STRATEGIC CHALLENGES IN AGENCY BANKING GROWTH AMONG COOPERATIVE BANK OF KENYA AGENCY, IN KITENGELA TOWNSHIP, KAJIADO COUNTY, KENYA

BY

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MASENO UNIVERSITY

DECLARATION

I declare that this research project is my original work and has not been submitted for examination in any other university or college.

Signature: ……………………………………………… Date: ……………………………

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MBA/BE/005003/2016

This research project proposal has been submitted for examination with my approval.

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May the good Lord bless you all abundantly.

DEDICATION

I dedicate this work to the ever lasting memory of my late father, **Bernard Nderitu** who greatly inspired me to pursue education. May his soul rest in eternal peace.

ABSTRACT

The banking operating environment has been characterized by stiff competition among the banking industry players and other key players offering close products such as soft loans and easy money transfers via mobile banking. Competition amongst the commercial banks has pushed banks towards becoming more innovative. Most of the innovations were introduced from the year 2006 onwards. The recently introduced within the Kenyan banking sector is the agency banking. In Kenya, agency banking is regulated by the Finance Act, 2009 that became operational in January 2010. Despite the importance of agency banking, the Kenyan customers are yet to fully appreciate its services because they perceive it to be prone to insecurity and liquidity problems. Challenges faced in adoption of agency banking include finding the right business partners, managing the agent network, setting up the infrastructure, management structure to incorporate agency model, competition from other banks, poor customer service, and issues of fraud. There is a paucity of studies on the strategic challenges influence on agency banking growth among the Cooperative bank of Kenya agency, in Kitengela Township, Kajiado County, Kenya. This study therefore seeks to fill these gaps. The study was guided by the following objectives: i) to determine the effect of network reliability on agency banking growth in Cooperative bank of Kenya, Kitengela Township, ii) to find out the influence of agency compliance challenges on Cooperative bank of Kenya, Kitengela Township, and iii) to investigate of bank product literacy challenges on Cooperative bank of Kenya, Kitengela Township. The research adopted descriptive survey approach focusing on the cooperative bank of Kenya that is currently operating agency banking model. The population of the study consisted of 1 bank official, 140 affiliated agents and 10 banks' customers. The study used purpose sampling to select the bank official and the bank customers, and random sampling to select the bank agents for the study. Sample data was collected by use of structured questionnaire and personal Interviews. Data analysis was done by the use of the Statistical Package for Social Scientists (SPSS). Descriptive statistics e.g. mean, mode, median, and standard deviation were used to explain the characteristics of the study variables. The inferential statistics such as correlation and regression analysis were used to generalize the results to the population. The findings of the study were presented by the use of frequency table, graphs, and pie charts. The study found out that majority (51.85%) of the agents had been educated up to college level. There was a significant relationship (r = 0.507, p = .000) between product literacy and agency bank growth. The study found out that the agents' product literacy was moderate and the bank had not done enough in training them on matters of product knowledge. Majority of the agents did not comply in installing the security alarms and CCTV in their business premises. The study found out that at some times, the agents experienced network failures but the bank did not address the issue promptly as it ought to be. Banks should put in place efficient mechanisms of responding to and resolving agency network failures whenever they arise. Banks should also adequately train their agents on matters pertaining to bank secrecy, data privacy, and customer confidentiality.

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ABBREVIATION AND ACRONYMS

CBK - Central Bank of Kenya

CCTV - Closed Circuit Television

SPSS - Statistical Package for Social Sciences

OPERATIONAL DEFINITION OF TERMS

Agency Banking: Providing of financial services to the undeserved population through agents under a valid agency agreement. Agents are owners of businesses who conduct banking transactions on behalf of a bank.

Agent Bank: An entity which is contracted to perform services on behalf of another institution.

Agency Compliance: Carrying out agency banking business within the confines of the Central Bank of Kenya's regulations.

Agency Performance: The amount of commission earned through agency banking transactions over a certain period of time e.g. monthly, quarterly, and annually.

Information Asymmetry: A situation whereby one party to a transaction has more information about a product or service than the other party.

Network Reliability: It is the capacity of a network to offer efficient and consistent services without failure or with no possibility of down time.

Product literacy: The ability of bank agents of being knowledgeable about various bank products and services

Strategy: A plan selected in order to achieve a desired future objective

Strategy Implementation: It is the process through which a particular strategy is put into action

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

According Section 33(4) of the Banking Act, guideline on Agent Banking-CBK/PG/15, “Agent” means an entity that has been contracted by an institution and approved by the Central Bank to provide the services of the institution on behalf of the institution in the manner specified by the Central Bank guideline while “Agent banking business” means the business carried out by an agent on behalf of an institution as permitted under the Central Bank guidelines (CBK, 2010).

Banks have recognized that Agent Banking is a viable strategy for expanding formal financial services to the unbanked regions of the country. In the recent past a number of developing countries more so in Latin America have adopted and implemented Agent Banking Model. Brazil was a global pioneer as adopters of this model which over the years has grown exponentially with a network of agent banks covering more than 99% of the country. Other Latin American countries include Bolivia, Venezuela, Mexico, Colombia and Argentina while others around the world include: Kenya, Uganda, South Africa, Philippines, India and Pakistan (Lee and Mexico, 2012).

In Kenya’s envisaged Vision 2030 development plan, Central Bank of Kenya (CBK) as part of this reform agenda has positioned financial inclusion as the core agenda. CBK issued Prudential Guideline that regulates Agent banking which became operational on 1st May 2010. A number of banks have been currently approved by CBK to roll out agency networks around the country (Central Bank of Kenya, 2013). Agent banking guidelines, implementation and strategies differ across borders as a result of various services offered by agents, different forms of businesses acting as agents, the types of banks which have engaged agents and business structures employed to manage them. Financial services provision in the developing nations has been impeded by the high costs characterized by conventional banking methods. The operational costs incurred by the commercial banks in serving poor customers are huge; this impedes banks to open up more branches where the customers can readily access. Customers are thus unable to access financial services offered by the banks or customers have to travel long distance to access these services (Veniard, 2010).This has triggered the emergence of new delivery channels as a way of bringing financial services closer to the poor or the unbanked population.

Upon inception of agency banking in May 2010, agent banking has greatly revolutionized the banking industry in Kenya. In spite of this evolution, objectives that agent banking was set to achieve is yet to be realized fully. Banks' profits have continued to be largely supernormal and the outreach of financial services in Kenya has improved but one thing that agent banking has failed to do in the East Africa nation is to decongest banking halls (Xinhua, 2012). Though agent banking has brought about substantial benefits in Kenya's banking sector, a number of challenges or risks have equally resulted from adoption of this model.

A study by Chiteli (2013) revealed that majority (73.5%) of the bank agents cited operation risk as the major challenge affecting agent banking. The questionnaire used by the researcher had validity issues because it assumed that all the respondents understood the meaning of 'reputational risks, liquidity risks, legal risks, and reputational risks.' Atandi (2013) found out that 20% of the respondents revealed to have lost their clients for fear of insecurity to carry out transactions at the agent location. Ombutora and Mugambi (2013) found out that 67.6% of the respondents agreed that there wasn't good security in Kibera for the operation of agent banking. However, their findings were irrelevant to their research question (What is the role of security on the performance of banking agent entrepreneurs?). Their questionnaire was not valid and that is why it failed to achieve what it was intended to do.

Atandi further found out that on average, an agent lost about 5 customers in a week due to lack of float and he/she had to visit the bank twice in a day for replenishment. Majority (100%) of the respondents reported that they kept their customers' transactions private in order to win their trust. However, the study by Atandi (2013) failed to recognize that trust from customers to agents is not only based on privacy in transactions but also on other factors. Therefore, the research instrument used had validity issues as it failed to measure other aspects of customer trusts e.g. asking for identification documents from customers before any transaction.

Banks seeking to conduct banking business through an agent applies and obtains the prior written approval of the Central Bank before commencing agent banking business. The approval of applications for agent banking business by the Central Bank is carried out in two phases' i.e. Agent network approval and Specific agent approval.

It is imperative to note that the Central Bank among other requirements, request Banks to submit the institution's delivery channel strategy and how agents fit in this strategy, description of the agent management structure to be used by the institution and business strategy for agent banking in approving Banks to commence agency banking.

The bank before seeking the Central Bank's approval of an entity to be contracted as an agent, vet and satisfy itself as to the suitability of the proposed entity . The entity should have an existing well established commercial activity which has been operational for at least eighteen months immediately preceding the date of the suitability assessment and the entity has not been classified as a deficient, doubtful or non-performing borrower by an institution in the last 18 months preceding the date of signing the contract, status is maintained for the duration of the contract and the entity possesses appropriate physical infrastructure and human resources to be able to provide the services with the necessary degree of efficiency and security.

An agent may provide any of the following banking services as may be specifically agreed between it and the institution; Cash deposit and cash withdrawal, cash repayment of loans, Cash payment of bills, Cash payment of retirement and social benefits, Cash payment of salaries, Balance enquiry, Generation and issuance of mini bank statements, Collection of documents in relation to account opening, loan application, credit and debit card application, cheque book request and any other activity as the Central Bank may prescribe.

1.1.1 Strategy Implementation

The second stage of strategic management, after strategy formulation, is "strategy implementation" or, what is more familiar to some as "strategy execution". This is where the real action takes place in the strategic management process, since this is where the tactics in the strategic plan will be transformed into actions or actual performance.

Strategic implementation is critical to a company's success, addressing who, where, when, and how of reaching the desired goals and objectives. It focuses on the entire organization.

Implementation occurs after environmental scans, SWOT analyses, and identifying strategic issues and goals.

Implementation is the process that turns strategies and plans into actions in order to accomplish strategic objectives and goals. Implementing your strategic plan is as important, or even more important, than your strategy.

Strategic management is considered to be one of the most vital activities of any organization, since it encompasses the organization's entire scope of strategic decision-making. Through the strategic management process, it allows the organization to formulate sets of decisions, actions and measures – collectively known as *strategies* – that are subsequently implemented in order to achieve organizational goals and objectives.

Needless to say, it is the most rigorous and demanding part of the entire strategic management process, and the one that will require the most input of the organization's resources. However, if done right, it will ensure the achievement of objectives, and the success of the organization.

If strategy formulation tackles the "what" and "why" of the activities of the organization, strategy implementation is all about "how" the activities will be carried out, "who" will perform them, "when" and how often will they be performed, and "where" will the activities be conducted.

And it does not refer only to the installation or application of new strategies. The company may have existing strategies that have always worked well in the past years, and are still expected to yield excellent results in the coming periods. Reinforcing these strategies is also a part of strategy implementation.

Strategy implementation is the stage that demands participation of the entire organization. Formulations of the strategies are mostly in the hands of the strategic management team, with the aid of senior management and key employees. When it comes to implementation, however, it is the workforce that will execute the strategic plan, with top or senior management taking the lead.

1.2 Statement of the Problem

The banking sector is very crucial to the Kenyan economy due to its contribution to mobilization of resources and wealth creation. Agency banking plays a very crucial role in providing the financial services closer to the unbanked population. Despite its enormous benefits, the Kenyan customers are yet to appreciate agency banking services as compared to the use of mobile banking. The implementation of agency banking is constrained by fraud, literacy level, technological issues and liquidity problems. There is insufficient study on strategic challenges influence on agency banking growth among Cooperative bank of Kenya agency, in Kitengela Township, Kajiado County, Kenya. Moreover, the few studies related to this topic have been found to have some failures e.g. They have used questionnaires with validity issues, have used non-probability sampling, and haven't used inferential statistics. This study therefore seeks to bridge these gaps.

1.3 Objectives

1. To determine the effects of network reliability on agency banking growth in Cooperative bank of Kenya, Kitengela Township.

2. To find out the influence of agency compliance challenges on Cooperative bank of Kenya, Kitengela Township.

3. To determine the influence of bank product literacy challenge on agency banking growth in Cooperative bank of Kenya, Kitengela Township.

1.4 Research Questions

1. What are the effects of network reliability on agency banking growth in Cooperative bank of Kenya, Kitengela Township?

2. How do compliance challenges influence agency bank growth of Cooperative bank of Kenya, Kitengela Township?

3. To what extent do bank products literacy challenges influence agency banking growth at Cooperative bank of Kenya, Kitengela Township?

1.5 Significance of the Study

This study will assist Banks to offer satisfactory and efficient services at agency level hence leading to cost efficiency for the banks. The study will also help related organizations and stakeholders to identify and handle the challenges encountered in agent banking strategy implementation process. The study will help the unbanked population get the banking services closer to them and this will ultimately enhance their livelihoods. The study will contribute to the existing literature in the field of challenges facing the implementation of agent banking strategy and form the basis for further research on this subject.

1.6 Scope of the Study

The study was limited to finding out the strategic challenges facing the implementation of agency banking by the Cooperative bank of Kenya, Kitengela branch. The study was confined to only Kitengela Township and the units of analysis were agents of the bank, bank official, and some selected customers of the bank. The study was carried out between September and October, 2018.

1.7 Conceptual Framework

The conceptual framework for this study has the independent variable being the ‘strategic challenges’ (agency compliant, network reliability, and bank product literacy). The dependent variable is the ‘agency banking performance’ and it is measured by the commission earned through, number of withdrawals, commissions earned, and number of account opened . Figure 1.1 shows the conceptual framework.

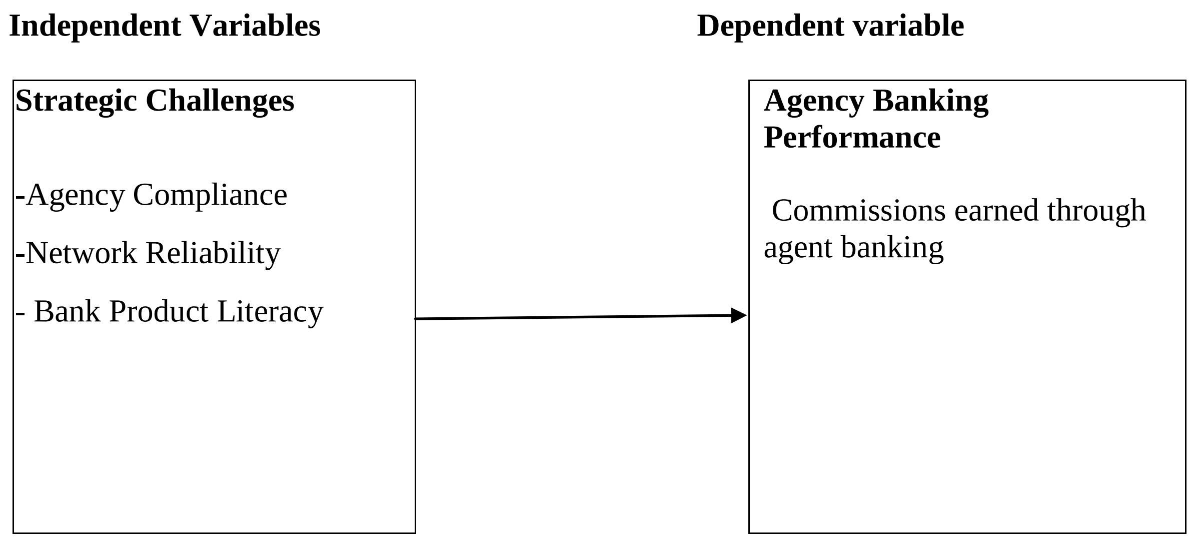

Figure 1.1 Conceptual Frameworks

1.8 Summary

This chapter starts with the background to the study. In the background, agency banking in Kenya in regard to its regulation is discussed. Also, an overview of agency banking is given globally. The statement of the problem gives details of the social problem and the justification for the research. The research objectives and research hypotheses are then highlighted to show why the study ought to be carried out. The significance of the study reveals how the findings of the study will be of benefit to different stakeholders in the banking industry. The scope of the study highlights where the study will be geographically confined and the time of the study. Finally, it ends with the conceptual framework which gives details of the independent and the dependent variables.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section presents theoretical and empirical reviews of available literature on strategy implementation challenges, effect of reliability of agency banking and the literacy challenges.

2.2 Theoretical Review

The study will be based on five theories: intermediation theory, agency theory, transaction cost theory, rational choice theory and perceived theory.

2.2.1 Intermediation Theory

According to Greenbaum and Thakor (2007), the intermediation theory builds on the notion that intermediaries serve to reduce transaction costs and informational asymmetries. The authors indicate that intermediation theory is based on the theory of informational asymmetry and the agency theory and its goal is to explain why these financial intermediaries exist. According to the theory, the savings/investment process in capitalist economies is organized around financial intermediation, making them a central institution of economic growth. Financial intermediaries and financial markets are two important institutions, which contribute to the optimal allocation of resources in an economy. Cuza (2009), states that under the agency banking arrangements, the intermediation theory provides a framework that can be utilized to explain the functions that the agencies perform in relation to the financial institutions such as the banks that contract them. These functions influence the agent performance. In principle, as pointed out by Scholtens and Wensveenn (2003), the existence of financial intermediaries as indicated by the intermediation theory is explained by the existence of high cost of transaction, lack of complete information in useful time; and the method of regulation. Many of the imperfections generated by informational asymmetry lead to the emergence of some specific forms of transaction costs. The financial intermediaries have emerged exactly to eliminate, at least partially, these costs. The intermediation theory distinguishes between the following functions of bank agencies that is the reduction of transaction costs; the reduction of liquidity risk; the information provision; and the debt renegotiation. The first of these functions concerns the problem of accessibility of financial markets for households/individuals and for firms. The second and the third functions concern the services the banks offer to savers, which cannot be obtained from financial markets. The last function concerns the services a bank offers to its borrowers rather than to depositors. Thus, the theory therefore implies that the level of performance of the agencies to large extent is determined by the nature of financial intermediaries' functions the agent executes.

2.2.2 Agency Theory

The agency theory is used to explain the principal–agent problem or what is called agency dilemma which occurs when one person or entity - the agent - is able to make decisions on behalf of, or that impact, another person or entity - the principal. The dilemma exists because sometimes the agent is motivated to act in his own best interests rather than those of the principal. An agent then is a person or entity that acts on behalf of another person or entity – principal – in a relationship often governed by a legal framework. Instances of this relationships include corporate management (agent) and shareholders (principal), or politicians (agent) and voters (principal), doctor (agent) and patient (principal), employee (agent) and Employer (principal) (Blume, L. & Easley, D., 2008). This relationship is extended to persons or entities who make use of agents to deliver their business objectives, in this case, banks (principal) and banking agents (agent). Such relationships take the form of a contract necessarily with an offer and a consideration. In an agency relationship, agency cost will most certainly arise. This is a type of internal cost that arises from, or must be paid to, an agent acting on behalf of a principal. Agency costs arise because of core problems such as conflicts of interest between the principal and the agent.

2.2.3 Transaction Cost Theory

The transaction cost theory was developed by Ronald Coase as part of the theory of the firm to explain why firms exist. The model shows institutions and market as a possible form of organization to coordinate economic transactions. When the external transaction costs are higher than the internal transaction costs, the company will grow. If the external transaction costs are lower than the internal transaction costs the company will be downsized by outsourcing. It presented an explanation of the firm consistent with constant returns to scale, rather than relying on increasing returns to scale (Archibald, 2008). The theory notes that a firm's interactions with the market may not be under its control, for instance because of sales taxes, but its internal allocation of resources are within a firm's control. Market transactions are eliminated and the place of the complicated market structure with exchange transactions is substituted with an entrepreneur who directs production. In the banking sector, the cost of the traditional brick and mortar branches and the ensuing contracts from the same, related transaction cost as well as the cumulative cost of a customer to perform a single transaction informs the success or otherwise of the agency model. This too has to be coupled with the willingness of the agent entrepreneurs to direct resources into the agency business to enhance performance of the agency banking.

2.2.4 Perceived Risk Theory

Perceived risk is conceived as felt uncertainty regarding possible negative consequences of using a product or service. It has formally been defined as a combination of uncertainty and the seriousness of the outcome involved (Bauer, 1967), and the expectation of losses associated with purchase. It acts as an inhibitor to purchase behavior (Peter & Ryan, 1976). Perceived risk is captured with Likert scales measuring the perception of dangerous events occurring or the presence of the attribute inherent in the service. Alternately it is also measured using an expectancy value methodology typically multiplying either probability of loss, exposure or danger (uncertainty component) by the cost or importance of that potential loss or exposure (severity component). Thus, perceived risk is the potential for loss in the pursuit of a desired outcome of using a product or platform. Perceived risk enters the information systems adoption decision when circumstances of the decision either creates feelings of uncertainty, or discomfort and anxiety (Dowling &Staelin, 1994). It also comes in if conflict is aroused in the consumer, there is general concern about product safety and psychological discomfort making the consumer feel uncertain, pain due to anxiety and cognitive dissonance (Germunden, 1985). The dissonance arises from the evaluation of the product as having costs and benefits, risks and utility. In agency banking, consumer perceived risk plays a major role in user acceptance of the platforms as well as the services that are offered by the banking agents. This includes perception of security of the systems provided, the possibility of fraud, security of financial information and network dependability.

2.2.5 Rational Choice Theory

Rational choice theory is that patterns of behavior in societies which reflect the choices made by individuals as they try to maximize their benefits and minimize their costs. In other words, people make decisions about how they should act by comparing the costs and benefits of different courses of action. As a result, patterns of behavior will develop within the society that result from those choices. Rationality, interpreted as wanting more rather than less of a good, is widely used as an assumption of the behavior of individuals in microeconomic models and analysis. It attaches wanting more to instrumental rationality, which involves seeking the most cost-effective means to achieve a specific goal without reflecting on the worthiness of that goal (Blume & Easley 2008). Rational choice theory uses a specific and narrower definition of rationality simply to mean that an individual acts as if balancing costs against benefits to arrive at action that maximizes personal advantage. In rational choice theory, all decisions, crazy or sane, are postulated as mimicking such a rational process. Thus rationality is seen as a property of patterns of choices, rather than of individual choices. According to the Rational Choice Theory, human beings are prompted by their own goals and preferences. Human actions are regulated primarily by the information regarding the conditions under which a particular individual is going to work and would try to achieve his or her goal. It is almost impossible for the human beings to get what they desire. According to the Rational Choice Theory, an individual should have a proper understanding of his or her own selection of goals and the consequences of that selection. Rational people always choose only those options that can offer good results (Peter, 2004).

2.3 Empirical Review

2.3.1 Network Reliability

Mungai (2017) sought to find out the challenges associated with agency banking performance and he established that reliability and operational challenges had significant effect on bank performance. His study further revealed that administrative challenges didn’t have a significant effect on the bank performance. Mungai used purposeful sampling to identify agents from the four commercial banks and adopted both descriptive and inferential statistics in his study. In order to enhance agency banking technology adoption, there is need to address the internal factors through creating awareness, training, assurance of security, reliability, and encouraging SMEs to take risk in adopting the technology (Irura & Munjiru, 2013). Ndung'u, Okibo, and Nyang'au (2015) conducted a study to find out the factors affecting the performance of banking agents in Kenya. Ndung'u et al. (2015) used census technique and random sampling to select the bank staffs and agents respectively for the study. They collected data using questionnaires and analyzed it via descriptive statistics. Ndung'u et al. (2015) found out that most agents were affected by internet connection when carrying out the transactions with a mean of 3.47.

(Katela, 2017) found out that 75.1% of the agents experienced system down times and the network unavailability hampered efficiency in their service delivery. Agalla (2014) found out that 85% of the respondents agreed that the gadgets (POS and mobile phones) used for agent banking were reliable although 80% reported that technical problems e.g. network failures sometimes inconvenienced their transactions.

Ndungu and Njeru (2014) conducted an assessment on the factors influencing the adoption of agency banking in Kenya. They used the census method to survey the entire population, and a structured questionnaire as the main instrument for data collection. Ndungu and Njeru found out the bank agents can enhance convenience by offering services for longer hours than banks, and they opine that the success of agency banking depend network reliability.

2.3.2 Agency Compliance

The Central Bank of Kenya provide guidelines governing the operation of agent banking in regard to the activities of the agents, prohibited activities, grounds for termination of agent contract, operational limits and among others (CBK, 2013). Katela (2017) sought to investigate the challenges facing the financial services agents and found out that only 40.7% of the agents had adopted security features in their businesses. These features include hard steel metal bars, security alarms, CCTV, and hiring of a watchman. Katela further found out that 81.3% of the agents felt that the procedures of becoming an agent were too tedious and the regulation of agency related laws were a challenge to them. Katela used stratified random sampling to select respondents and adopted both descriptive and inferential statistics in her study. Thomas and Maina (2014) carried out a study on the factors influencing the uptake of agency banking services by customers in commercial banks in Kenya. They used stratified and simple random sampling to select the respondents for their study and used both descriptive and inferential statistics to analyze data. Thomas and Maina report that unlike Kenya, countries such as Peru, India and the Philippines requires that banks train their agents concerning bank secrecy, data privacy compliance, and anti-money laundering. All transactions at the agent level should be initiated by the customer and then recorded electronically by the bank through the POS terminal (Mas & Siedek, 2008). Mas and Siedek note that the automatic generation and issuing of receipt to clients is important because it serves as an element of trust and the customer can use it as an evidence to make any claim against the bank if anything goes wrong. Vutsengwa (2013) did a study to assess the challenges facing commercial banks in sustainability of agency banking in Kenya and found out that a good information security system was essential for convenience, confidentiality, and integrity of the transactions at the agents' locations. Vutsengwa collected both quantitative and qualitative data and analyzed them using descriptive and content analysis respectively. Watiri (2013) found that the main factors influencing the adoption of agency banking among commercial banks in Kenya include: cost reduction, enhancement of customer experience and expanded presence by banks particularly in remote areas. The Watiri study therefore recommends that banks should adopt a risk based approach to the supervision and regulation of agency banking while putting sufficient security measures in place.

2.3.3 Bank Product Literacy

Study shows that majority of the bank agents in Kenya lack the right skills to be able to understand the bank products and services since a quite number of them are secondary school graduates (Mungai, 2017). Irura and Munjiru (2013) investigated the technology adoption and the banking agency in Kenya and found out that the education level of agents in Karatina and Likuyani areas was very low and they therefore recommended thorough training of the agents on the bank products. Irura and Munjiru used stratified and cluster sampling techniques to select respondents for their study and only used descriptive statistics to explain the characteristics of their variables. Agalla (2014) did a study on the challenges facing the implementation of agency banking in Kenya and established that 70% of the respondents had not received training from the bank regarding the products knowledge and 95% were willing to be trained on matters pertaining to the banks' products and services. In his study, Agalla used stratified random sampling to select respondents, used questionnaires to collect data, and analyzed his data using descriptive statistics. Karimi (2011) established that there was difficulty in enforcing appropriate oversight because the agent and customer interaction was inconsistent with overall banking regulatory framework. The findings revealed the need for regular training of agents on changes in operational processes and policies in order to eradicate occurrence of error and mistakes that obstruct penetration of agency banking in Kenya thus enhance banks' financial performance.

Ndung'u et al. (2015) found out that majority (67.39%) of the respondents were of the view that the level of financial literacy had a high influence on user perception and adoption of agency services.

Malek, Mohtar, and Ariffin (2017) investigated the factors that the effectiveness of agent banking characteristics on financial inclusion performance in Malaysia. Malek et al. (2017) used convenient sampling to select respondents and sets of questionnaires to collect the data. They found out that agent experience on bank products and business operation was the highest contribution to the financial inclusion performance besides agent attitude and agent core business

2.3.4 Agency Banking Growth

In order to enhance growth in agency banking, formulated strategies must be successfully implemented by an organization. Successful strategy implementation involves empowering others to do all that is needed to put the strategy into place and execute it proficiently (Thompson, Strickland and Gamble, 2007). Since the strategy implementation process imparts every part of the organization, every manager has to take an active lead role. Waithanji (2012) found out that there was a link between agency banking and financial deepening. Though the study could not be determined due to low number of banks that had implemented it and that the impact may become clearer once all banks adopt agency banking.

Kariuki & Namusonge (2017) carried out an investigation on factors influencing the growth of agency banking of commercial banks in Trans Nzoia County in Kenya. They used stratified random sampling to select respondents for the study, questionnaires and field observations to collect data. Kariuki and Namusonge found out that there was a significant negative relationship between technology infrastructure and growth of agency banking in Trans Nzoia. They further found out that security and distance to bank had positive significant impact on the growth of agency bank in Trans Nzoia. Onwonga (2017) conducted a study to find out the challenges facing the growth of agency banking in Kenya. The study adopted stratified random sampling to select the sample size and used both descriptive and inferential statistics in the analysis of data. Onwonga argues that technological improvement, customer attitude and customer information confidentiality are positively and significantly associated with the growth of agency banking

Mwangi (2012) recommended that banks should consider restructuring and reevaluate the criteria for selecting and settling on the agents to cater for the liquidity problem. She advocates for further study to be done on factors that influenced the growth of agency banking in Kenya. Mwangi (2012) established that cost effectiveness (infrastructure, human resource and security) associated with agency banking positively influenced the financial performance of the banks in Kenya hence concluding that liquidity availability in agency outlets affected the performance of commercial banks in Kenya.

In the study on innovations and challenges in banking industries in India, Jayakumar and Anbalagan (2012) found out that a number of banking agents lack the capacity to handle large transactions of cash and under spend on security measures. This affects the performance of the banking agents since it negatively affect both existing as well as potential client's confidence in conducting businesses with them.

The most important outcome that leaders, managers and planners should aim from successful strategy implementation is real value added through goal achievement and increased stakeholder satisfaction. Successful strategy implementation in organizations depends on a wide range of factors. Aosa (1992) observed that strategy implementation is likely to be successful where there is a fit between several organizational elements such as organizational structure, culture, resource allocation, systems and leadership. Strategy used by an organization is fundamentally influenced by the structure of the organization. This dictates how policies and objectives are established and how resources are allocated. When an organization changes its strategy, the existing organization structure may be ineffective. Though an effective structure, organization's members are able to develop synergies that promote effective strategy implementation.

The culture of an organization defines the social context in which an organization functions. It provides guidance to the organizational members in decision making and time management, what kind of people to work for the organization and any other social activity done in the organization. Pearce and Robinson, (2003) states that culture affects the way managers behave in an organization including the decisions they make that affect the relationship between the organization, its strategy and the environment. Appropriate culture will facilitate successful strategy implementation.

According to Pearce and Robinson (2003), leadership ensures that organizational effort is united and directed towards achieving its goals and objectives. This makes leadership a very fundamental aspect in effective strategy implementation. Leadership provides the organization with vision, initiative, motivation and inspiration that affect the performance of the organization.

Organizational systems play a fundamental role in the strategy implementation effort and process. Systems means all procedures, formal and informal, that make the organization carry out its function on a daily basis and these may include capital budgeting systems, training systems, cost accounting procedures and budgeting systems (Mintzberg and Quinn, 1991). Poor information sharing, unclear responsibility and accountability mechanisms can lead to failure of strategy implementation.

2.4 Summary of Literature Review

The literature review for this study has been done under two categories. The first one is the theoretical literature reviews. This study is anchored on the following theories: intermediation theory, agency theory, transaction cost theory, rational choice theory and perceived theory. The second category is the empirical literature review. Under this type of review, studies similar and related to the current topic have been reviewed to establish the existing gaps in this area.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section deals with the research methodology that was adopted. Discussion included the research design; the target population; the sample size and sampling techniques; data collection and the instruments that were used as well as the data analysis and presentation techniques.

3.2 Research Design

The study adopted descriptive survey. Descriptive survey research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way (Bryman, 2001). The purpose is to provide a picture of a situation as it naturally happens (Burns & Grove, 2007). The instruments for data collection were tested for validity and reliability. This is necessary for descriptive studies (Kothari, 2004). Surveys can be useful when a researcher wants to collect data on phenomena that cannot be directly observed (such as opinions). In a survey, researchers sample a population (Basha & Harter, 1980).

3.3 Area of Study

The study was conducted in Kitengela Township. The units of analysis were the agents of Cooperative bank, Kitengela branch, bank official, and some selected customers.

3.4 Sampling Design

3.4.1 Target Population

Target population in statistics is the specific population about which information is desired. According to Ngechu (2004), a population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated to generalize the results. The target population for this research study was the Cooperative bank of Kenya Kitengela branch, its customers and affiliated bank agents. The population size for the Kitengela branch agents is 140 (Cooperative Bank, 2018). The study collected data from one bank official in charge of agent banking, and from 10 customers. Table 3.1 shows the distribution of the population size.

Table 3.1 Population Size

Population Type	Population Size
Bank agents	140
Bank customers	10
Bank officer	1

Source: Coop Bank (2018)

3.4.2 Sample Size

The study used simple random sampling to select the Cooperative bank agents. Simple random sampling is suitable because every element in the population has an equal chance of being selected (Sekaran & Bougie, 2016). Purposeful sampling was also used to select the bank official and 10 bank customers for interviews. According to Sekaran (2003), purposeful sampling is applicable where the subjects to be selected are the only one in the best position to provide the information required. The Slovin's formula was used to calculate the sample size for the bank agents. This formula is applicable when nothing about the behavior of the population is known and when the confidence interval is 95% (Slovin, 1960).

$$\mathbf{n = N \div [1+N (e^2)]}$$

Where:

n= sample size

N= target population

e =marginal error (0.005)

By using the formula, the sample size becomes;

$N=140/ (1+140(0.05^2) =103$

The sample size for the bank agents is 103. All the 10 customers and the one bank official were also sampled. Table 3.2 shows the distribution of the sample size.

Table 3.2 Sample Size

Sample Type	Sample Size
Bank agents	103
Bank customers	10
Bank officer	1

Source: Coop Bank (2018)

3.5 Data Collection

This included primary and secondary data. Annual reports on bank financial performance to extract financial performance indicators and to establish the volume of transaction in terms of deposits and withdrawals by agents and the total transactional value conducted through the agents.

3.5.1 Data Collection Instruments

The study used a structured questionnaire to collect quantitative data from the bank agents. The study also used interview guides to collect qualitative data from the bank official and some selected bank customers.

3.5.2 Data Collection Procedure

The researcher was assisted by two research assistants to collect data. Qualitative data was collected by the researcher himself, whereas the quantitative data was collected by the two assistants. Questionnaires were administered to all respondents in a day and collected after three days.

3.5.3 Validity

The validity of the research instrument was determined by pretesting. Mugenda and Mugenda (2003) assert that pre testing ensures clarity and accuracy of results so that the data collected gives meaningful, reliable results representing the variables in the study. Pre-testing help to estimate the time needed to fill the questionnaires. Pre-testing was done by administering questionnaires to ten (10) respondents within the study population but outside the sample. Questionnaires were scrutinized by five colleagues, in the school of business, for their opinion on content and accuracy. Results from the field and opinion of colleagues helped us identify gaps and make modifications to the instruments where necessary. The supervisors' inputs regarding the validity of the document were sought.

3.5.4 Reliability

According to Mugenda and Mugenda (2003), reliability refers to the measure of the degree to which a research instrument yields consistent results or data after repeated trials. The researcher used the test-retest method to measure the reliability of the instruments used for data collection. Ten per cent (10 people) of sampled individuals (within the population but outside the sample) were given the questionnaire twice but at different intervals. According to Mugenda and Mugenda, 10% of the sample is suitable for the test-retest reliability. The correlation between the scores obtained at two different times from the same set of respondents was tabulated and found to be 0.6. A correlation coefficient of at least 0.5 is considered reliable for the study (Sekaran, 2003).

3.6 Data Analysis

Upon successful data collection, sorting and coding was done in preparation for data analysis. Quantitative analysis was employed to analyze the collected data. This was made possible by the use the Statistical Packages for Social Sciences (SPSS).Multiple regression analysis was conducted to test statistical significance and to show the relationship that existed between the dependent variable and independent variables.

3.7 Ethical Consideration of the Study

The researcher acquired a permission to collect data from Maseno University. Permission to carry out the study was also sought from the respondents before questionnaires were administered. The researcher also assured confidentiality to the respondents and affirmed that the study was meant for purposes of accomplishing academic goals.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents results and discussions by outlining the results of strategic challenges influence on agency banking growth among Coop bank of Kenya agency in Kitengela Township, Kajiado County, Kenya.

4.2 General Information

The study sought to find out general information from respondents regarding their response rate, gender, age bracket, education level, and work experience.

4.2.1 Response Rate

The study was conducted on a sample of 103 respondents to which questionnaires were administered. Out of the 103 questionnaires issued, only 81 were returned suitably filled in making a response rate of 78%. According to Mugenda and Mugenda (2003), a response rate of more than 50% is adequate.

4.2.2 Gender

The sought to find out the distribution of the respondents according to gender and established that majority (54.3%) were men while women were 45.7%. This implies that more men were actively involved in bank agency business than women. Table 4.1 shows the results.

Table 4.1 Gender

	Frequency	Percent
Male	44	54.3
Female	37	45.7
Total	**81**	**100.0**

Source: Researcher (2018)

4.2.3 Age Bracket

The findings of the study revealed that majority (49.4) of the respondents were aged between 21 and 30 and minorities (13.6%) were in the age bracket of over 40 years. This means that agency business was owned and managed by the young people. This is indicated in Figure 4.1.

Table 4.2 Age

	Frequency	Percent
21-30 years	40	49.4
31-40 years	30	37.0
over 40 years	11	13.6
Total	**81**	**100.0**

Source: Researcher (2018)

4.2.4 Education Level

The study revealed that majority (51.85%) of the respondents had reached middle level colleges as their highest level of education, 33.33% had university qualification, 8.642% had attained secondary level of education, and 6.173% had primary qualification (Figure 4.2). This implies that agency bank business is attractive to more educated people (colleges and university levels) than less educated (secondary and primary levels). This is because the more educated one could be working elsewhere and could be having enough capital to invest in agency business. This study therefore disagrees with Mungai (2017) who found out that majority of the bank agents in

Kenya lacked the right skills to be able to understand the bank products and services since a quite number of them are secondary school graduates.

Table 4.3 Education Level

	Frequency	Percent
University	27	33.3
College	42	51.9
Secondary	7	8.6
Primary	5	6.2
Total	**81**	**100.0**

Source: Researcher (2018)

4.2.5 Work Experience

The study found out that majority (65.4%) of the respondents had worked between 3-4 years, 24% had worked for 1-2 years, and 9.9% had worked for 5-6 years. The study noted that many people could be doing agency business for a short period of time (1-4 years) after which they exit for other businesses. Table 4.2 shows the results.

Table 4.4 Work Experience

	Frequency	Percent
1-2 years	20	24.7
3-4 years	53	65.4
5-6 years	8	9.9
Total	**81**	**100.0**

Source: Researcher (2018)

4.3 Network Reliability

Respondents were asked to indicate the extent they agreed with the statements regarding agency bank's network reliability by using the scale: 1=no extent, 2=little extent, 3=moderate extent, 4=great extent and 5=very great extent.

Table 4.4 Network Reliability

Statements on network reliability	**Mean**	**Std. Deviation**
There is always frequent system down time in my area	3.38	1.220
Customers trust transacting through the agency banking gadgets (POS)	3.67	.474
Agency banking gadgets (POS) always generate receipt after any transaction	4.06	.242
The POS gadgets used for agency banking are reliable	4.04	.431
The banks sorts out network failure promptly whenever it arises	2.86	.833
Aggregate Score	**3.602**	**0.64**

Source: Researcher (2018)

The findings (Table 4.3) revealed that most respondents were neutral that there was frequent system down time in their area and when the network failure occurred, the bank didn't promptly sort it out. This study confirms the findings of Ndung'u et al. (2015) who established that most agents were affected by internet connection when carrying out the transactions. Additionally, the bank customer number 3, who was interviewed, reported that there were no hot lines displayed at the agency location where they would report issues of network failures. However, respondents agreed that the POS gadget always generated a receipt after every transaction and that the customers considered them (gadgets) reliable. This study agrees with Mas and Siedek (2008) who note that the automatic generation and issuing of receipt to clients is important because it serves as an element of trust and the customer can use it as an evidence to make any claim against the bank if anything goes wrong.

The findings of this study are consistent with Agalla (2014) who found out that 85% of the respondents considered the transaction gadgets (POS and mobile phones) used for agent banking reliable.

4.4 Agency Compliance

Respondents were asked to indicate their nature of agreements to the statements relating to agency compliance by using the scale: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, and 5=strongly agree

Table 4.6 Agency compliance

Statements on Agency Compliance	**Mean**	**Std. Deviation**
I always restrict myself to performing agency activities as per the bank's guidelines	3.95	.568
Besides offering the agency bank services, I also have another business in the same premise	4.19	.391
I have secured my agency bank business with steel metal bars	4.16	.432
I have installed security alarms and CCTV in my agency bank business premise	2.62	1.056
All customers are issued with receipt after every transaction	4.10	.561
Aggregate Score	**3.804**	**0.6016**

Source: Researcher (2018)

From the results (Table 4.4), respondents agreed that they complied by performing agency activities as per the bank guidelines. They also agreed to the statement that they had secured their agency bank premised with metal steel bars. The findings of this study tally those of Katela (2017) who found out that 40.7% of the agents had adopted security features in their businesses.

The bank officer, number 1, who was interviewed, reported that they always advised the agents to let customers key in their own PINs without help to enhance privacy. However, they disagreed to the fact that security alarms and CCTV were installed within the agency bank's business premise. This study concurs with the findings of Vutsengwa (2013) that a good information security system is essential for convenience, confidentiality, and integrity of the transactions at the agents' locations.

4.5 Bank Products Literacy

Respondents were requested to rate their nature of agreements to the statements relating to the bank's product literacy by using the scale: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, and 5=strongly agree

Table 4.7 Bank's product Literacy

Statements on the bank's products literacy	**Mean**	**Std. Deviation**
The bank has trained us on matters pertaining to bank secrecy and data privacy	2.53	1.215
I am knowledgeable in almost all bank services and I can serve clients without referral	3.73	.707
The bank offers period trainings to agents on its products and services	3.56	.632
We have been trained on how to use and troubleshoot the agency bank gadgets	4.07	.441
Besides making deposits and withdrawals, customers can also make all utilities' payments at my agency location	4.19	.391
Aggregate Score	**3.616**	**0.677**

Source: Researcher (2018)

From the findings (Table 4.6), respondents were neutral to the fact that they were knowledgeable in all the bank products. They were also neutral to the statement that the bank offered them periodic trainings about products and services. The findings of this study are consistent with Agalla (2014) who established that 70% of the agents faced challenges in implementing agency banking because they had not been trained in the bank's product knowledge. Respondents agreed that they had been trained on how to use and trouble shoot the agency bank gadgets, and that customers were able to make utilities' payments at the agents. However, they disagreed to the fact that the bank had trained them on matters pertaining to bank secrecy and data privacy. This finding was corroborated by the bank customer number 5, who said, "When you tell an agent that you want to deposit, she loudly asks you how much, and when you mention a figure not within her limit, she says know. Surprisingly, every person in the queue will then know the amount of money you are carrying and this will pose insecurity as you walk out to look for the next place where to deposit the cash."

4.6 Agency Bank Growth

Respondents were urged to indicate the extent they agreed with the statements regarding agency bank's growth by using the scale: 1=no extent, 2=little extent, 3=moderate extent, 4=great extent and 5=very great extent.

Table 4.8 Agency Bank Growth

Statements on agency bank growth	**Mean**	**Std. Deviation**
I always make a lot of transactions when there is minimal network failures	3.56	.725
Customers prefers seeking my agency services because I am informed about the bank's products and services	3.84	.661
I believe putting in place all the recommended security measures like steel metal bars, CCTV, and security guards will make my agency business grow more	3.95	.835
The periodic trainings received from the banks about its products has increased growth in my agency business	3.98	.474
Many customers prefer transacting at my place because I ensure that my gadgets (POS) always generate receipts after every transaction	3.57	.706
Aggregate Score	**3.78**	**0.680**

Source: Researcher (2018)

From the results (Table 4.7), respondents were neutral that they always made a lot of transactions when there were minimal network failures. Respondents agreed to the fact that putting in place the recommended security measures would make their agency business grow more, and that the periodic trainings they received about bank's products enhanced the growth of their agency business. Moreover, they were also neutral to the fact that many customers preferred transacting in their places because they (agents) ensured that their gadgets generated receipt after every transaction.

4.7 Correlation Analysis

The Pearson correlation coefficient was used to examine the presence or absence of correlation between network reliability, agency compliance, and bank's product literacy as strategic challenges influencing agency bank growth among Coop bank of Kenya agency, in Kitengela Township, Kajiado County, Kenya. This is shown in Table 4.9.

Table 4.9 Correlation Analysis

		Growth	**Network reliability**	**Compliance**	**Product literacy**
Pearson Correlation	Growth	1.000	.079	.308	.507
	Network reliability	.079	1.000	.078	.299
	Compliance	.308	.078	1.000	.301
	Product literacy	.507	.299	.301	1.000
Sig. (1-tailed)	growth	.	.241	.003	.000
	Network reliability	.241	.	.245	.003
	Compliance	.003	.245	.	.003
	Product literacy	.000	.003	.003	.
N	Growth	81	81	81	81
	Network reliability	81	81	81	81
	Compliance	81	81	81	81
	Product literacy	81	81	81	81

Source: Researcher (2018)

The study findings revealed that there was a non-significant correlation between network reliability and agency banking growth (*r* = 0. 079, *p* = .241). The findings of this study disagree with those of Mungai (2017) who found out that reliability and operational challenges had significant effect on bank performance. Also, there was a significant positive relationship between network reliability and product literacy (*r* = 0. 299, *p* = .003). The most significant positive relationship was between product literacy and agency bank growth (*r* = 0.507, *p* = .000). Likewise, agency compliance and agency bank growth had a significant positive relationship (*r* = 0.308, *p* = .003). This is shown in Table 4.9.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

Respondents were neutral that there was frequent system down time in their areas. According to them, sometimes they experienced network failures and sometimes they did not. The study also found out that the bank did not make prompt response towards sorting out network issues whenever they arose. However, respondents agreed to the fact that the transaction gadget (POS) they were using generated receipts and clients considered it reliable.

Respondents agreed that they complied in performing their agency activities in conformity to the bank guidelines. The study also found out that almost all agents had secured their premises with steel metal bars. However, the study found out that majority of the agents had not secured their businesses with security alarms and CCTV.

The study found out that banks had not adequately trained their agents on matters pertaining to bank secrecy, data privacy, and customer confidentiality. The study also revealed that though agents knew a quite number of bank products, there are others who did not know much about like the loan products. Respondents agreed that they had been trained on how to use and trouble shoot the agency bank gadgets, and that customers were able to make utilities' payments at the agents

The Respondents agreed to the fact that putting in place the recommended security measures would boost customer confidence and make their agency business grow more. They also agreed that periodic trainings about the bank products enhanced the growth of their agency business. They were also neutral to the fact that many customers preferred transacting in their places because their gadgets generated receipt after every transaction.

5.2 Conclusions

Agency network reliability in regard to the transaction gadget (POS) was confirmed to be in order. Both sampled customers and agents agreed that the gadget was reliable and trustworthy in carrying out transactions. The study however found out that when there were network failures, the bank did not make prompt response to resolve the issue.

The study found out that agents carried out only activities as prescribed by the bank. Almost all the agents had secured their business premises with steel metal bars in compliance to security. However, majority of the agents had not put in place security alarms and CCTV in their premises.

The study found out that banks had not adequately trained their agents on matters pertaining to bank secrecy, data privacy, and customer confidentiality. The study also revealed that though agents were informed about the common bank products, they were not knowledgeable about others e.g. loan products.

5.3 Recommendations

The bank ought to put in place a mechanism of responding to and resolving agency network failures whenever they arise. In this regard, the bank should put in place toll free line where both the customers and agents can report issues of network failures.

Bank agents should secure their premises with security alarm and CCTV to curb cases of robbery and to enhance customer confidence in transacting there. The bank should also regularly supervise the agents to ascertain whether they are complying with the bank guideline as they do businesses.

Banks should adequately train their agents on matters pertaining to bank secrecy, data privacy, and customer confidentiality.

5.4 Limitations of the Study

Data collection was a bit expensive. The researcher recruited two research assistants to collect data and this was costly in terms of salaries, printing of questionnaires, transport and miscellaneous expenses. Another limitation is that some respondents did not cooperate well in giving out information and some questionnaires were not properly completed.

5.5 Suggestions for Further Study

Similar studies should be carried out on other banks in Kenya and in different Counties.

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APPENDICES

APPENDIX I: COOPERATIVE BANK AGENT

The researcher is a post graduate student at Maseno University who is doing a study on 'strategic challenges influence on agency banking growth among Cooperative bank of Kenya agency, in Kitengela Township, Kajiado County, Kenya.'

INSTRUCTIONS:

Kindly take a few minutes to fill out this questionnaire honestly and to the best of your knowledge. The information given will be strictly confidential and used for academic purpose only.

Please tick in each box appropriately.

PART 1: General Information

1. Gender

   a) Male [ ]   b) Female [ ]

2. Age bracket

   a) Below 20yrs [ ]

   b) 21yrs-30yrs [ ]

   c) 31yrs-40yrs [ ]

   d) Over 40 yrs [ ]

3. Highest education level

   a) Degree [ ]

   b) Diploma [ ]

   c) Certificate [ ]

   d) Secondary [ ]

   e) Primary [ ]

4. How long have you worked as a Cooperative bank agent?

a) 1-2 years [ ]

b) 3-4 years [ ]

c) 5-6 years [ ]

d) Over 7 years [ ]

PART 2: NETWORK RELIABILITY

Please indicate to what extent you agree with the following statements regarding agency bank's network reliability (**1= no extent, 2= little extent, 3= moderate extent, 4= great extent and 5 = very great extent).**

Network Reliability	1	2	3	4	5
There is always frequent system down time in my area					
Customers trust transacting through the agency banking gadgets (POS)					
Agency gadgets (POS) always generate receipt after any transaction					
The POS gadgets used for agency banking are reliable					
The bank sorts out network failure promptly whenever it arises					

PART 3: AGENCY COMPLIANCE

Please indicate your nature of agreement or otherwise with the following statements relating to agency compliance. Use the scale: **1=strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=strongly agree**

NO	**Agency Compliance**	**1**	**2**	**3**	**4**	**5**
1	I always restrict myself to performing only the agency activities as per the bank's guidelines					
2	Besides offering the agency bank services, I am also running another business in the same premise.					

3	I have secured my agency bank business premise with steel metal bars.					
4	I have installed security alarms and CCTV in my agency bank business premises					
5	All customers are issued with receipts after every transaction					

PART 4: BANK PRODUCT LITERACY

Please indicate your nature of agreement or otherwise with the following statements relating to the bank's product literacy. Use the scale: **1=strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=strongly agree**

NO	Bank Products Literacy	1	2	3	4	5
1	The bank has trained us on matters pertaining to bank secrecy and data privacy					
2	I am knowledgeable in almost all bank services and I can serve customers with minimal referrals or consultations					
3	The bank offers periodic trainings to agents on its products and services					
4	We have been trained on how to use and troubleshoot the agency bank gadget (POS terminals)					
5	Besides making deposit and withdrawal, customers can also make all utilities' payments at my agency location					

PART 5: AGENCY BANK GROWTH

Please indicate your nature of agreement or otherwise with the following statements relating to agency bank growth. Use the scale: **1=strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=strongly agree**

NO	Agency Bank Growth	1	2	3	4	5
1	I always make a lot of transactions when there is minimal network failures					
2	Customers prefer seeking my agency services because I am informed about the bank's products and services					
3	I believe that putting in place all the recommended security measures like steel metal bars, CCTV, and security guard will make my agency business grow more					
4	The periodic trainings received from the bank about its products has increased growth in my agency business					
5	Many customers prefer transacting at my place because I ensure that my gadgets (POS terminal) always generate receipts after every transaction.					

Thank you for your cooperation

APPENDIX II: COOPERATIVE BANK OFFICER

The researcher is a post graduate student at Maseno University who is doing a study on 'strategic challenges influence on agency banking growth among Cooperative bank of Kenya agency, in Kitengela Township, Kajiado County, Kenya.'

INSTRUCTIONS:

Kindly take a few minutes to fill out this questionnaire honestly and to the best of your knowledge. The information given will be strictly confidential and used for academic purpose only.

1. How many Co-operative Bank agencies are operating under your area?

   ……………………………………………………………………………………….
2. How often do you meet them to evaluate their performance?

   ………………………………………………………………………………………
3. What mechanism do you have in place to solve agency network reliability issues?

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4. Do you have a specific department for monitoring and evaluating agency outlets?

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5. What measures are in place to ensure customers confidentiality?

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6. Do you think the existing requirements and guidelines are sufficient enough or a hindrance to agency banking compliance? How do you enforce agency compliance to these guidelines?

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7. How do you ensure that the bank agents are knowledgeable about the bank's products?

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Thank you for your cooperation

APPENDIX III: COOPERATIVE BANK CUSTOMER

The researcher is a post graduate student at Maseno University who is doing a study on ‘strategic challenges influence on agency banking growth among Cooperative bank of Kenya agency, in Kitengela Township, Kajiado County, Kenya.’

INSTRUCTIONS:

Kindly take a few minutes to fill out this questionnaire honestly and to the best of your knowledge. The information given will be strictly confidential and used for academic purpose only.

Please tick in each box appropriately.

1. How often do you transact at the Cooperative bank agent?
   a) Daily ( )
   b) Weekly ( )
   c) Monthly ( ).
2. How many times have you been disrupted by the issues of network while transacting?
   a) Once ( )
   b) Thrice ( )
   c) Many times ( )

   Please explain what transpired immediately after the network failed…………………………………………………………………………………………

   Do you think that the agents are knowledgeable about other bank products and services other than doing deposit and withdrawals?
   a) Yes ( )
   b) No ( )
   c) Don’t know ( )

Please explain your answer to question 4 above……………………………………...

Do you believe the agents do business in compliance to the banking guidelines?

a) Yes ( )
b) No ( )
c) Don’t know ( )

Please explain your answer to question 5 above……………………………………...

Thank you for your cooperation