is that kind of data obtained directly form a respondent either orally or in written format; an interview guide was utilized to gather relevant information. The interview guide was structured to capture the demographics information and the aspect of competitiveness. Respondents will be the credit managers in charge of credit and operation management.

3.4 Data Analysis

According to Lina et al (2005), data analysis is the process of bringing order structure and meaning to the mass of information collected. Content analysis was used to analyze the data. The other information was presented in order of relevant themes.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1. Introduction

This chapter represents the findings from the interview guide, used during the interactive session(s). The chapter also has discussions.

4.2. Response rate

A total of five senior personnel in charge of various departments were interviewed. This represents a 71% response rate. The nonresponse rate was 29%. This result is quite impressive as it registers a more than 50% response rate. The good response rate is attributed to the good preparations done prior the interview.

Table 4.1. Response rate

Statement	Frequency	Percentage
Positive response	5	71%
Nonresponse	2	29%
Total	**7**	**100%**

Source: reseacher 2016

4.3. Duration of service

The study sought to understand the length of service the employees had worked in the organization. From the statistics 3 employees had worked for more than 4 years in agency banking department, whereas the rest of the employees had a work experience of less than four years in their respective departments, this translates to a well-informed workforce within the banking sector. The longer years of service can be very instrumental to work situation decisions and consistency of output in terms of services.

4.3. Staff distribution

Target department	Target	Achieved	Percentage
Marketing & operations dept.	02	1	14.2%
Agency banking dept.	2	2	28.6%
ICT dept.	1	1	14.2%
Credit dept.	02	1	14.2%
Total	**7**	**5**	**71%**

Source: Reseacher 2016

From the data analyzed above the staff distribution indicates the number of staff interviewed by the interviewer. The agency department had two respondents (28%) which implies that the nature of information gathered was quite accommodative. The ICT department had one respondent, this was very critical because the agency banking practices utilized ICT techniques to undertake its work in terms of account opening and money transfer. 14% operations department had one respondent which was equivalent of 14% equivalent with the credit department whose rating was also 14%

4.4. Level of education and special agency training

The study also sought to analyze the level of respondents in view to highlight the competency of each member or respondent, all the respondents had university degree qualifications, some were registered with post graduate studies. Some of these employees had special training in agency banking practices. This means that the quality of decisions made are quite diverse and high. The competency of the workforce also reveals the strength of strategies which are devised and supportive of the operations.

Table 4.4. Academic qualifications

Statement	Frequency	Percentage
University level of education	3	42.9%

Post graduate level of education	2	28.6%
Total	**5**	**71.5%**

Source: Reseacher 2016

Further to the goof level of university education, the respondents had also special training on agency related training and various products, these staffs gets periodically trained to cope with technological innovation and practices.

4.5. Duration of banks operation (s) in the industry

The researcher sought to understand how long the bank has operated in the industry in view of ascertaining the banks experience and trends features in the industry. The findings indicate that Equity Bank started its operations as a building society in 1984 October and formerly became a bank catering for the disadvantaged groups of the community. The bank's flexible operations became a very strong competitor against formerly established big and reputable banks. The long period of operations gives the bank a competitive edge in its operations against the competition; the long period of operation also signifies stability and sound continuity strategies.

4.6. Agency Banking practices

The study also inquired into the number of agents in the agency banking practices. It became very clear that there are 22,882 by end of July 2016, to enable service delivery close to the customer. The large number of agency partners also indicates banks commitment in serving the customer. The bank has 170 branches countywide. The agency practices have witnessed a speedy growth of the operations and entry of new customers who have defect from other banks. Notable functions include account opening, money deposit and a wide level of inquiries payment of fees among other functions.

4.7. Customer service contribution to effective service delivery (Agency practice)

The researcher tried to investigate the role of customer service in service delivery, the respondent was quick to add that customer service is one of the key pillars of success when it comes to service

marketing unlike the goods transaction approach. The services are offered in a convenient environment which must result in productive service encounter experience, narrated the respondent. The customer care relations officer explained that the location convenience and operational schedules assume great importance in customer experience when procuring a service; the customer value how much it costs and takes then to acquire services. The respondent further explained that the method of service delivery in terms of customer interaction and service organization is very critical, the respondent cited various levels of interactions these includes when the customer goes to the service organization, or when the service organization comes to customers, and the customer and service organization transact at arm's length (by use of modern e-methods electronic mail communication)

The respondent further inquired on the level of customer satisfaction using self-serving technologies or use of intermediary like an agency to achieve satisfaction. This is what the respondent had to comment "That when customers are required to visit the service provider agents, they are expected to understand the self-serving technology to reduce lines in the banks; the physical environment must be right from the encounter session till the post-sale transaction session. A benefit of customer service includes customization, convenience and long term relationship development.

4.8. Strategies' for effective service delivery through intermediaries

The researcher sought to know the various strategies for effective service delivery through intermediaries, the respondent replied "We have three categories of intermediary management strategies; these are control strategies, empowerment strategies and partnering strategies". The respondent further explained that under control strategies there is a measurement element; the element of review; empowerment strategies include helping the intermediary develop customer oriented service process; provide needed support systems; develop intermediaries to deliver service quality: Finally the partnering strategy include alignment of goals, consultation and cooperation. The researcher inquired

on the difference between agents and brokers in relation to banks agents undertaking agency practices. The respondent replied that an agent acts on behalf of the service principal and is authorized to make agreements between customers and those principals.

4.9. Benefits and challenges in service distribution using agents and brokers

The researcher inquired about the challenges and benefits which have arisen out of using the agency related practices and how well they fit into the banks overall strategy; This is what the respondent had to say, there is loss of control over pricing and other aspects of marketing, agents represent multiple service principals.

In this case you find an agent for Equity bank has contracted also Kenya Commercial Bank and Coop Bank services so the level of dedication and loyalty goes down, then the agent cannot monitor the service trends with keen interest. The respondent however explained a lot benefits arising from agency related benefits, this includes reduced selling and distribution costs, intermediary possession of special skills and knowledge of target audience market segment, there's the issue of wide representation and a good understanding of local markets and customer choice.

The respondent also explained some of the challenges arising from electronic distribution of services such as lack of control of electronic environment; inability to customize customers are not usually involved; and the challenge of security. The benefits include quality control; low cost; customer convenience; potential for wide distribution; customer choice.

4.10. Customer and complaint management response to service failure

The study sought to understand how the agents handled complaints from customers and what were reactions from service failure, the respondent started by explaining that complaints are opportunities to improve the service element and a way to identify weak ends of service delivery. However the respondent indicated the following guidelines which the agency follows to solve the problems and customer complaints, these include acting fast admitting that a mistake has occurred; indicate problem familiarity and take corrective response; avoid arguments with clients; give customers benefit of doubt; clarification of steps needed to sort the problem; keep the customers informed on progress always; consider compensation; and as much try to regain customer good will.

The respondent however explained how some customers reacted to service failures, these were some of the observable issues, that other customers do not do anything and move to the competition, others complain to the service firm, others take action through 3rd party groups (advising groups, customer affairs groups and regulatory agencies) but all these depended on the individual customer responses.

4.11. Improving service productivity

The interviewer resorted to understand the action the bank was undertaking to improve service productivity through agency practices and overall bank related services. The respondent indicated the following measures; The first remedy was to improve staff who are in charge of agency practices, so that they can deliver quality service, use of systems and technology, reduce service levels, substitute products for service, reduce …… between supply and demand.

The study concluded the exercise by asking the respondent to identify the causes of low turnout of agency services, this included poor service delivery, incompetent staff and agency links, poor work environment, failure of support facilities at the agency due to low capital investments of most agents, inconvenience, poor location points of agents also contributed to low turnout at agent levels, low public confidence on agents by clients and the security factor for those clients who have huge investments do not prefer agency services.

4.12. Discussion

The practice agency banking is a new wave of development in the banking sector. Consumers are always cautious towards new practices behaviors. This is confirmed by Hawkins Yen and Chou 2000 in describing the buyer behavior as a complex process, disorganized, non-conscious organic and circular. Several factors come into play when consumers are aroused to particular purchase, the process of buying starts from problem recognition, information search, processing brand evaluation, purchase, use and disposition and finally post purchase evaluation. Agency practices have had their share of challenges ranging from fear of customer confidence, insecurity of funds enlisted at agency levels and poor infrastructural facilities.

The understanding of customer knowledge and behavior is critical towards making certain critical decision making like segmentation, targeting and positioning. Consumer satisfaction arises out of need satisfaction and a host of related factors. Wright (2006) indicates that consumer attitudes towards a product / service if influenced by how the bank undertakes their promotional campaigns towards particular clientele base.

The adoption of agency banking practices, Hall (2004) identifies the characteristics of promulgated by Rogers (1980) the degree to which an innovation if perceived to offer superior advantages to one preceding it. This encompasses of friability compatibility, complexity and observability. Banking agency is an innovation which the customer have to adopt in terms of service delivery Fagerberg (2003) indicates that innovation is a dynamic continual and commercialized idea that originates from an invention or innovator. The current banking practices in Kenya are quite educationary and taking new diverse directions, online banking, agency banking practices, mobile money and insurance services. Agency banking is evidently coming up as a very strong alternative banking and channel. Service value or premium is put in innovation towards exemplary service provisions in the market. Banks effort to deglaze and offer branchless banking is a way forward towards the future. ICT enabled facilities are also facilitating better service delivery, Erasmus and Labani (2009) on consumers use and satisfaction with shopping cards in Botswana found out the consumer choice of card usage was a result of multiple factors like social status, income level, level of awareness, education standards, among others, hence agency banking practices are also influenced by a host of factors including insecurity and lack of effective banking facilities at agency levels and outlets. Davis (1989) indicated that there was a relationship between users beliefs about a technology usefulness and attitude and intention to use technology. Agency banking practices needs be perceived positively if the intended goal of the practice is to be attained .

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Introduction

This section contains the summary conclusions and recommendations of the study.

5.2. Summary of the findings

The study gathered the following information as summarized here under. The response rate was very good 71% the individual demographics indicate a well-educated work force within the bank structure, quite experienced and highly motivated in terms of work assignment. The findings indicated that the banks have been in to create differential competitive advantage. The study also enlisted the various strategies utilized by banks to improve service delivery through use of physical intermediaries and electronic intermediaries. Challenges were also outlined through use of brokers and agents to deliver banks services especially the agency banking practices.

The study also touched ion issue of consumer complaint management and customer response to service failures, a host of factors were enlisted which indicate the kind of action required, finally the study analyzed the methods of improving service productivity, this could greatly enhance the operations of the agencies towards better bank performance.

5.3. Conclusions

Based on the findings of the study, the following conclusions can be outlined that the agents are the backbone of equity banks celebrated performance through the network of agents, the bank has been able to mobilize huge resources and has greatly improved its capital base that has also created positive customer relations and investor confidence.

It cans be concluded that the ICT facilities be well linked to agency level to enable them operate and serve the customer in a more concise manner; the study also concludes that there’s need to train most of these agency staff to understand banks policy guidelines and also its core competencies and weakness, this can give the agents competitive information to work on.

The study conclusions if also that the agencies should be properly networked and have one platform where they can all be monitored observed and linked to other stake holders. Its evident that there’s need to improve the electronic channels to make the banks competitive.

5.4. Recommendations

The study makes the following recommendations; that need to strengthen the ICT levels at the agency operated units to make the units viable and competitive. This will greatly enhance the level of customer satisfaction. There also need to upgrade the various services offered at agency level to closely reflect the bank standards.The study also recommends urgent training among agency staff introduce the academic qualifications for the agency personnel to improve their operational performance. There is need to educate the challenges associated with use of intermediaries and strengthen the orger level of intermediary which use e-enabled technology. Complaint management practices need also be improved and customer feedback channels enhanced, so that it becomes easy to understand the customer.

Finally the study recommends the improvement of service productivity levels in all the agency levels.

5.5. Further research

The study recommends further research to take account of other factors affecting agency banking practices and the banks operative performance. Another suggestion is to undertake similar research across the divide of banking sector to find out the similarities of factors affecting or propagating growth of agency banking practices

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Dear Sir/ Madam

RE: RESEARCH – DATA – COLLECTION

I am a post graduate student at the University of Nairobi, undertaking a master of business administration. As part of my course I am required to carry out a research project on innovative responses adopted by equity Bank to sustain competitive advantage in agency banking practices in the local industry. You have been identified as a key respondent kindly requested to assist me provide data by respond to the questionnaire. I hereby confirm that the information obtained shall be used solely for academic purposes.

Your assistance will be highly appreciated.

Yours faithfully

PETER MABURU

M.B.A STUDENT (U.O.N)

APPENDIX II: INTERVIEW GUIDE

TOPIC:INNOVATIVE RESPONSES ADOPTED BY EQUITY BANK LTD TO SUSTAIN COMPETITIVE ADVANTAGE IN THE AGENCY BANKING PRACTICES IN THE LOCAL BANKING INDUSTRY.

SECTION A: RESPONDENTS DEMOGRAPHIC DATA

Q1. What is your position in the Bank?

Q2. How long have you served in the same capacity?

Q3. What is your department?

Q4. Do you have any special training on the Agency Banking practices?

Q5. What are your highest academic qualifications?

Q6. Does the Bank appraise employees regularly?

SECTION B: ORGANIZATIONAL DATA

Q6 (b) How long has the bank been in operation?

Q6 (c) How many agents are currently operational? Give some of the functions of agency (s)

SECTION C: CUSTOMER SERVICE ORGANIZATIONAL CULTURE & AGENCY BANKING PRACTICES

Q7. Explain how customer service contributes to effective agency Banking practices?

Q8. What methods do you utilize to get customer feedback from agency Banking experiences?

Q9. Explain strategies the bank has utilized to effectively service delivery through intermediaries.

Q10. How has technology facilitated the success or affected its ultimate goal of customer satisfaction?

Q11. Summarize the benefits and challenges of distribution service through intermediaries.

Q12. Explain your experience, expectations on agency practices relative to customer levels including complaint handling.

Q13. Indicate how the bank can improve service productivity through agency practices.

Q14. Identify some of the causes of low customer response to agency related practices in banking in the century & beyond.

SECTION C: STRATEGIC RESPONSES & COMPETITIVE ADVANTAGE

Q16. What are some of the strategic responses the bank has adopted to improve its agency banking practices?

Q17. Explain the role of ICT (Information Communication Technology) agency banking practices.

Q18. What are the challenges experienced in efforts to digitize the banks operations and agency banking?

Q19. How relevant are generic strategies of focus, cost and differentiation in agency banking?

Q20. What strategies have the bank put in place to enhance and improve agency banking practices?

APPENDIX III: LIST OF BANKS

1. African banking corporation
2. Bank of Africa
3. Barclays bank
4. Bank of baroba
5. Bank of india
6. CFC stanbic bank
7. Chase bank
8. Citibank NA Kenya
9. Commercial bank of Africa
10. Consolidated bank of Kenya
11. Cooperative bank of Kenya
12. Credit bank
13. Development bank of Kenya
14. Diamond trust bank
15. Dubai bank Kenya
16. East African development bank
17. Ecobank
18. Equitorail commercial bank
19. Equity bank
20. Family bank

21. Fidelity bank
22. First community bank
23. Giro commercial bank
24. Guaranty tryst babk
25. Guardian bank
26. Habib bank
27. Habib bank AG zurich
28. I&M bank limited
29. Imperial bank limited
30. Jamii bora bank
31. Kenya commercial bank
32. K-rep bank
33. Middle east bank Kenya
34. National bank of Kenya
35. NIC bank
36. Oriental commercial bank
37. Paramount university bank
38. Post bank
39. Prime bank
40. Standard chartered Kenya
41. Trans national bank Kenya
42. United bank for Africa
43. Victoria commercial bank

Representative offices of foreign banks

1. Bank of china
2. Bank of Kigali
3. First rand bank
4. HDFC bank
5. Nedbank
6. The hongkong and shanghai banking corporation
7. Central bank of india