

The Influence of Consular Strategy on Performance of Commercial Banks' Diaspora Remittances in Kenya

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ABSTRACT

The study was conducted to examine the influence of consular strategy on performance of Commercial banks' diaspora remittances in Kenya. The evolution of globalization, regionalization and deregulation experienced in the world of business has exposed the business entities to a lot of competitions both locally and internationally. Commercial banks in Kenya have not been spared of the stiff business competitive environment. The commercial banks have resulted into using competitive strategies such as consular strategy. Theory of risk returns was incorporated in the study since it widely supports the establishment of partnerships and the building of agency networks. Explanatory research design was used. Both primary and secondary data were collected. Primary data was collected using questionnaire while the secondary data was collected from relevant literature materials, the organization's annual reports and website. The data collection instrument of the study was considered reliable since it attained the Cronbach's alpha coefficient of 0.795. The study targeted 126 managers of the commercial banks based in their specific headquarters offices in Nairobi. The sampling procedure was done by use of Krejcie & Morgan sampling table giving a sample of 95 managers. The pilot study was based on 10% of the research population giving 13 respondents that were randomly selected. Descriptive statistics which comprised of mean and standard deviations were computed. Inferential statistics which included correlation and regression analysis were also computed. SPSS version 25 was used to aid in data analysis. The study results established R2 of 0.608. Data was presented using tables. The study concluded that consular strategy significantly influences performance of commercial banks' diaspora remittances in Kenya. The study recommends that banks in Kenya should have more agency networks and partnerships with banks in the diaspora and other financial institutions use in order to enhance efficient transfer or sending of remittances from diaspora to home country. The study recommended that banks adopt consular strategy to enhance performance of Commercial banks' diaspora remittances in Kenya.

Keywords: Agency Networks, Consular Strategy, Online Outreach, Partnership, Performance.

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I. INTRODUCTION

An increasing interest of diaspora remittances has advanced during the last few years concerning the commercial banks, policy makers, donors, money transmission operators, microfinance organizations, academics, and international financial institutions. A surge of remittances to different countries over the last twenty years was seen to exceed aid and Foreign Direct investment (FDI), especially in developing countries. This reignited a debate on the potential role these elements can play to ensure better development for the receiving countries (Show, 2010). The aspect of diaspora remittances has become an important aspect of development across developing nations mainly because of its impact in increasing such chances as part of improving strategic collection of such remittances. Diaspora remittances are aspects that deal with the building of the

institutions of a formal banking as well as the financial system in use. The process requires integration into the international financial system, an aspect that makes domestic institutions more elaborate on the most important steps towards speedy securitization of remittances (Demirgüç-Kunt *et al.*, 2011). Developing such remittance competitive strategies such as consular strategy can help in improving diaspora remittances inflow performance because of the varieties offered.

Consular strategy is characterized by use of agency network, partnerships and online outreach. Dovelyn (2019), noted that the consular markets strategy which involved partnership of diaspora with local chamber of commerce by sending up schemes that offer preferential access to imports of capital goods and raw materials which is aimed at encouraging diaspora returnees to set up business firms especially in the line of SMEs, export processing zones, cottage industries and specialized industries. The initiative

has successfully increased inflow of remittances through commercial banks and encouraged capital-intensive production.

Ketkar and Ratha (2017) observed that the initiative of mobilizing countries consular to partner with the local commercial banks which in turn extend services to local microfinances, saving and deposit taking financial institutions, credit unions when combined with both local and international money transfer including western union has had a great impact in promoting remittances to the respective countries. The initiative also revolves around creating a favorable condition for SMES and banking sectors combining forces. The major beneficiaries of these initiatives have been the commercial banks which now has unlimited access to natural clearance and settlement systems. The outcome has been that the remittance flow has been used by commercial banks as a collateral where banks utilize the remittance to improve their sovereign capacity to borrow from foreign markets. The initiative also involves formal financial institutions establish links and partnership with local microfinance to offer direct credit to migrants' households in rural area. These has enabled banks to improve their performance by expanding their products and portfolio.

Ketkar and Ratha (2017) also noted that China government utilizes an indicative referred to as "Wage Earner Schemes" whereby the Diaspora workers are given a discounted rates if they spend at home in number of sectors, including real estates, tourism, tax free stores, duty free imports, free renewal of passports, discounted reservations. The strategy is marketed through the consular which is aimed at encouraging diaspora to channel their remittances to productive investment at home. These remittances are channeled through commercial banks which in the end has brought to unprecedented growth in the banking sector in the Country.

Birdsall *et al.* (2014) assert that the Turkish government utilizes an initiative referred to as "host home country cooperation strategy" which involves a set of immigration policies that encourage the diaspora to return to their country for a period of time where they can set up productive projects. This policy also involves applying a coherent policy framework that help to channel the remittance through local commercial banks.

Putting efforts to learn more about networks and information transfer can improve on the viability of a country's valuable access to such information and developing new ways of improving on service delivery as anticipated (Fonta, 2015). Policies that encourage use of mobile phone technology as a means of transferring money have been known to encourage diaspora remittances, such policies should ensure that money transfer happens in a secure environment with use of most up to date and conducive and innovative products. Policies supporting participation of local commercial banks that ensures that there is greater access to remittance services in rural and local areas. Such laws encourage local banks to fully participate with such flows of remittances been used as collateral by banks, which helps banks to extend their reach and links with international financial institutions. The government need to help local banks to facilitate migrants' transfer of funds through a fast, efficient and secure as well as competitive financial environment (Mohapatra, 2019).

Mohapatra (2019) noted that, India, Pakistan and Israel governments provide direct and indirect incentives to diaspora and their association to channel their remittance to productive sectors in the economy. Government deliberately creates instruments schemes tailored to Diaspora that gives preferential access to encourage diaspora to channel remittances through the local commercial banks. As a result, this initiative has led to massive improvement in the performance of commercial banks in those Countries.

Buencamino and Gorbunov (2002) noted that some governments brought up a number of incentives and obligatory measures as a means to encourage expatriates to send more through the formal channels. Their study focused on Pakistan, Republic of Korea, Bangladesh and The Philippines where mandatory measures were affected by the governments where indigenous companies were supported to win contracts abroad and in return the companies would deposit all or part of the employees' incomes overseas in the indigenous banks.

Breker and Klana (2019) also noted that some governments have created set of incentive schemes which underpinned at encouraging would be remitted and their recipients to have enabling environment and access to financial services through commercial banks. Such incentive schemes involve regulations, policies and availability of payment systems such as Mobile technology, internet banking, electronic cheques, debit cards, account-to account and other innovation to connect far countries with local commercial banks.

Tarus (2015) examined the role played by diaspora remittances in evolving banking institutions 23 Sub-Saharan African countries in a random manner within an era of fifteen years. The aim of his study was to establish whether the amount of money sent is enough to shape the banking sector and what should be done to establish such considerations. The development of human interactions will help in developing the sector as a whole. As such, it is significant to consider the influence diaspora remittances have when dealing with the way countries interact with those outside the country to understand the variations needed in such a platform. The study found out that commercial banks are the main links between the countries and the remitters because they offer a platform through which money can be sent into the country. The study recommended that commercial banks should take advantage of Diaspora remittance since they were found to be enough to shape the banking sector competitiveness and performance.

II. STATEMENT OF THE PROBLEM

Commercial banks have grown largely over the past few decades to become important determinants of economic growth. The commercial banks in Kenya are experiencing immense competition within the industry and other sectors such as Sacco's, microfinance institutions and mobile telephony. The competition faced by the banks has resulted into declining market share, profitability, revenue and Growth Rate (KBS, 2021). Commercial banks have resulted in using various competitive strategies such as consular strategy in an attempt to continue being competitive in attracting more diaspora remittances in the banking industry

to boost their general performance. According to the Kenya Bureau of Statistics (2021), Kenyans working out of the country have sent to the country Sh. 88.75 billion in the first quarter 2021 which show an increase of 17.2 percent, emphasizing the reliability of the inflows and significance to the economy. According to central bank of Kenya data (2021) On year-to-year basis in 2020 remittances received were 333.1 billion, 2019 received 299.2 billion, 2018 received 265.6 billion, 2017 received 208.3 and 2016 the country received 184.5 billion. The remittances have the capacity of increasing banks performance in a significant manner. Due to cutthroat competition, the government policies through interest rate capping among others the banks performance has been declining. The decline in banks performance attracts negative externalities in the economy in terms of declined savings, lending, investments as well as a negative contribution to the gross domestic product (GDP). The researcher sought to establish if consular strategy can assist to tap the immense diaspora remittances and by trajectory improve their performance.

In the last five years, banks have been making stops across the globe looking to tap into the market. Looking at tier one banks in Kenya, Kenya commercial bank has been quick to tap into this market, offering mortgage loans and easier banking systems, where it has set up agents in places like Texas and Washington, D.C. to serve Kenyans living in such areas (consular strategy). Equity Bank has also been doing its marketing, increasing its reach through medical insurance covers, as well as reduction in the transaction levies for money sent via PayPal to improve the chances of getting more remittances from diaspora. Barclays bank set up a free money transfer offer between Kenya and the UK, an aspect that has been well received by its users. Cooperative Bank has also set up a diaspora banking sector that would serve clients on a 24-hour basis throughout the year. In this endeavor, banks spend up to 2% of their annual budget on strategies aiming at attracting the diaspora remittance hence improvement of their performance (CBK, 2020). This is indeed a very expensive venture in case it does not bear the expected results. The study therefore seeks to find out if indeed consular strategy has helped the banks to attract more diaspora remittances which will help the banks performance. This study intends to analyze the consular strategy influence on performance of commercial banks' diaspora remittances in Kenya.

III. RESEARCH OBJECTIVE

To assess influence of consular strategy on performance of commercial banks' diaspora remittances in Kenya

IV. NULL HYPOTHESIS

H01: Consular strategy has no statistically significant influence on performance of commercial banks' diaspora remittances in Kenya.

V. THEORETICAL FRAMEWORK

The study is based on signaling theory. The signaling theory emanated from Arrow in 1972 and Spence in 1973. The theory establishes that the best profitable or performing banks supply the market with better and positive information.

It is important to understand that this allows for an increased attention to the products on offer and allows one to make the right choices when choosing where to go. In addition, the theory also seeks to link capital structure to profitability.

According to the signaling theory, the commercial banks will have to sell their products and provide information that allows them to engage in various interactions across their markets. The remittances on offer have to be based on the attraction provided by the kind of performance targeted in the process (Tuuli, 2015). Incidentally, every step taken has to be part of ensuring that clients from across the globe can be engaged in the process. The banks have different pieces of information on their websites that help improve their outlook to potential clients, an aspect that creates a differential platform for selling information that will attract them to buy their products.

The idea is to look at the various means of improving competitive power and use communication of products as a way of reaching out to various clients. Thus, profitability comes from the growing list of individuals who have better ways of examining the key organizational factors that exist especially when working towards the specific conditions that emerge during that process (Tuuli, 2015). The signaling theory postulates that not all participants in a market have simultaneous access to information about a company's financial condition. The actions that executives and board members make can provide insight into the financial health of the firm because they are more aware of the company's prospects than the general public. While stock or debt issuances may be unfavorable, dividends or stock buybacks may show that a company's management anticipates future growth.

This theory is in support of consular strategy in this study because it brings about the visibility of the commercial banks in different location in terms of agency networks. It also brings about presence of the institution through partnerships hence creating awareness to many potential remitters in different places. Consequently, through online outreach many potential clients are made to be aware on advertisements, posting of commercial banks financial performances hence creating attention and attraction.

VI. METHODOLOGY

A. Research Design

Explanatory research design was incorporated in this study. Explanatory research design allows the scholar to make use of the quantifiable data in order to test hypothesis by collecting information that may support or disagree with the hypothesis of the study (Creswell, 2016). This methodology enables the researcher to gain more understanding of the research problem being studied and to make inferences on causal relationship among study variables. Quantitative data was collected.

B. Target Population

The units of enquiry in this research comprised all the finance Managers, trade finance managers and the marketing managers of all the commercial banks in Kenya. Therefore, the target population of this study was one hundred and twenty-six (126) managers. The managers were considered in

the study for they possess valuable information and are knowledgeable on matters regarding the bank's strategies.

C. Research Instrument

A research instrument is a measurement tool used by a researcher to obtain information based on researcher's topic of interest from the respondents of the study (Kothari, 2014). Structured questionnaire was the main research tool. The questionnaire had closed ended questions. The research instrument contained two sections. Assess influence of consular strategy on performance of commercial banks' diaspora remittances in Kenya as independent variable and performance of commercial banks diaspora remittances in Kenya as dependent variable. Questions were based on a 5 Likert scale.

D. Pilot Study

Pilot study was done, and the results used to eliminate ambiguity in the questions in the questionnaires. Kothari (2014) states that pilot study refers to small-scale introductory research which is carried out before the actual main study with an aim of testing the validity as well as reliability of the research tools. Ten percent of the population of one hundred twenty-six (126) had been chosen for the pilot study which totaled to thirteen (13) respondents. The thirteen (13) were randomly selected where each came from a single bank. The respondents for the pilot study were excluded in the final study.

E. Validity and Reliability of the Research Instrument

Data validity was checked for consistency and comparisons. This is important in the sense that it gives the strong basis for the validity of the outcomes. Factor analysis was carried out on the indicators of the variables so as to check on major issues inspiring the variables and also challenging their construct validity. The indicators of the study variables were exposed to Kaiser Meyer-Olkin (KMO) and Bartlett's test. The KMO's grade of sample sufficiency ought to be more than 0.05 to proceed with factor analysis and other statistical analysis such as correlation and regression.

Cronbach's alpha coefficient was proposed to be used to examine research instruments dependability since it is considered an integral objective measure of reliability. Internal consistency is used to evaluate the degree to items measuring a similar concept in the test help define the connectedness of such items based on the test conducted. Thus, the use of such an interpretation aims at looking at the correlation of the test to address the element of reliability in itself. Further, if the researcher finds out that the value of alpha is more than 0.5. The conclusion is that it is not reliable but is valid. For the instrument to be considered reliable in this study, it must attain the Cronbach's alpha coefficient equal or more than 0.7 as proposed by Kothari (2010) who states that the measures of study variables ought to have a Cronbach's alpha coefficient greater than 0.70. The researcher considered the research instrument with Cronbach's alpha coefficient greater than 0.70 reliable for this study.

F. Data Analysis

Descriptive statistics which comprised of mean and standard deviations for Likert scale in the questionnaire was computed. Inferential statistics was used in an effort to make

inferences concerning the data. SPSS version 25 was engaged to facilitate the data analysis.

Factor analysis was carried out on the data before the data was subjected into statistical examinations to verify the data appropriateness for statistical examination. Correlation examination was done so as to measure the degree of power of association amid consular, strategies and performance of commercial banks' diaspora remittances. Both the correlation examination and testing of hypotheses on study variables connections was done at 95% confidence level. For quantitative data, quantitative methods were used for the analysis.

The regression analysis was done on the data to come up with the prediction of one variable from the other hence coming up with regression model which can be used in future predictions. A linear transformation was then used to create a relationship between the two pieces of information as acquired so that the modeling process can easily highlight the required information process. The interaction between the study variables is predictable to follow a linear regression model of the nature using (1).

$$P = \beta_0 + \beta_1 X_1 + \varepsilon \quad (1)$$

where,

P = Performance of commercial banks' diaspora remittances

β_0 = Constants

β_1 = Regression Coefficients

X_1 = Consular strategy

ε = Error term.

VII. RESULTS AND DISCUSSION

A. Consular Strategy and Performance of Commercial Banks' Diaspora Remittances in Kenya

The study sought to assess the influence of consular strategy on performance of commercial banks' diaspora remittances in Kenya. Consular strategy was in terms of agency network, partnerships and online outreach as the parameters of measure.

1) Descriptive statistics

Mean and standard deviation were used for descriptive analysis. The respondents were given a number of statements related to agency network, partnerships and online outreach against which they were to indicate their level of agreement based on a 5-Likert scale.

On Agency network the findings revealed that the respondents agreed that the agency networks are worthwhile in improving banks performance (mean score = 4.38) with a standard deviation of 0.510, and that the agency networks at their banks were effective in getting clients to register with the bank (mean score = 4.05) and a std. deviation of 0.727. The respondents also agreed that the banks outlined their agency networks for all to see (mean score = 4.01) with a std. deviation of 0.784. The respondents however indicated that they moderately agreed that agency network had been effective with foreign bankers (mean score = 3.30) and with std. deviation 1.170; while on the other hand they disagreed that the bank had made little from remittances after unveiling a new agency network strategy as shown by a mean score of 2.15 with a std. deviation of 1.070.

TABLE I: CONSULAR STRATEGY

	Mean	Std. Deviation
Agency network		
The agency networks at your bank are effective in getting clients to register with the bank	4.05	0.727
The agency network has been effective with foreign bankers	3.30	1.170
The bank outlines its agency networks for all to see	4.01	0.784
The bank has made little from remittances after unveiling a new agency network strategy	2.15	1.070
The agency networks are worthwhile in improving banks performance	4.38	0.510
Partnerships		
Banks partners are working more to reach out to Kenyans abroad	4.27	0.397
The bank has partnerships specific medium of dealing with Kenyans abroad	4.15	0.768
Banks benefit from partnerships services for Kenyans in foreign countries.	4.25	0.692
Online promotion		
Online promotions help to enhance volumes of remittances	4.00	0.800
Online promotions help to secure remittances which raise Diaspora remittance	4.09	0.712
Online promotions encourage Diaspora to use formal channels which improve Diaspora remittance	4.29	0.612
Average	3.82	0.749

From the findings above, it was established that agency networks at the banks were effective in getting clients to register with the bank, and that banks outlined their agency networks for those in the diaspora to see. The respondents were of the opinion that this was worthwhile in improving banks performance. This shows that the banks have recognized the importance of the diaspora community and developed agency networks to register any potential clients. This first confirms the observations by Nkongolo-Bakenda and Chrysostome (2013) who indicated that there has been increased attention and continued development of diaspora due to the benefits developing countries accrue from them. The diaspora is considered to be international entrepreneurs who have to distribute their money to invest in different sectors or for domestic use in their homes. As a result, banks have developed agency networks which the respondents agreed that they are worthwhile in improving banks performance. These findings corroborate with those of Miller (2013) who revealed that the development of a strong banking system must be based on the ability to leverage its resources to full capitalize on the strategic development of its profit margin. By taking time to learn how remittances can improve profitability, commercial banks have developed agency networks to improve on their position in the market take the opportunities in the remittance market.

On partnerships, the findings show that the respondents agreed that banks partners were working more to reach out to Kenyans abroad (mean score = 4.27) with a std deviation of 0.397; and that bank benefited from partnerships services for Kenyans in foreign countries (mean score = 4.25) with a std of 0.696.

Moreover, the respondents agreed that the bank had partnerships with specific medium of dealing with Kenyans

abroad as shown by a mean score of 4.15 with a std deviation of 0.768.

From the findings, commercial banks are key partners for Kenyans abroad (in foreign countries) who provide a medium or channel for sending remittances to the country. These findings are in agreement with those Tarus (2015) who revealed that commercial banks are the main links between the countries and the remitters because they offer a platform through which money can be sent into the country. The study revealed that commercial banks should take advantage of Diaspora remittance since they were found to be enough to shape the banking sector competitiveness and performance.

On online outreach, the findings show that the respondents agreed that banks online promotions enhance remittances as shown by (mean score = 4.00) with a std. deviation of 0.800 and online promotions help to secure remittances which improve Diaspora remittances (mean score = 4.09) with a std of 0.712. Moreover, the respondents agreed that the bank online promotions encourage Diaspora to use formal channels which leads to growth of banking Diaspora remittances as shown by a mean score of 4.29 with a std. deviation of 0.612.

These findings are in agreement with those in Latin America Countries by Ketkar and Ratha (2017) who observed that the initiative of mobilizing countries consular to partner with the local commercial banks which in turn extend services to local microfinances, saving and deposit taking financial institutions, credit unions when combined with both local and international money transfer including western union has had a great impact in promoting remittances to the respective countries. The initiative also revolves around creating a favorable condition for SMES and banking sectors combining forces.

2) Inferential statistics

Correlation and regression analysis were used for inferential statistics.

B. Coefficient of Correlation of Consular Strategy

In the correlation coefficient, 'r' measures the strength and direction of a linear relationship between two variables. The value of 'r' is always between +1 and -1. Where +1 shows a strong positive relationship and -1 shows a strong negative relationship.

TABLE II: CORRELATION ANALYSIS

	Variables	Performance	Consular Strategy
Consular Strategy	Pearson Correlation	0.597**	-
	Sig. (2-tailed)	0.030	-
	N	86	86

** . Correlation is significant at the 0.05 level (2-tailed).

The correlation results in Table II shows that there is a positive and statistically significant correlation between consular strategy and performance of commercial banks' diaspora remittances in Kenya as shown by $r = 0.597$ and $p < 0.05$.

C. Regression Analysis of the Influence of Consular Strategy on Performance of Commercial Banks' Diaspora Remittances in Kenya

The study conducted the regression analysis to establish the kind of relationship that exist between the independent variables-predictors (Consular strategy) and the dependent

variable (Performance of commercial banks' diaspora remittances in Kenya). The linear regression model was of (2).

$$P = \beta_0 + \beta_1 X_1 + \varepsilon \tag{2}$$

where;

P: Performance of commercial banks' diaspora remittances,

β_0 : constant, β_1 is regression coefficients,

X_1 : consular strategy and ε is error term.

Findings are in Table III.

TABLE III: MODEL SUMMARY FOR CONSULAR STRATEGY AND PERFORMANCE OF COMMERCIAL BANKS' DIASPORA REMITTANCE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.773	0.597	0.584	0.24104

a. Predictors: (Constant), Consular Strategy

The results in Table III show the R² value (simple correlation value) as 0.597, which indicates a high degree of correlation between the variables. The R square value/Adjusted R Square (coefficient of determination) indicates how much of the total variation in the dependent variable (performance of commercial banks' diaspora remittances in Kenya) can be explained by the independent variables (consular strategy). In this case, the independent variable has a variation of 0.597 with the dependent variable which implies that the competitive strategy studied (consular strategy,) explains 59.7% of performance of commercial banks' diaspora remittances in Kenya. The remaining percentage could be explained by other variables not included in the study.

Analysis of Variance (ANOVA) consists of calculations that provide information about levels of variability within a regression model and form a basis for tests of significance. The ANOVA shows how well the regression equation fits the data (i.e., predicts the dependent variable).

TABLE IV: ANOVA FOR CONSULAR STRATEGY AND PERFORMANCE OF COMMERCIAL BANKS' DIASPORA REMITTANCES

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	8.022	3	2.674	42.012	0.000b
Residual	4.764	92	0.058	-	-
Total	12.786	95	-	-	-

a. Dependent Variable: Performance of commercial banks' diaspora remittances

b. Predictors: (Constant), Consular Strategy

The ANOVA results in Table IV shows an F- value (F = 42.012) and significance value of p<0.05, which implies that the overall regression model significantly predicts the outcome variable (i.e., it is a good fit for the data). This therefore indicates that the regression model predicts the dependent variable significantly well. Therefore the study rejected the null hypothesis.

H01: There is no significant relationship between Consular Strategy and performance of commercial banks' diaspora remittances in Kenya.

The regression coefficient results provide information that predict how the predictors/ independent variables being consular strategy, inform or predict performance of

commercial banks' diaspora remittances, as well as determine whether the predictors contribute statistically significantly to the model.

TABLE V: REGRESSION COEFFICIENTS FOR CONSULAR STRATEGY AND PERFORMANCE OF COMMERCIAL BANKS' DIASPORA REMITTANCES

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.065	0.359	-	2.970	0.010
1 Consular Strategy	0.468	0.058	0.588	2.925	0.024

a. Dependent Variable: Performance of commercial banks' diaspora remittances

According to Table V regression results, the study's value for "B" for the consular technique is 0.468, and the associated significant value (sig) is 0.024. (Which is less than 0.05). This demonstrates that the performance of commercial banks' diaspora remittances in Kenya has a favorable and statistically significant association with consular strategy. Therefore, we accept the alternative hypothesis that consular strategy has a statistically significant impact on the performance of commercial banks' diaspora remittances in Kenya rather than accepting the null hypothesis that there is no statistically significant impact.

VIII. CONCLUSION

Particularly the study sought to establish how each of the consular parameter under study had influenced performance of commercial banks' diaspora remittances in terms of influencing agency networks, rate of customer's remittances and the online channels that facilitate online remittances.

The study established that agency networks at the banks were effective in getting clients to register with the bank, and that banks outlined their agency networks for those in the diaspora to see. The respondents were of the opinion that this was worthwhile in improving diaspora remittance performance in banks. This shows that the banks have recognized the importance of the diaspora community and developed agency networks to register any potential clients.

In relation to partnerships, Commercial banks are key partners for Kenyans abroad (in foreign countries) who provide a medium or channel for sending remittances to the country. These findings are in agreement with those Tarus (2015) who revealed that commercial banks are the main links between the countries and the remitters because they offer a platform through which money can be sent into the country. The study revealed that commercial banks should take advantage of Diaspora remittance since they were found to be enough to shape the banking sector competitiveness and performance.

On banks online outreach, the study revealed that bank Incentives schemes that encourage diaspora to use formal channels for remittances leads to growth of banking sector as shown by a mean score of 4.29 with a std deviation of 0.612.

IX. RECOMMENDATIONS

- i. The study recommends that banks in Kenya should have more agency networks and partnerships with banks in the diaspora and other financial institutions in order to enhance efficient transfer or sending of remittances from diaspora to home country.
- ii. With the advent and growth of mobile money services, commercial banks should partner with Mobile Money services providers in the diaspora, in order to facilitate sending of remittances from mobile phone to the local banks, in an efficient way. This would increase the flow of remittances into the country through the commercial banks.
- iii. As it was discovered that there was a favorable correlation between diaspora banking and the financial performance of commercial banks in Kenya, there is a need for commercial banks in Kenya to offer more platforms via which consumers can access diaspora banking services.
- iv. The study further recommends that commercial banks should invest heavily in ICT to enable it better to serve its clients and enhance better market intelligence gathering. In serving clients, the ICT technologies should focus on ways of integrating its Real Time Gross Settlement infrastructure with mobile money transfer services in the local market given its wider coverage across Kenya. This will enable remittance to leverage on existing agents of MTOs without having to incur expenses establishing its own network of agents. This will give it a competitive edge since its customers will be able to access remittance services from mobile money transfer agents to send or receive remittances.

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