

**THE EFFECT OF AGENCY BANKING ON FINANCIAL
PERFORMANCE OF COMMERCIAL BANKS IN KENYA**

BY

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D61/79101/2015

**A RESEARCH PROJECT PRESENTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR AWARD OF THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF THE
UNIVERSITY OF NAIROBI**

AUGUST 2016

DECLARATION

I, the undersigned, declare that this research report is my original work and that it has not been presented in any other University or institution for academic credit.

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

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ACKNOWLEDGEMENT

First, I really thank the Almighty God for guiding me all through till accomplishment of my study, without Him I could not make it. I would like to express special thanks of gratitude to my supervisor, Dr.Cyrus Iraya for his guidance and good supervision of my research. I really appreciate his encouragement and contribution towards my work, which enabled me believe I would make it through. My sincere thanks goes to my beloved parents and my siblings for their moral support and encouragement all through me entire course.

Lastly, my sincere gratitude goes to my friends, classmates, colleagues and relatives for their encouragement and supporting me all through.

May God bless you all.

DEDICATION

This research paper is dedicated to my beloved parents Mr. David Mwoni and Mrs. Christine W. Kimanzi, and my siblings for their support, care, love and encouragement during my entire course. Their sacrifices have enabled me to achieve my goals and I am grateful for that.

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LIST OF ABBREVIATIONS AND ACRONYMS

AFI	Alliance for Financial Inclusion
ATM	Automated Teller Machine
BFA	Bankable Frontier Association
CBK	Central Bank of Kenya
CGAP	Consultative Group to Assist the Poor
FSD	Financial Sector Deepening
GDP	Gross Domestic Product
PCs	Personal Computers
PIN	Personal Identification Number
POS	Point Of Sale terminal
SBP	State Bank of Pakistan
SPSS	Statistical Package for Social Sciences
ROA	Return on Assets

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ABSTRACT

In most developing countries, the banking sector has adopted several delivery channels to ensure that financial services reach both the banked and the unbanked especially in the remote areas. Agency banking will enhance the access to financial services, and at reduced expenses in rural regions. The study sought to establish the impact of agency banking on the financial performance of commercial banks in Kenya. Descriptive research was used in this study. The target population for the study was 17 commercial banks of Kenya that had adopted agency banking as at December 2015. The study used secondary data, which was collected from the CBK bank supervision annual reports and audited financial statements for the banks as well as their annual reports. Annual reports were analyzed for a period of 3 years, between 2013-2015. The study used multiple regression analysis to find out relationship between the agency banking in terms of the number of agents, the volume of transactions undertaken by agents, and the bank size as the control variable and the financial performance of banks as measured by return on assets. The data collected was analyzed using Statistical Package for Social Sciences (SPSS). The findings suggest that the regression model significantly predicts the dependent variable, implying that agency banking has a significant impact on the financial performance of commercial banks. The coefficient of multiple correlation, multiple R, stood at 0.602. The coefficient of determination, R Square, suggests that 36.3% of the variation in the dependent variable results from the variation in the independent variables in the regression model. The large proportion of the variation in the dependent variable suggest that the regression model can explain the role of agency banking in the financial performance of commercial banks. The study concluded that increase in the number of agents of commercial banks lead to their increased financial performance hence there is a positive correlation between the number of agent outlets and financial performance. The study findings indicate that there is strong and positive correlation between the commercial banks' return on assets, volume of cash transactions and the banks' size with the financial performance. The variables in the study influence the financial performance of commercial banks jointly. The study recommends that the regulators consider reforming the regulatory framework to encourage more commercial banks to enhance the adoption of the agency-banking model. By adopting agency the volume of transactions in the commercial banks will increase hence leading to the improvement of the financial performance.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Information technology holds the potential to fundamentally change the banks and the banking sector. The rapid growth of technology in the developing economies, especially Africa has highly contributed in the enhancement of financial innovations in the banking sector, which include Automated Teller Machines, credit cards, mobile banking, internet banking, and the recent introduction of agency banking (Bold, 2011). Technological advancement has facilitated the improvement of living standards among individuals by ensuring easy accessibility of banking services at minimal costs. In situations of increased globalization, technological changes and high market competition, firms experience performance gains and competitive advantage (Henderson & Venkatraman,1993)

Agency banking is a subset of the broader domain of electronic banking. It entails a contractual agreement between the commercial banks and selected agents to offer specified financial services within the banking spectrum. Agents are remunerated on commission basis according to the transactions conducted. Agent banks are eligible to carry out transactions such as cash withdrawal; cash deposits; payment of bills; enquiry of bank balance; cardless deposits (via sim-banking); disbursement and repayment of loans; issuing of mini bank statements; salary payment; and forced pin change (CBK, 2014). Financial performance measures the generation of revenues using business assets.

On a global landscape, post offices and some retail outlets have been increasingly in use in offering financial services. Post offices in Australia, Corner stores in rural France and small lottery joints in South America offer financial services, specifically those related to banking

and social services payments. Agency banking has been in existence for less than two decades with Brazil being the first country to adopt it in its municipalities in 2000 (National Banking and securities, 2012). In the earlier years, agency banking was acceptable only for commercial services but this stance has changed over the years to allow other non-banking financial institutions to open up agents to effectively serve citizens in Brazil (Mckay, 2011). The success of commercial banks is directly linked to how easy it is for people to access the financial services. Failure to serve the public effectively would portray a poor banking or financial systems sector leading to reduced financial performance of the said banks. To facilitate financial services access by the public, the Central Bank of Kenya formulated a legal Act in 2010, which saw commercial banks get the permission to contract agents as third parties overseeing retail networks (Aduda, 2012).

1.1.1 Agency Banking

Agency banking involves the provision of financial products offered by banks at premises away from the conventional banking premises (Modupe, 2010). Agency banking is the contractual arrangement by which the licensed financial institutions use third parties to serve clients with financial products (CBK, 2010). Banks have agents situated in strategic locations where customers need fund to make purchases or diverse forms of payments. Kumar, Nair, Parsons, and Urdapilleta (2006) hold a view that agency banking is not independent from the parent bank implying it cannot offer financial products other than those offered by the parent bank. Agency banking enables the customers to get access to the financial services at their convenient places, therefore curbing barriers of financial inclusion such as cost and accessibility.

Agency banking is rapidly developing and its regulation has facilitated its spread. It enhances the access and convenience of bank operations (Ivatury & Lyman,2006). Agency banking is adopted by many banks and financial services regulations to enhance financial inclusion and promote financial deepening and innovativeness. Commercial can reach remote areas associated with a high percentage of unbanked people. Agent banking involves distribution channels of financial services, using technologies. Bank agents are required to provide receipts to the customers for all the cash deposit and withdrawal transactions. Additionally the principal institution is expected to place effective ways of identifying agents and receiving feedback from clients, for example sending notification to customers through mobile phones. The pioneering countries in the adoption of agency banking include; Brazil, Kenya, India, Philippines, and South Africa.

1.1.2 Financial performance

Financial performance measures the extent to which the firm generates revenue through efficient utilization of the available assets. Financial performance is the degree to which the financial objectives are being achieved by considering the outcome of the monetary aspects of an organizational operating processes and policies. During financial analysis, decision-makers select, evaluate, and interpret financial data, in addition to relevant information, to help appreciate the dynamics influencing performance. The results of financial analysis are helpful in evaluating concerns related to how employees are performing; whether an enterprise is operating efficiently; and probable opportunities for external investment (Drake, 2006).

The main agenda of regulators is helping the Kenyan financial institutions achieve vision 2030 targets, through rapidly and massively scaling up financial inclusions for improved accessibility to many Kenyans. Financial performance of an organization can be measured through the following key aspects:-Profitability, Liquidity, and Solvency, Financial efficiency, Repayment capacity and Working Capital Management. Commercial Banks aim at reviewing the financial performance to help in reassessing the bank goals and plan effectively to increase profits. Finances are mostly reviewed through profitability, whose key standard measures are:-gross profit margin, operating margin, and net profit margin for example return on Equity, return on assets, return on capital employed, and economic value added.

1.1.3 Agency Banking and Financial Performance

According to the Studies carried out by Financial Sector Deepening (FSD) in Kenya in 2009 showed that the financial inclusion (provision of financial services) had increased by 3.7 per cent over a period of three years. This was triggered by the lack of confidence for the poor people to get access to the formal banks as they were perceived to be for the rich people. As a result on the studies, adoption of agency banking was implemented to make people in the remote areas be comfortable in accessing banking services through visiting the retail outlets.

A World Bank survey into Kenya`s financial sector shows that within seven years, more Kenyans could get served in financial institutions. In the developing countries banks are highly investing in agency banking (amended in 2010) to ensure financial services accessibility to the unbanked individuals in the rural areas by offering low transaction

costs. Agent banks, through retail outlets are convenient and efficient (Ivatury & Lyman , 2006) as this reduces the long distances taken by the people in the remote areas to reach the bank branches, the long queues that are experienced in the banking halls. The Co-operative bank of Kenya has recently introduced banking agents within their branches to enhance confidence, create awareness, enhance security to the clients on the use of agent banking for deposits, and save on the time consumed on the over-the counter payments.

Agent banking has rapidly increased due to the low infrastructural cost incurred on it rather than setting up a bank branch. The low costs are contribution to the income ratio of the banks. Agent banks are used by commercial banks as a means to improve on the financial performance and maintain effectiveness in the market. This has stimulated interest in studying how agency banking relates to the way financial institutions perform. Despite the opportunities brought by Agency banking to both the customers and the commercial banks, some agent outlets maintain low floatation management costs and this may contribute to them being neglected by the customers due to inconveniences.

Increased competition in the banking sector has forced commercial banks to become more innovative. By December 2015, financial institutions had agreements with 40,592 and 1,154 agents in all parts of the country. In comparison with December 2014, the number of agents contracted increased by 4,745 banks' agent and 1,096 microfinance agents. This was mainly due to the increased confidence and acceptability of agent banking model as an efficient and effective delivery channel (CBK, 2015).

1.1.4 Commercial Banks in Kenya

As at December 2015, the banking sector comprised 42 commercial banks, 1 mortgage finance company, 12 microfinance banks, 8 representatives offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 3 credit reference bureaus(3rd quarter- Banking Sector Performance Development,2015). We have 17 commercial banks having the facility of agency banking. These include:-Equity Bank Ltd, Kenya Commercial Bank Ltd, Co-operative Bank Ltd, Chase bank Ltd, NIC bank Ltd, National Bank of Kenya Ltd, Consolidated Bank, Barclays Bank of Kenya Ltd, Standard Chartered Bank, Family Bank, Citi Bank, I& M Bank, Eco Bank, Diamond Trust Bank Ltd, African Banking Corporation, Commercial Bank of Africa, and Sidian Bank(CBK,2015). The Kenyan financial sector regulation results from the acts of parliament and guidelines from the relevant authorities.

Agency banking was adopted in the banking industry to enhance financial inclusion and financial deepening. When people are included financially, there is accessibility of affordable, quality financial services both formal and informal to the non-banked individuals at a convenient manner. Financial deepening has widened the sale of financial product to many clients for enhancement of economic growth. It generally means an increased ratio of money supply to GDP. Financial performance lies at the basis of regulatory reforms for the financial sector by ensuring that 70% of Kenyans get access to the formal financial services.

1.2 Research Problem

Though the banking sector is rapidly adopting technologies to get rid of the traditional bank branches, many people have difficulties getting served with financial products. People are forced to commute in the search of bank branches, which is costly to travel as well as time wasted in travelling, and the time taken in queuing in the banking halls. To address these challenges, Central bank of Kenya implemented Agency banking in 2010 to commercial Banks.

The Kenyan financial sector has agent-banking models based on banks as well as those not based on banks. The CBK and the Alliance for Financial Inclusion (AFI) work closely to ensure proper functioning of banks and their agents to ensure financial services are offered to the public. Contrary to other commercial banks in nations within Southern Asia, Commercial banks in Kenya with the agency-banking model retain custody of essential client details on the enabling infrastructure. Due to the low costs charged at the agents, the customers have no problem paying to get the ease, convenience and personal engagement with the agent establishment, compared to the higher cost at the bank branches.

There are numerous studies carried out on Agency banking both globally and locally. Ivatury and Mas (2008) studied on the experience of branchless branches adopted in the banking sectors and found out that branchless banking has lower delivery costs, including cost used in the establishment of the bank branches. Kumar, Nair, Parsons and Urdapilleta (2006) carried out a study alternative banking channels and found out that branchless banks are easily accessible by the small and higher risk clients.

Agents conduct transaction through mobile phones and the POS devices, though problem of weak mobile network connectivity is on the rise, hence becomes a threat to the adoption of Agency banking. This conclusion was made by Wabwoba (2012) on the challenges facing equity agency banking using Pokot County as his case study. According to Kambua (2013), on the study of how agency banking affected the way the Kenyan financial sector performed, found out that the low transaction costs in the agency banking contribute to the profits acquired in the commercial banks. However, the studies were carried out on at most 16 commercial banks for the period of up to 2014 and as such the findings might be outdated in comparison to the findings that will be got on study of 17 commercial banks for the period of up to 2015. Commercial banks have invested large funds in setting up more retail agent outlets through Provision of Point-of-sale machine, branding of the bank name for easy recognition, and creating awareness to their customers through advertising. Despite the level of research activity carried out both globally and locally on agency banking, there is no clarity if the growth in the number of agents by the commercial banks in Kenya has an effect on their return on assets. This study attempted to address this knowledge gap.

1.3 Research Objective

To establish if agency banking has an impact on the financial aspects of the performance of Kenyan commercial banks.

1.4 Value of the study

The findings will be beneficial to the following; first, the existing agent owners can use it to know the benefits that have accrued from the adoption of the agency and will enlighten

the potential agents in the market, leading to increase of the agent outlets hence improved market share and financial performance. Second, the findings can be used by Government and Regulators such as the Central Bank in the financial inclusion by licensing more banks to venture into the model for profits increment. Rules and regulations will further be adjusted according to the existing business environment for economic growth. Third, Academicians and scholars can use the research study to enhance their knowledge on the agency banking. This will enable them learn the theories associated with the model and develop new strategies for its improvement.

Fourth, Telecommunication companies will use the study to strategize on how they can mutually benefit from this development as opposed to been competitors of the same market segment. Lastly, Commercial Banks with visibility of benefits from adoption of agency banking in terms of improving financial performance and the market share. The study will act as an eye-opener to the commercial banks that are yet to embrace in the adoption of the agency banking.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the existing literature on the theories of agency banking and its performance on the commercial banks from previous studies, internet, articles and published journals. Empirical studies will be carried out in the guidance of the research gaps in the previous studies.

2.2 Theoretical Review

Agency banking represents the emergence of new delivery models that have a significant impact on how the poor access banking services due to the commercial viability of the operating model. Saving services have lower fixed costs, and customers are motivated to utilize them on a frequent basis, which enhances the sales revenue.

2.2.1 Agency Theory

This theory is primarily adopted in explaining the association or interactions between agents and principals and has been in existence for close to five decades (Baiman, 1990; Mitnick, 2006). Agency concept was proposed in the 1960`s and 1970`s with a focus on broadening the issues surrounding risk-sharing and explanation or resolution of the agency problem (Jensen & Meckling, 1976). The limitation of the agency theory is that it assumes simplistic contractual agreements of principal and agent. In reality, there are complex issues that create sophisticated agency relationships (Armstrong, 1991).

Merchant and Simons, (1986) state that agency theorem fails to consider the situations under which the agreements are entered. Such contexts relate to political, cultural, social,

and historical issues that affect the manner in which principal-agents relate. Agency theory is associated with agency cost that is monitoring costs, which are incurred by shareholders (Commercial bank) to ensure that the managers (Retail agent outlets) maximize wealth rather than behave on their own interest. Despite the fact that agent banking is a low cost transaction model that enables people to use it at their convenience and save on time consumed in the bank queues, the commercial banks will incur extra costs in ensuring proper training of the retail agent employee for efficiency, suitability, and satisfactory to the customers. Agency problems in the commercial banking sector, as Aduda (2012) asserts are becoming more complex as stakeholders in the banking sector.

2.2.2 Intermediation Theory

Financial intermediary theory is based on the economic aspects of information imperfection that came up during 1970`s after seminal discoveries by Akerlof (1970), Spence (1973) and Rothschild and Stiglitz (1976). Intermediation aids in reducing the cost of completing transactions that are associated with banking operations. Gurley and Shaw (1990) argue in terms of how transaction expenses provide an edge to intermediaries who are more exposed to diversification.

Diamond and Dybvig, (1983) posit that banks are an amalgamation of depositors offering households with financial services. The aspect of information asymmetry focuses on the relations of borrowers and lenders where commercial banks face challenges in the lending process; moral hazards, adverse selection, credit rationing, screening and monitoring the function of the bank (information asymmetry).

Financial institutions are important in allocating resources efficiently and hence no need for intermediaries. According to the Modigliani and Miller theorem, households can modify their own portfolios and therefore financial intermediaries are not needed. However due to emerging development of option pricing model in the market, financial intermediaries are needed for implementation of trading strategies. Historically, banks and the insurance companies have proved this assumption true in all the economies (Allen & Santomero, 1998). However, McKinnon (1973) observes that as intermediaries developed, so did the financial markets. Since the beginning of the final decade of the 20th century, more people have appreciated the economic significance of financial intermediation.

2.2.3 Bank-Focused Theory

The bank-focused theory's premise considers how the use of nonconventional delivery channels reduces the cost of providing financial services to clients. Financial innovation technologies in the banking sector such as automated teller machines (ATM) have made it possible to serve both the banked and non-banked at their convenience. This model of banking has been attributed to the extending the conventional model of banking that is based on branches, which ensures the visibility of brands and enhanced control capabilities (Kapoor, 2011). With the use of agent bank, local commercial banks enhance the operating efficiency, hence maintaining a high confidence on the customers. This has enabled agent banking to be distributed widely and this increases the profitability of the banks. This has posed challenge on the commercial banks that have not adopted the agency banking.

2.2.4 Bank-Led Theory

This theory provides an alternative for traditional way of buying financial products, as clients go for the products at the retail agent outlets or through mobile banking instead of visiting the bank branches (Ivatury & Lyman, 2006). This model encourages the customers to perform many transactions at their convenience and low cost. Commercial banks is the main provider of financial services, whereas the agents have direct interaction with the customers in provision of cash in/cash out transactions, similar to how a banker teller receives deposits from customers and processes withdrawals.

Retail agents are not entrusted to access the customer's bank accounts, as this may be riskier as compared to when a bank teller accesses the same. The retail agents are associated with problems of increased insecurity and lack of trained experts to perform the transaction process (Sate Bank of Pakistan, 2011). Financial regulations see many risk classes, which the regulators are expected to eliminate by implementing suitable mechanisms. These risk may include; liquidity risk, credit risk, financial risk, and operational risk. The sale of financial products at retail establishment brings questions on the customer safety and conformance to the rules guiding the prevention of illegal financial activities (Kumar et al., 2006).

2.3 Determinants of the Financial Performance of Commercial Banks on Kenya

Financial institutions emphasize on efficient allocation of resources in order to ensure there in improvement in their financial performance. Since they act as open systems, there is need to adopt to changes in the environment by coming up with suitable strategies. Factors affecting the profitability of Commercial banks are grouped within and without the firm.

Inside influences relate to the managerial priorities, while outside aspects have a lot to do with the operating environment.

2.3.1 Capital Adequacy

Commercial bank profits are influenced by the capital and revenues generated by the banking sector. Capital refers to the available financial resources used in generating income or make an investment. Availability of capital in the banks increases its liquidity level and this prevents the bank runs. Increased capital in banks reduces the chances of distress (Diamond, 2000). Capital adequacy directly influences how profitable a financial company is. Central Bank of Kenya introduced new guideline of increment of capital conservation by 2.5 per cent effective as at 1st January 2016, hence the banks are required to maintain total capital ratios of 10.5 per cent.

2.3.2 Agency Banking

Commercial banks have come up with new methods of selling financial products (Lyman, Ivatury and Staschen, 2006). Banking Act of Kenya amended in 2010, paved way for agency banking. This has led to increased profitability of the banks. Increased number of transactions facilitated by bank agents has attributed to increases in transactions relating to cash withdrawal, cash deposits, bill payments, money transfer, and money transfers that in turn improves the profitability of commercial banks in Kenya (CBK, 2014).

2.3.3 Bank Size

Commercial banks have rapidly increased in size over the years relative to their national economies of scale. It has been apparently proven that large banks are associated with

increased bank rate of returns as well as large bank risks to a country's public finances. The bank's absolute size is a representative of trade - off between bank risks and return. Large banks have relatively larger share of their income in terms of non-interest rate and non-deposit funding (Huizinga, 2012). Return on Assets is a good measure on the performance of the banks in relation to their size. Market share is an indicator of the bank size. This comprises of the net deposits, number of withdrawals, liquidity availability, and number of deposits and transactions of the bill payments.

2.4 Empirical Review

According to a report by the CGAP (2010), policy makers provide incentives for distribution of in the remote areas. They implemented regulations that facilitated the growth of banking models with low expenses while offering protection for the customers against insecurity measures. This was difficult to balance a strike, especially in regulation of agents, which are important in provision of financial services (CGAP, 2010). Only entities with licenses can sell financial products without the facilitation of branches (World Bank, 2010). Customer account relationship should be well maintained with the financial institutions to ensure that every transaction undertaken is reflected to the correct account. All financial institutions have to follow the laws inhibiting illegal financial activities. Bankable Frontier Associates (BFA) and Bill & Melinda Gates Foundation (2013) examined the role played by agents in widening the access to financial services in Brazil. It implemented a national Brazilian survey focusing on financial inclusion and agents use. Stratified sampling was used whereby only five regions of Brazil were selected for survey. The results of the study were mixed, that is, agents were viewed as extensive access networks significantly efficient in facilitating the transactions hence making bill payments

easier and faster to Brazilians. However, despite the availability of correspondents; branches are mostly preferred in offering financial services. There is no enough guarantee offered by correspondents in selling financial products: the growth of agent establishments must consider pertinent concerns.

Aduda, Kiragu, Ndwiga (2013) studied the way agency banking relates to the financial aspects of financial institutions' performance. The research was carried using descriptive design method. Data was collected for the three –year period: 2010-2012. The findings indicates that out a total of 43 banks, 8 have rolled out the agency banking service with Equity Bank, Co-operative Bank and Kenya Commercial Bank showing a significance performance index. However other banks that have rolled service (Family Bank, Diamond Trust Bank, Post Ban and ECO Bank) did not show much significance in the performance index. Agency banking is drastically improving leading increased financial performance in the banks that have adopted the model due to the convenience and low transaction costs. The findings show that commercial banks that had adopted agency banking were more effect based on the number of agent signed by the commercial bank. The agents, given a close supervision by the commercial banks, provide services consistent with what is in the service charter and the Central Bank of Kenya guidelines.

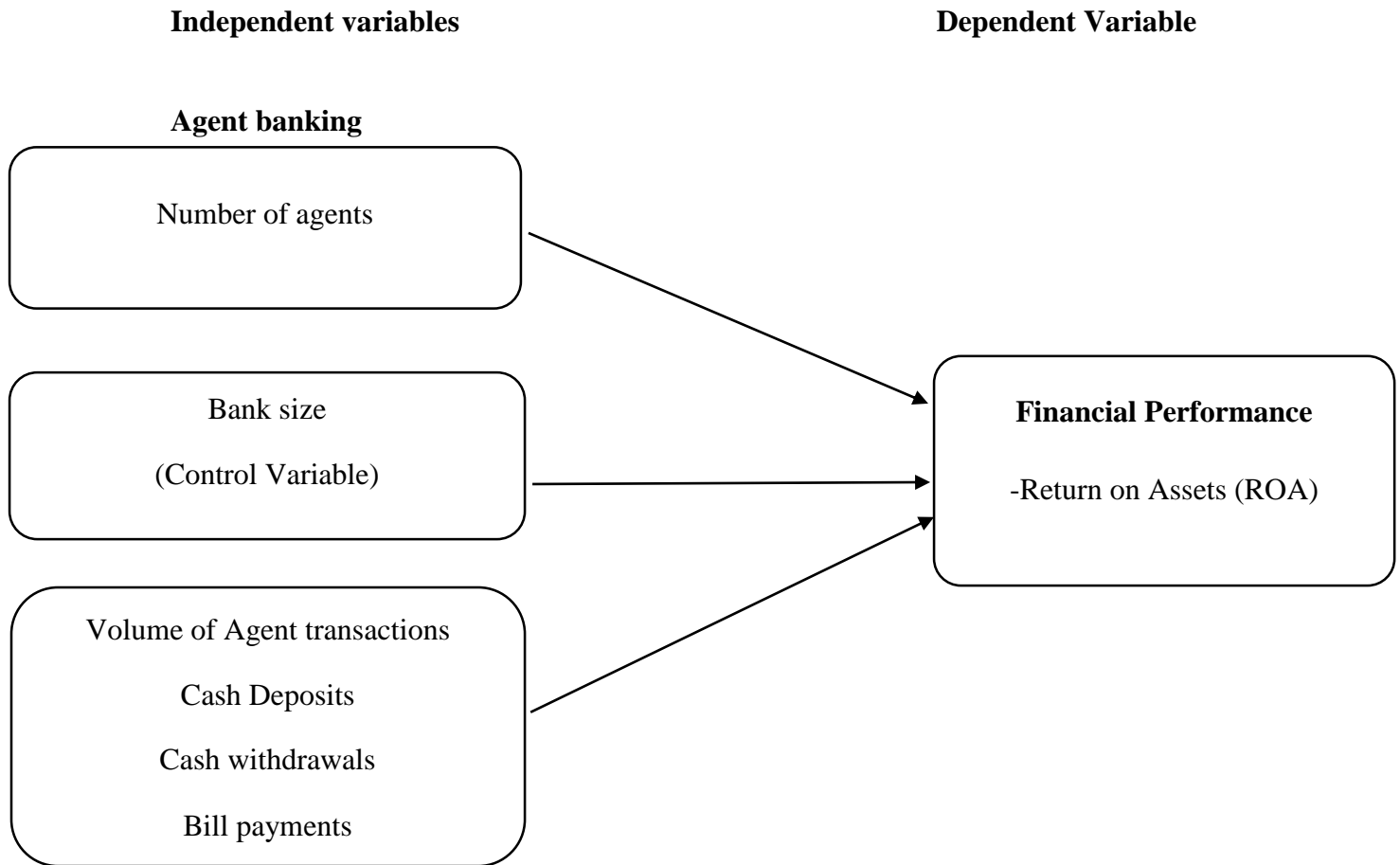
Mwando (2013) studied the contribution of agency banking to the bottom line of the financial sector. The study concludes that with greater market share, the commercial banks were able to enhance their operational efficiency and effectiveness. Barasa and Mwirigi (2013) sought to analyze the benefits of agency banking and offer some insight on the actual performance of agency banking in terms of enhancing access to banking services by the unbanked .The study was conducted among 40 registered outlets with a respondent

sample of 400 people. The study concluded that agency banking had brought a significant aspect to enhancing penetration of banking products to unbanked markets. The study also concludes that agency banking model has not only helped to demystify banking among low income populations but it also has placed beneficiaries on sure path towards electronic money banking since they perform transactions over a bank device, to make it possible for customers to transform funds to an electronic form, an important role in enhancing financial sector deepening.

2.5 Conceptual Framework

A conceptual framework is a diagrammatic presentation of variables, showing the relationship between the independent variables and dependent variable. The study sought to investigate how the independent variables influence the financial performance of listed commercial banks in Kenya. Financial performance is measured using return on assets. Return on assets is the financial ratio that shows the percentage of the net profit in relation to the total assets. The study is conceptualized in a framework explaining the relationship between the independent variables and the dependent variables as shown in the schematic diagram below

Figure 2.1 Conceptual Framework



2.6 Summary of Literature Review

The literature review is based on the Agency theory, Intermediation theory, Bank-Led theory, and Bank-Focused theory. On the empirical review, Bold (2011) in Brazil argued that banks, through the Central bank will ensure full supervision of its agents to ensure their efficiency. Agent banks should adhere to the policies set by the bank regulators in their operations. Agent banking has being widely spread to both the banked and the non-banked at low cost. The model has recorded increased number of transaction since it was implemented, therefore improving the market share and financial performance of the

commercial banks. On review agent banking charges low cost as compared to the branches. Retail outlets can be lottery, pharmacies, supermarkets, post office, and many more. Agents are allowed to perform several services to the customer, which include; deposits, withdrawals, balance enquiry, payment of bills, transfer of cash among others. According to the report on CGAP agency banking helped poor people in the remote areas through provision of the low cost banking services at their doorstep.

Barasa and Mwirigi (2013) argued that agency banking model has not only helped to demystify banking among low income populations but it also has placed beneficiaries on sure path towards electronic money banking since they perform transactions over a bank device. This is important role in enhancing financial sector deepening. According to Aduda, Kiragu and Ndwiga (2013), the number of agents set by a commercial bank has positively related to the financial performance of the commercial banks.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter will present the research design, population and target population, sample size and sampling technique, instruments, data collection procedure and data processing and analyzing.

3.2 Research Design

The study used descriptive research design, where the researcher does not manipulate the phenomenon under investigation. Descriptive studies are the best methods in the collecting information and demonstrating the appropriate relationships.

3.3 Target population

The target population included all the 17 commercial banks in Kenya that have adopted agency banking as shown in Appendix 1.

3.4 Data collection

The relevant data for the study was carried out using secondary data. Secondary data is data previously collected and is readily available for use in research. Sources of secondary data include, Journal articles, Published audited financial statements, books and many more. Secondary data saves on time used in data collection, it's cheaper and provides more accurate information. The bank's audited financial statements were used to extract financial performance indicators while the bank supervision reports from CBK were used to show the number of agents of the commercial banks in Kenya, the total number of

transactions conducted by the agents, and the value of the transactions. These reports were for three year period 2013-2015.

3.5 Data Analysis

Multiple linear regression was used to analyze the data collected in order to establish if there is relationship between the agency banking and the financial performance of commercial banks in Kenya. Statistical Package for Social Sciences (SPSS) will be used in analyzing the data.

3.5.1 Analytical Model

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where;

Y= Financial performance, which is measured by Return on assets (ROA), that is, the percentage of net profit in relation to the total assets.

α = the intercept of the regression model, representing the value of the dependent variable when there is no impact of the independent variable,

β_1 to β_3 = Regression coefficients,

X_1 =Log of the Number of agent banks,

X_2 =Log of Volume of cash transactions by agents,

X_3 =Log of bank size (control variable),

ϵ is the error term, representing the variation in the dependent variable that the regression model cannot explain.

3.5.2 Test of Significance of the Model

In the case of regression models, Analysis of Variance (ANOVA) was used to test the level of significance of independent variable on the dependent variable at 95% level of significance.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

Testing scientific hypotheses requires the collection of empirical data in order to assess whether they are consistent with the study propositions. The objective of the study was to establish the effect of agency banking on the financial performance of commercial banks in Kenya among 17 commercial banks for the period of 3 years from 2013 to 2015. The data was gathered from secondary sources records of the audited financial statements of the commercial banks of Kenya and the bank supervision annual reports at Central Bank of Kenya. This chapter presents the data, alongside the results of the analysis. The presentation includes the summary descriptive statistics of the data collected with respect to the key variables, correlation and regression analysis.

4.2 Descriptive statistics

This section presents the summary descriptive statistics of the data collected with respect to the study variables. It includes a description of the return on assets of the commercial banks forming the basis of the study, the number of agency banking outlets contracted by the commercial banks, the volume of transactions completed by the agents and the size of the commercial banks as indicated by the value of their total assets.

4.2.1 Return on assets

The return on assets of the commercial banks included in the study was the measure of financial performance. The following table shows the summary descriptive statistics of the return on assets of the banks comprising the study population.

Table 4.1: Return on assets (%)

	Minimum	Maximum	N	Mean	Standard Deviation
2013	-3.30	7.70	50	3.95	2.73
2014	-1.80	7.26	50	3.78	2.50
2015	-1.34	6.56	50	3.40	2.25

Source: Central Bank of Kenya Annual Bank Supervision Reports, 2013-2015

The average return on assets in the year 2013 stood at 3.95%, and the standard deviation was 2.73%. The worst performing commercial bank earned a return on assets of -1.8% in the year 2014, whereas the best performing bank had a return on assets of 7.26%. On average, the commercial banks included in the study had a return on assets of 3.78%, with the standard deviation standing at 2.50%. The range and standard deviation of the commercial banks' return on assets suggest that there was a high variability in the financial performance of the commercial banks forming the basis of this study.

There was a decline in the financial performance in the year 2015; the lowest return on assets was -1.34%, which represented a drop from -1.80% in the financial year 2015. Similarly, the best performing commercial bank earned a lower return on assets in 2015

than it did in 2014; the highest return on assets stood at 6.56%, which is 0.70% lower than that of the year 2014. On average, the return on assets for 2015 was 3.40%, which is 0.42% lower than what the commercial banks registered in the financial year 2014.

4.2.2 Agency banking outlets

Data was also obtained on the number of agency banking outlets contracted by the commercial banks under study (Appendix). The following table shows the summary descriptive statistics of the data.

Table 4.2: Agency banking outlets

	Minimum	Maximum	N	Mean	Standard Deviation
2013	8	8873	50	1323.81	2854.12
2014	18	13767	50	2003.55	4273.95
2015	21	16734	50	2422.66	5121.67

Source: Central Bank of Kenya Annual Bank Supervision Reports, 2013-2015

The findings suggest that there was an increase in the number of agency banking outlets in the three years to 2015, which signals increased adoption of agency banking by the commercial banks forming the basis of this study. The average number of outlets stood at 1323 in the year 2013, while in the year 2014, the number of agency banking outlets opened by each of the commercial banks in the study ranged from 18 to 13,767. The average number of agency banking outlets per commercial bank was 2,003.

The standard deviation of the number of agency banking outlets operated by the commercial banks in the study was high, indicating wide differences in the extent to which various banks had adopted agency banking as a deliver channel. There was an increase in the range of the agency banking outlets operated by each of the commercial banks in the study in the year 2015; the bank with the least number of agents had 22 outlets, whereas the bank with the highest number of outlets had 16,734 outlets. The average number of agents per commercial bank in the study in the year 2015 was 2,422, with the standard deviation standing at 5,121.

4.2.3 Volume of cash transactions by agents

Data was also collected on the volume of transactions that the agents of the commercial banks in the study handled (Appendix II). The following table shows the descriptive statistics of the findings.

Table 4.3: Volume of cash transactions by bank agents

	Minimum	Maximum	N	Mean	Standard Deviation
2013	58	58186	50	8660.66	18724.83
2014	13218	9994842	50	1452270.29	3103971.07
2015	19396	14876526	50	2153742.50	4553163.07

Source: Central Bank of Kenya Annual Bank Supervision Reports, 2013-2015

There was a marked increase in the volume of cash transactions that the agents of the commercial banks in the study handled; this increase can be attributed to the increase in

the number of the agents contracted by the commercial banks in the study over the same period. Transactions handled by bank agents averaged 8,660 in the year 2013. The lowest number of transactions handled by the agents of the commercial banks in the year 2014 stood at 13,218, while the highest number of transactions handled in the financial year 2014 stood at 9,994,842.

On average, the transactions handled by the agents of each commercial bank stood at 1,539,092. The standard deviation is very high; at 3,184,376.72, it is almost twice the average volume of cash transactions in the year 2014, indicating high variability in the level of activity of the agents of various commercial banks. In 2015, the agents of each commercial bank handled an average of 2,153,742 transactions, with the standard deviation standing at 4,553,163 transactions.

4.2.4 Total assets

The size of the commercial banks in the study was measured by the value of their total assets. The following table summarizes the values of the total assets of the commercial banks.

Table 4.4: Total assets

	Minimum	Maximum	Mean	Standard Deviation
2013 (Ksh. Millions)	13199.00	323312.00	120616.82	91835.98
2014 (Ksh. Millions)	15077.00	376969.00	143897.71	104787.39
2015 (Ksh. Millions)	14136.00	467741.00	170019.00	130945.40

Source: Banks Audited Financial statements as at, 2013, 2014, and 2015

There was an increase in the assets of the commercial banks included in the study over the period 2013-2015. In 2014, the bank with the least assets held Ksh. 15,077 million in assets, whereas the highest value of the assets held by a commercial bank in the same year was Ksh.376, 969 million. On average, the commercial banks included in the study had assets valued at Ksh.143, 897 million in the year 2014, with the standard deviation standing at Ksh.104,787 million. The average assets for 2014 substantively exceed 2013's Ksh. 120,616 million.

In the financial year 2015, the smallest bank among those included in the study had assets valued at Ksh. 14,136 million, whereas the assets of the largest commercial bank stood at Ksh.467,741 million. The average value of assets stood at Ksh. 170,019 million, with the standard deviation standing at Ksh.130, 945 million. The increase in the average value of assets suggests an improvement in performance, which enabled the commercial banks included in the study to expand their asset base.

4.3 Correlation analysis

The relationship among the study variables was analyzed using the Pearson correlation coefficient. The following table shows the matrix of coefficients of the correlation among the variables of the study.

Table 4.5: Correlation matrix

		Return on assets	Number of agency banking outlets	Volume of cash transactions	Bank size
Return on assets	Pearson Correlation	1.000	.466**	.237	.583**
	Sig. (2-tailed)		.001	.097	.000
	N	50	50	50	50
Number of agency banking outlets	Pearson Correlation	.466**	1.000	.749**	.759**
	Sig. (2-tailed)	.001		.000	.000
	N	50	50	50	50
Volume of cash transactions	Pearson Correlation	.237	.749**	1.000	.538**
	Sig. (2-tailed)	.097	.000		.000
	N	50	50	50	50
Bank size	Pearson Correlation	.583**	.759**	.538**	1.000
	Sig. (2-tailed)	.000	.000	.000	
	N	50	50	50	50

** . Correlation is significant at the 0.01 level (2-tailed).

The findings suggest that the variables in the study have a positive relationship. The return on assets and the number of agency banking outlets are positively related; this suggests that as commercial banks enhance their adoption of agency banking, their financial performance improves. The return on assets and the volume of cash transactions handled

by the commercial banks' agents are positively related, as the agents complete more transactions, the commercial banks' turnover increases, resulting in an improvement in financial performance.

The total assets and the return on assets are also positively related - as the value of a firm's assets increases, so does its earning capacity, and hence financial performance. There is a very strong relationship between the volume of the cash transactions handled by the agents of the commercial banks and the number of agency banking outlets; this is expected since it is only logical that banks with more agents will achieve a higher volume of transactions at the agency banking outlets. Total assets have a positive relationship with the number of agency banking outlets; the more assets a commercial bank possesses, the higher its capacity to contract numerous outlets. Total assets also have a positive relationship with the volume of cash transactions. Overall, the correlation coefficients of the study variables do not indicate multicollinearity.

4.4 Regression analysis

To establish the extent to which the independent variables predicted the dependent variable of the study, the return on assets of each commercial bank in the study was regressed against their agency banking outlets, volume of cash transactions completed by the agency banking outlets and the size as measured by the natural logarithm of total assets. The following table summarizes the regression model obtained.

Table 4.6: Regression summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.602 ^a	.363	.321	2.03145

a. Predictors: (Constant), Bank size, Volume of cash transactions, Number of agency banking outlets

From the findings, there is a strong and positive correlation between the commercial banks' return on assets, number of agency banking outlets, volume of cash transactions handled by the bank agents and the banks' size; the Multiple R stands at 0.602. The R Square is 0.363, which suggests that about 36.30% of the variation in the commercial banks' return on assets over the two-year period of the study resulted from the variation in the number of agents they had contracted, the volume of cash transactions they handled, and their size. The large proportion of the variation in the dependent variable that the regression model can explain suggests the role of agency banking in the financial performance of commercial banks. The regression model was tested for significance. The following table shows the results of the test of model significance.

Table 4.7: Model significance

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	107.965	3	35.988	8.721	.000 ^a
	Residual	189.832	46	4.127		
	Total	297.796	49			

a. Predictors: (Constant), Bank size, Volume of cash transactions, Number of agency banking outlets

b. Dependent Variable: Return on assets

The test of significance of the regression model has revealed that there is a significant relationship between the study variables. The significance value of the test statistic F is 0.00; this implies that if the null hypothesis were true, it is highly unlikely that we would obtain the test statistic as large as the one we have. In addition, the significance value of the test statistic is substantively lower than 0.05, which is the significance level at which the hypothesis was tested. Thus, the independent variables of the study- bank size, volume of cash transactions and the number of agency banking outlets- significantly predict financial performance. The coefficients of the regression model were also tested for significance; the results are detailed in the following table.

Table 4.8: Regression coefficients

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-10.914	4.384		-2.490	.016
	Number of agency banking outlets	.277	.275	.232	1.007	.319
	Volume of cash transactions	-.158	.129	-.219	-1.230	.225
	Bank size	1.288	.445	.525	2.896	.006

a. Dependent Variable: Return on assets

From the findings, the intercept of the regression model stands at -10.914. This implies that if a commercial bank does not employ agency banking as a delivery channel, and we hold the value of its assets at zero, it will earn a return on assets of -10.914%. However, the intercept of the regression model does significantly predict the independent variable; the p-value stands at 0.016, which is substantively below the 0.05 significance level at which the hypothesis was tested. The p-value of the test statistic for the significance of the intercept implies that if the null hypothesis were true, we are highly unlikely to observe the computed test statistic.

The coefficient of the number of agency banking outlets, one of the independent variables in the regression model, stands at 0.277. This implies that an increase in the number of agency banking outlets results in an increase in the commercial banks' return on assets by a multiple of 0.277. The test of significance reveals that this coefficient does not

significantly predict the dependent variable. The p-value of the test statistic of the significance of the coefficient of the number of agency banking outlets is 0.319, which is above the 0.05 significance level that was used as the threshold for the hypothesis test. Thus, the number of agency banking outlets is not a significant predictor of the commercial banks' financial performance.

The coefficient of the volume of cash transactions is -0.158, which implies that holding the other independent variables constant, a unit increase in the cash transactions completed by the commercial banks' agents results in a -0.158 increase in the return on assets. This coefficient is also not significant, implying that it does not predict the dependent variable significantly. Total assets has a coefficient of 1.288, suggesting that a unit increase in the value of the commercial banks' total assets resulted in a 1.288 increase in the return on assets; it is the only significant coefficient, considering that the p-value of the test statistic is below the 0.05 significance level at which the hypothesis test was performed.

4.5 Discussion of findings

The study findings revealed strong correlation between the commercial banks' return on assets, number of agency banking outlets, volume of cash transactions completed by the agency banking outlets and the size of the banks as measured by the value of their total assets. The coefficient of multiple correlation, multiple R, stood at 0.602. The coefficient of determination, R Square, suggests that 36.3% of the variation in the dependent variable results from the variation in the independent variables in the regression model. This is affirmed by the regression model, which was found to be significant. These findings are consistent with those of Mwando (2013) and Barasa and Mwirigi (2013).

The insignificance of two of the regression coefficients suggests the factors at play as far as agency banking and the financial performance of commercial banks is concerned. As Mwando and Barasa (2013) established, the number of agency banking outlets, in itself, cannot be leveraged by commercial banks in order to enhance the financial performance. Banks must have assets to support their operations. For the assets to be used efficiently, the financial services offered by the commercial banks must be within the reach of many people, a factor that enables the commercial banks to enjoy economies of scale.

Mwirigi (2013) found that with many agency-banking outlets, the access to financial services increases, which leads to efficiency in the utilization of assets. Similarly, the volume of transactions facilitated by the banks' agents cannot significantly predict financial performance because it must be preceded by the asset holdings of a commercial bank. If a commercial bank has more assets than another does, it will be in a better position to contract many bank agents, which drives up the volume of transactions. Where the number of transactions is considerably high, agents earn high fees and commission on the provision of various financial services, leading to high gross revenue, net income and return on assets.

Agency banking outlets enhance the reach of the services offered by commercial banks, enabling the banks to realize an increase in turnover and operating revenue (Podpiera, 2008). High operating revenue translates to a higher return on assets. We also have to note that expansion through the agency-banking model is less costly than opening new branches, which enables the banks to earn higher margins on the additional turnover generated from increasing transaction volumes at agency banking outlets. It must further be noted that the variables in this study influence financial performance of commercial banks jointly.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The analysis of the data collected, revealed key insights in relation to the research questions and objectives. This chapter summarizes the key findings of the study. The findings also have important implications for stakeholders in the banking sector. The chapter thus provides recommendations for improving commercial banks' performance. Also included are the limitations of the study and suggestions for further research.

5.2 Summary of the findings

The commercial banks that comprised the study population performed better in the year 2013 compared to the years 2014 and 2015; the ROA averaged 3.95% in 2013, the average return on assets stood at 3.78% in the year 2014, which was higher than the 3.40% registered in the year 2015. The findings suggest that over the period covered by the study, there was increased adoption of agency banking as a delivery channel: the average number of agents contracted by the commercial banks included in the study stood at 1323 in 2013, 2,119 in 2014, and 2,422 in 2015.

The increased adoption of the agency banking strategy led to an increase in the volume of cash transactions handled by the agents of the commercial banks in the study: on average, the agents of each commercial bank in the study handled about 8860 transactions in 2013, 1,539,092 transactions in the year 2014, which increased to 2,153,742 transactions in the year 2015. The study findings also suggest that there was a phenomenal increase in the

total assets of commercial banks over the period covered by the study; the average total assets were valued at Ksh. 120,616 million in 2013, Ksh. 146,196 million in 2014, and they rose to Ksh. 170,019 million in the year 2015.

Correlation analysis revealed a positive relationship between the study variables. In particular, the coefficient of multiple correlation stood at 0.602; this implies that commercial banks that had a high return on assets also had high volumes of cash transactions completed by their contracted agents, a large network of banking agents and a large asset base. The regression model explained a large percentage of the variation in the commercial banks' financial performance, with the significance tests showing that it significantly predicted the study's dependent variable. While the regression model is significant, not all the individual coefficients are significant; this suggests that the independent variables are only significant when taken jointly.

5.3 Conclusion

The study findings indicate a strong correlation between the commercial banks' return on assets, number of agency banking outlets, volume of cash transactions completed by the agency banking outlets and the size of the banks as measured by the value of their total assets. The coefficient of multiple correlation, multiple R, stood at 0.602. The coefficient of determination, R Square, suggests that 36.3% of the variation in the dependent variable results from the variation in the independent variables in the regression model.

The large proportion of the variation in the dependent variable that the regression model can explain suggests the role of agency banking in the financial performance of commercial banks. The study findings indicate that the regression model significantly predicts the

commercial banks' return on assets, with the total assets, the measure of bank size, being the only significant coefficient.

Considering the significance of the regression model, it is plausible to argue that agency banking enhances the financial performance of commercial banks. Commercial banks with a large asset base have the resources to contract a wide agency-banking network, which facilitates the completion of numerous transactions. With a large number of transactions, commercial banks can realize a high turnover, which results in high sales revenue and return on assets.

5.4 Recommendations

Commercial banks through the Central Bank of Kenya should allow agents in cross-selling additional financial products such as giving out loans, opening savings account for the customers and managing the customer accounts as this would increase the overall profitability of the commercial banks.

Adequate capital maintenance enables any financial institution to be stable and avoid running into distress and therefore the CBK should require the maintenance of higher floatation costs to be by the agent banks. This creates more confidence on the customers in transacting through the agents. This will increase the transactions through agents and hence improved profitability.

Regulators should improve on the customers' perception by introducing agent-banking systems in their branches and increase on their advertising activities in order to create awareness as well as increase their confidence on the security of the agent banks. This helps

to increase the volume of the transactions carried out through the agents, thus improving the financial performance of the banks.

Security measures should be highly emphasized on the agents by the parent banks in order to increase their volumes and value. The government should ensure greater improvement in areas that may be deemed insecure and increase the operations of the agent banks.

5.5 Limitations of the study

The study employed a single measure of financial performance. In addition, the measure was also quantitative. Thus, the performance measures employed were not adequate in capturing the aspects of the commercial banks' financial performance. Accurate measurement of performance requires the consideration of both quantitative and non-quantitative aspects of organizational performance.

For instance, agency banking could result in a drastic reduction in customer service time in the physical bank branches, since less customers visit the banks to access certain services. The reduction in service time can enhance customer satisfaction, leading to increased demand for services, which ultimately enhances sales revenue and the financial performance. Therefore, a performance measurement mechanism that only considers quantitative aspects of performance may not yield accurate results.

5.6 Suggestions for further research

A study needs to be carried out on whether licensing agent banks to cross-sell financial products such as loans, opening savings account, to customers will increase the overall

profitability of commercial banks in Kenya. The scope of the services offered at agency banking outlets is not comparable to that of the traditional branches.

A study should be carried out on the challenges facing agency banking and how to overcome them, as this may improve the confidence of commercial banks, which have not yet adopted it.

Future studies should be carried out to analyze the cost benefit analysis incurred in the implementation of agency banking, as this will ensure commercial banks spend minimum costs in setting agents, to maximize their profits.

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APPENDICES

Appendix I: List of Commercial Banks operating Agency Banking as at Dec 2015

- 1) Co-operative Bank of Kenya Ltd
- 2) Kenya Commercial Bank Ltd
- 3) Equity Bank Ltd
- 4) Diamond Trust Bank Kenya Ltd
- 5) Standard Chartered Bank
- 6) I & M Bank
- 7) Barclays Bank of Kenya
- 8) NIC Bank Ltd
- 9) National Bank of Kenya Ltd
- 10) Consolidated Bank
- 11) Family Bank
- 12) Commercial Bank of Africa
- 13) Sidian Bank
- 14) Chase Bank(K) Ltd
- 15) African Banking Corporation Ltd

16) Citi Bank

17) Eco Bank

Source: Bank Supervision Annual Report 2015(<http://www.centralbank.co.ke>)

Appendix II: Type, Number of transactions, and volume of transactions undertaken through Agent

Bank	Agency banking outlets 2013	Agency banking outlets 2014	Agency banking outlets 2015	Volume of transactions by agents 2013	Volume of cash transactions 2014	Volume of cash transactions by agents 2015
Co-operative Bank	5955	8765	7956	39048	6363390	7072884
Kenya Commercial Bank	8873	9687	11984	58186	7032762	10653776
Equity Bank	6771	13767	16734	44399	9994842	14876526
Diamond Trust Bank	80	165	228	525	120001	202327
Standard Chartered Bank	152	257	299	996	186352	266220
I &M Bank	79	146	187	516	106265	166197
Barclays Bank	144	260	297	942	188425	263938
NIC Bank	78	151	193	514	109893	171141

National Bank	64	129	146	418	93306	130067
Consolidated Bank	9	146	158	62	106265	140716
Family Bank	83	74	101	542	53391	89754
Commercial Bank of Africa	9	183	248	58	132701	220582
Sidian Bank	9	18	26	58	13218	22819
African Banking Corporation	13	22	22	86	16328	19396
Citi Bank	53	99	121	349	71534	108009
Eco Bank	22	51	62	142	36804	55526
Chase bank	112	141		393	63117	-
Totals	22,506	34,061	38,762	147,234	24,688,594	34,459,878

Source: CBK Bank Supervision Reports 2013, 2014, 2015

Appendix III: Return on Assets (ROA) for years-2013, 2014, 2015

Bank	Year 2013(%)	Year 2014(%)	Year 2015(%)
Co-operative Bank	4.7	4.43	4.14
Kenya Commercial Bank	5.5	5.93	5.05
Equity Bank	7.7	7.26	6.56
Diamond Trust Bank	4.7	4.47	3.69
Standard Chartered Bank	6.0	6.42	3.83
I &M Bank	5.5	5.64	5.66
Barclays Bank	5.8	5.44	5.01
NIC Bank	4.6	4.44	3.99
National Bank	1.9	1.90	-1.34
Consolidated Bank	-0.8	-1.80	0.35
Family Bank	4.0	4.24	3.55
Commercial Bank of Africa	3.6	2.57	3.14
Sidian Bank	4.2	4.61	2.72
Chase Bank	2.9	3.08	-
African Banking Corporation	2.9	1.49	1.61
Citi Bank	7.0	5.22	6.33
Eco Bank	-3.3	-1.09	0.18
Totals	66.9	64.25	54.47

Source: CBK Bank Supervision Reports 2013, 2014, 2015

Appendix V: Bank Sizes as at 2013, 2014, 2015

Bank	Bank size 2013 (Total Assets)	Bank size 2014 (Total Assets)	Bank size 2015 (Total Assets)
Co-operative Bank	228874484	282689098	339549808
Kenya Commercial Bank	322684854	346969401	467741173
Equity Bank	238194354	276115727	341329318
Diamond Trust Bank	114136429	141175794	190947903
Standard Chartered Bank	220523869	222635993	234130556
I &M Bank	110315688	137196446	1477846339
Barclays Bank	207009618	226118124	241152698
NIC Bank	112916814	137087464	156762225
National Bank	92493034	122864886	125295035
Consolidated Bank	16778631	15077051	14135528
Family Bank	43500988	61812663	81190214
Commercial Bank of Africa	124881964	175808828	198484270
Sidian Bank	13199853	15801439	19106557
Chase Bank	76568930	107112469	-
African Banking Corporation	19639370	21438729	22058297
Citi Bank	71242659	79397808	88147287
Eco Bank	36907136	45934458	52426513

Source: Banks Audited Financial Statements as at 2013, 2014, and 2015