

**EVALUATION OF AGENCY BANKING STRATEGIES ON
ORGANIZATION PERFORMANCE
(A CASE OF KENYA COMMERCIAL BANK)**

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ABSTRACT

Agency banking has become a phenomenon in the Kenyan banking industry. The regulation, design, and implementation of agency banking vary across countries. These differences are evident in the variety of services offered by agents, the types of businesses acting as agents, the types of financial institutions that work through agents and the business structures employed to manage them. The purpose of the study is the evaluation of agency banking strategies on organization performance. The objective of the study is to establish if security, liquidity, regulation and accessibility affects the performance of KCB agents which eventually has a ripple effect on the banks performance. Performance indicators include but not limited to ROI, Profit, Turnover, customer satisfaction etc. The researcher was guided by two business theories which include; the competitive advantage theory and the innovation theory. The researcher used descriptive research design in collecting the data from the respondents. The design is preferred because it is concerned with answering questions such as how much, what, which and who, thus answering the phenomenon in its current state. The target population was 1714 KCB Mtaani agents and employees of KCB who work in the KCB Mtaani department at the KCB headquarters. Due to this, the study sampled 171 employees established using the Kombo and Tromp 10% principal which is a true representative of the entire population. The study used stratified random sampling as the sampling technique, a technique preferred by the researcher as it minimizes biasness while at the same time achieving the required input. The study established that liquidity, regulation, security and accessibility affect the performance of agency banking in Kenya in varying degrees. KCB mtaani initiators should ensure that they go back to the drawing table to establish why liquidity, accessibility, regulation and security affect the agency banking. By doing this, they will be able to medicate the factors and ensure the performance and growth of agency banking is witnessed by making decisions that are backed by information. Security features should be enhanced at the same time user friendly. This will help users of the services to be comfortable when using the agency banking products. The location of the agency banking affects the accessibility which affect the performance, thus agents should be put in more secure places because most clients are not comfortable transacting in places where there is not enough security. Bureaucracy involved in the start of agency banking should be cut down to ensure increase in the penetration ratio of the service. The banks should also ensure that from their end, paper trails are minimized and efficiency and effectiveness should guide the speed of issuing licenses to agent businesses. The liquidity ceiling should be increased to take care of the ones who want to do transactions involving a lot of money. Currently the ceiling is Ksh. 70,000, this should go up. Lack of liquidity as witnessed several times should be mitigated. There should be strong internal control systems put in place which should be flexible to be evaluated periodically to help in gauging the performance at any given time and rolling up different kinds of strategies effectively. There should also be frequent updates of policies and procedures used in the industry by Kenya Bankers Association in consultation with the Central Bank and the commercial banks that affect agents directly or running of the agency banking. Frequent audit should be carried out on the bank system and automation of all processes at least quarterly to determine any loopholes that should be sealed that affect security and the general operation.