An evaluation of the role of agency banking in the performance of commercial banks in Kenya

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Abstract:

Keen to take advantage of the cost-saving and accessibility brought about by the agency banking model, Kenyan financial institutions have over the last one year embarked on an aggressive entry into this segment. However, how this model has contributed to the performance of these banks in Kenya is yet to be documented. The purpose of this study was to evaluate the role of agency banking in the performance of commercial banks in Kenya. The specific objectives of the study were; to assess the effects of liquidity on the performance of commercial banks attributable to agency banking, to determine the effects of cost on the performance of commercial banks attributable to agency banking, to evaluate the effects of security on the performance of commercial banks attributable to agency banking. This study used a descriptive research design. The study targeted banks that offer agency banking services in Kenya. The number of commercial banks offering agency banking were four. The population of the study was fourty branch managers of the selected banks. Data collected was quantitative and qualitative in nature and was analyzed appropriately using descriptive statistics. The descriptive statistical tools helped the researcher to describe the data. This included frequencies, percentages, mean and standard deviations. In addition, advanced statistical technique (inferential statistics) was also considered. SPSS (Statistical Package for Social Sciences),

Ms Excel was used in analyzing the data. This generated quantitative reports which were presented through tabulations, charts and graphs. The researcher used content analysis to analyze qualitative data obtained from open ended questions. The data was presented in a prose form. The study showed that some of the effects of regulations on the performance of commercial banks attributable to agency banking were board of directors and executive management, accountability and quality control. The study concluded that infrastructure cost and security influence the performance of commercial banks attributable to agency banking to a very great extent. The study therefore recommends that Agency banking should be given more attention on security measures including risk-based approach and that the banks should find better ways of screening their agents to ensure that the large cash transactions handling is effectively carried out on their behalf. It is also recommended that the banks should explore other services other than money transfer only to improve their performance through agency banking which include: secure operating systems capable of carrying out real time transactions, generating an audit trail, and protecting data confidentiality and integrity.