STRATEGIC DRIVERS AND PERFORMANCE OF AGENCY BANKING IN COMMERCIAL BANKS IN KENYA

MARTIN NJOROGE MBUGUA

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Strategic Drivers and Performance of Agency Banking In Commercial Banks in Kenya

Martin Njoroge Mbugua

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University

Signature……...Date……

Martin N. Mbugua

This thesis has been submitted for examination with our approval as the University Supervisors

Signature……...Date……

Prof. Margaret Oloko, PhD

JKUAT, Kenya

Signature……...Date……

Dr. Jared Deya, PhD

JKUAT, Kenya

DEDICATION

I dedicate this Thesis to my late Dad and Mum and the entire Mbugua family for their invaluable contribution and inspiration to my education journey. To my colleagues in Outlook Solutions and my friends, thanks for keeping me on track.

To my sons, Jayden and Jerome, this is for you.

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ACRONYMS AND ABBREVIATIONS

ATM	Automatic Teller Machine
CBK	Central Bank of Kenya
DTB	Diamond Trust Bank
E-B	Electronic Banking
EFT	Electronic File Transfer
POS	Point of Sale Banking
RBT	Resource Based Theory
ROA	Return on Assets
ROE	Return on Equity
RTGS	Real Time Gross Settlement
SCA	Sustained Competitive Advantage
TAM	Technology acceptance Model
VRIN	Valuable, Rare, Inimitable, and Non-substitutable
VRIO	Value, Rarity, Imitability and Organization

DEFINITION OF OPERATIONAL TERMS

Agency Banking This is an arrangement in which licensed financial institutions engage third parties to offer delegated banking services on their behalf such as accepting deposits and withdrawals and checking account balance among others (Gupta & Singh, 2023).

Banking Agents Independent business operators, who have been retained by existing commercial banks to offer restricted banking services as permitted by the Central Bank (Palaon, Wiryono, & Faturohman, 2020).

Commercial Banks Institutions registered and regulated by the central banks in any country and mandated to offer financial services such as receiving money as deposits, lending out money amongst other banking services (Buri, Cull, & Giné, 2023).

Financial Resources The assets that an organization holds in monetary terms through which it finances its operations and obtains other input to enhance performance and continuity (Zhang & Fan, 2022).

Firm Performance This is the ability of an organization/firm/business to finance its operations and record profits out of its investments. This is revealed through growth and expansion of firm, increased sales, increased number of customers and low employee turnover (Duijm & Van Beveren, 2022)

Human Capital Stock of knowledge, skills, habits, personality and social attributes that the employees in a given organization possesses through which they perform their duties and contribute to economic value in their organizations (Abubakar, Oluwade, & Ibrahim, 2022).

Information Technology It is the ability of a company to integrate information sharing mechanisms among the departments, employees and customers smoothly with little or no barriers and through use of the modern technology (Zouhair, Belaissaoui & Mrini, 2023).

Product Innovation It is the process of coming up with new products or improving the existing products to suit the demands and expectations of the customers as well as gaining competitiveness (Abdollahi, Shahbandarzadeh, & Mirzaee, 2022).

Strategic Drivers The aspects that support or act as pillars of the organizational managements' decisions and strategies put in place to enhance firm's performance (Avolio & Benzaquen, 2020). In this study, agency banking is the strategy and the drivers to ensure this strategy succeeds are; information technology, product innovation, human capital and financial resources.

ABSTRACT

Agency banking has in the recent past gained momentum among many commercial banks in Kenya. This study sought to establish the influence of strategic drivers on the performance of agency banking in commercial banks in Kenya. To achieve this, the study specifically sought to determine the influence of: product innovation; information technology; human capital; financial resources and examine the moderating effect of firm size on the performance of agency banking in commercial banks in Kenya. The study reviewed previous studies done to support the research objectives from which the research gaps were extracted. Several theories were used to lay more weight on the study variables. These theories were included; diffusion theory of innovation, technology acceptance theory, resource based theory, resource dependency theory and stewardship theory of firm performance. The study used descriptive survey research design. The target population for this study was the 18 commercial banks in Kenya licensed by Central Bank of Kenya to operate agency banking. The branch managers, ICT managers, operations managers, human resource managers and customer relations managers were the key targets respondents in the study. Primary and secondary data was collected using questionnaires and checklist guide respectively. Reliability and validity tests were undertaken and data collected was analysed using SPSS version 26. Inferential analysis was carried out to establish the relationship between the independent variables and the dependent variable. The data analysed was presented in form of tables, pie-charts and bar-graphs. The study established that Product innovation had a positive significant influence on the performance of agency banking among the commercial banks in Kenya. Through introduction of new products and making improvements to the existing products as well as differentiating the products with their peers in the market, better customer attraction was achieved thus enhancing performance. Information technology was also found to have a positive significant influence in agency banking performance in commercial banks in Kenya. Those banks that ensured appropriate ICT skills, availability of ICT infrastructure and upholding training on ICT recorded more deposits through agency banking. The findings further revealed that human capital through educational level of the employees, number of personnel and the level of experience had a positive significant influence on the performance of agency banking among commercial banks in Kenya. The financial resources availed to agency banking through shareholders' fund, liquidity ratio and value of assets also positively influenced the performance of agency banking. Firm size was found to have a moderating effect on the relationship between strategic drivers and the performance of agency banking in commercial banks. The study concluded that product innovation, information technology, human capital and financial resources were essential in steering the performance of agency banking thus recommending that the commercial banks through the management ought to uphold these strategic drivers in order to enhance the performance of agency banking.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The study sought to establish the influence of strategic drivers on performance of agency banking in commercial banks in Kenya. This chapter introduces the study problem by covering the background to the study thus pointing out the underlying issues on the strategic drivers and performance of agency banking. The chapter also covers the statement of the problem, the study objectives and the research hypotheses. Featured in the chapter also are the significance and scope of the study.

In the current turbulent and fast paced business environment, strategy has become the way of operation with every organization seeking to unveil new strategies as well as enhance the existing strategy as a way of steering up their performance through competitiveness (Afèche, Zhe & Costis, 2018). Carreras-Simó (2020) defines strategy as the unique planned action that an organization takes as a way of coming up with better ways of operating to foster performance and gain competitive advantage. Wan et al. (2022) posits that a firm's strategy is the game plan that management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance. Strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Ferreira & Franco, 2020).

Commercial banks are known to be among the most vulnerable organizations in the business world due to the numerous innovations, technological changes and high regulations involved. Despite the banking sector being crucial in economic performance through enhancement of savings and issuance of loans, they face a lot of dynamics most of which threaten their performance (Qamruzzaman et al., 2021). Therefore, similar or even more, commercial banks require very well-meant strategies to foster performance.

One of the major dimensions that modern day banks are taking for competitiveness is agency banking. This has seen many banks even in the developing World expand their operations thus enhancing their stead-fast performance (Fuertes et al., 2020).

1.1.1 Performance of Agency Banking

Agency banking is a banking strategy where banks establish agents who are authorized to undertake specific banking functions such as cash withdrawals, deposits and account balance checking (Mwaiwa, Kwasira, Boit, & Chelule, 2022). These agents are licensed and authorized by the respective banks and operate on given localities. The essence of banking agents is to decentralize essential banking services closer to the people as way of enhancing availability, accessibility and reliability of banking services. According to Nyagadza (2019), the modern world is dictating the essence of reliable and accessible banking services where people can obtain key banking services closer to them and when they need them. This means that for the commercial banks to be competitive and aligned to customers' changing needs, they ought to integrate a banking mode that enhances accessibility of banking services to all customers.

Agency banking is therefore a banking strategy which is intended to strengthen the accessibility of banking services to the people at grassroots. As a strategy, it means that it ought to perform for it to yield significant impact on the performance of the bank (Achugamonu et al., 2020). While there are several banking modes, agency banking is unique in its own way, as it involves other intermediaries (The agents) as opposed to other forms like ATM banking and Mobile banking while customers interact with the bank directly. The performance of agency banking as a banking strategy, therefore, entails the ability of the strategy to generate significant amount of revenue to the bank, while promoting the competitiveness of the respective bank (Mbugua & Omagwa, 2017). A performing agency banking in the context of the bank will therefore see strong revenues generated while significantly accounting for the bank's position in the market.

Most banks in Kenya that have embraced agency banking have not reaped the full benefits of this mode of banking as it remains lowly embraced among the target customers. According to the Central Bank of Kenya (CBK) Annual bank supervisory report (2022), over 70% of agency banking sub-sector is controlled by only three banks (Cooperative bank, Equity Bank and KCB Bank), with most of the transactions through agency banking in the country coming from these banks. This is an indication that the performance of this mode of banking has not been adequate and cross-cutting in the entire banking industry. According to Ayadi et al. (2023), performance of any organizational strategy such as the agency banking strategy can be measured using the efficiency, effectiveness and significance of the strategy to the overall organizational strategy, as well as the contribution of the strategy towards the overall performance of the organization. Banks can therefore measure the performance of the agency banking as a strategy based on the accessibility and network of their agency banking outlets (number of the agents), the amount of revenue contributed by the agents to the overall banks' revenues as well as the return on investment generated by the agency banking (Chamboko et al., 2021). These measures would tell the extent to which the agency banking strategy is contributing to the overall banks' strategy, hence its performance.

1.1.2 Strategic Drivers

Strategic drivers are the key elements that drive an organization's success by guiding the development and implementation of its strategic plan (Avolio & Benzaquen, 2020). They help organizations to align their resources, capabilities, and activities with their goals, and to respond effectively to changing market conditions and other external factors. According to Gabriel and Linawati (2020), strategic drivers are instrumental in enabling organizational performance by ensuring clear goals and objectives are set, thus enabling the organization to focus its resources and efforts on the most important tasks, and to measure its progress towards achieving its goals. One of the essential strategic driver that plays a central role in promoting organizational performance is product innovation which ensures that the organizations is aligned to the specific goals and objectives while also aligning the available resources and capabilities with the strategic objectives (Varelas &

Apostolopoulos, 2020). This involves identifying the strengths and weaknesses of the organization, and developing strategies to leverage its strengths and address its weaknesses (Carreras-Simó, 2020). By aligning its resources and capabilities with its strategic objectives, the organization can improve its efficiency and effectiveness in achieving its goals. Annie (2020) on the other hand discusses technology adoption as an essential strategic driver that helps promote effectiveness, efficiency, innovation, and continuous improvement. The author expounds that through adoption of information technology as a strategic driver, the organization is encouraged to be innovative and to continuously improve its products, services, and processes. This helps to ensure that the organization remains competitive and responsive to changing market conditions, and can adapt to new opportunities and challenges as they arise.

According to Carreras-Simó (2020) strategic drivers are the procedures that the administration of any organization situates in its matching market field to satisfying customers and accomplishing excellent business operations. Moreover, they observe that it comprises of aggressive moves and business approaches that management apply in running the organization. The strategy comprises of every one of those approaches and methodologies that a firm possess and is applying to attract in customers, withstand the aggressive pressure and improve its market position.

Drawn from the four (4) interconnected perspectives of an organization strategy proposed by Kaplan and Norton (1992) (Benková et al., 2020) in the Balanced Scorecard (BSC) model, strategic drivers ought to focus on four distinct dimensions which are; financial perspective, customers perspective; internal processes perspective (technology), and the people perspective (Human resources/skills) (Faraji, Ezadpour, Dastjerdi, & Dolatzarei, 2022). These aspects determine the extent to which an organization's strategy is implemented to attain the intended results. The study's variables were informed from this model where financial resources, human capital, product innovation, and information technology were used as the key strategic drivers.

According to Ebersberger, Herstad, Iversen, Som and Kirner (2016), a strategic driver is the assurance of long-run objectives and targets of an organization, assimilation of course and distribution of fundamental resources for executing these objectives. The strategy is viewed as a field of request created from a viable need to explain the reason behind the progress and drawback among organizations. Gabriel and Linawati (2020) strategic driver as an arrangement that bears guidance and plans that are, consistency in conduction over time. Most of organizations start their key strategy plans cycle through refreshing of their business goals in connection to execution audits in key regions, (for example, individuals and business development) accomplished outcomes and advancement needs.

Demir, Wennberg, and McKelvie (2017) define strategic driver as the destination of purpose or objectives, and basic policies or plans for accomplishing these objectives, expressed so as to characterize what business the organization is in or to be in and the sort of organization it is or is to be. To succeed in today's environment an organisation must focus on customer rather than production. According to Ashrafi, Walker, Magnan, Adams, and Acciaro (2020), a strategy enables assembly of production customs built from standard component and unique to each customers need.

According to Heaton, Teece, and Agronin (2023), most of the emerging companies in Sub-Saharan Africa consider strategic drivers as main determiners of the organization future depending on the present and potential exercises. These organization as the authors instigate, embrace the available enablers of efficient strategic management in order to strengthen their capability to perform effectively and increase their chances of expanding their business to other countries in Africa and beyond. In South Africa, Sodero et al. (2021) consider strategic drivers as the fundamental long-term assurance of organization goals and destinations of adoption and selection of important policies and the distribution of assets to complete these objectives. The strategic drivers used in a corporate characterizes the business in which it will contend; ideally in a way that focuses in converting the resources to into more performance (Argyres et al., 2020). Gidado et al. (2023) argue that strategic drivers enhance the ability of the adopted strategies to excel

the capacity of the organization to be more competitive by increasing the commitment to corporate culture, human resources and embrace of technology.

Strategic drivers have been known to enhance the performance of organizations across the globe (Afeche et al., 2022). Muiga and Namusonge (2020) described strategic drivers as the key factors that shape an organization's overall strategy and direction, and are critical to achieving optimal organizational performance. Among the strategic drivers that the authors focused in included; human capital, customer relationship management and information technology. Human capital with is the available skills and competencies is a strategic driver that enables the organizational management to streamline the strategies with the staff for enhanced implementation of the strategies (Mulwa & Deya, 2022). Muthoka, Oloko and Obonyo (2017) on the other hand addressed strategic drivers as the internal strengths that a firm possesses through which the management is capable of successfully running the integrated strategies for continued performance. The authors focused on technological advancements, customer relationship management, aligning corporate culture, enhancing human resources, and shifts in industry regulations as the core drivers that enable the strategic managers to act and push for the implementation of the strategies.

Kerubo et al. (2020) elaborated strategic drivers as integral in strengthening organizational performance through supporting the effectiveness of the management towards providing a more robust focus on strategies. The drivers enable firms to set strategic direction whereby the drivers help an organization to set its overall direction and goals by analyzing the external environment and identifying opportunities and threats and enabling the organizations to align their resources, capabilities, and culture towards achieving the identified strategic goals. This alignment ensures that everyone in the organization is working towards a common objective (Muriithi & Paul, 2022). Mutendera and Simba (2019) addressed strategic drivers in terms of the allocation of resources whereby they help the management in determining the allocation of resources, such as financial, human, and technological resources, to different business units or initiatives based on their

strategic importance and potential for returns. The drivers help to define the performance metrics and enable organizations to gauge the success of their strategy.

1.1.3 Commercial Banks in Kenya

Banking is the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money so as to earn a profit. The banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and prudential guidelines from CBK. The banking sector was liberalized in 1995 and it has grown in immense proportions over time. These Acts are used together with the prudential guidelines which Central bank of Kenya issues from time to time (GOK, 2017). In 1995 the exchange controls were lifted after the liberalization of the banking in Kenya.

Commercial banks are licensed and regulated under the Banking Act cap 488; deposits taking micro finance institutions are regulated under Micro Finance Act and the forex bureaus under the Central Bank of Kenya Act cap 491 (CBK, 2021). As of December 2021, the sector comprised 39 commercial banks, 1 mortgage finance company, 9 microfinance banks, 8 representative offices of foreign banks, 97 foreign exchange bureaus, 5 money remittance providers and 2 credit reference bureaus (CBK, 2021). Out of the 39 commercial banks, 26 banks are locally owned where 3 banks are local public banks and 23 are local private banks while 15 commercial banks are foreign owned with more than 50% of their shareholding vested in the hands of foreigners. The locally owned commercial banks command the biggest market share with more 79% of the assets base. Other commercial banks not included in the list as per the guideline of the CBK include the Charterhouse Bank which is under statutory management, Fidelity Commercial Bank which is undergoing acquisition, Imperial Commercial Bank & Chase Bank which are in receivership (CBK, 2021).

The banks are further classified based on their size (market share & assets base) where there are tier one banks (large), tier two commercial banks (medium) and tier three

commercial banks (small). According to the CBK bank supervision annual report 2021, there were 9 tier one commercial banks as at the period ended 31st December which controlled a market share of 74.76%, 8 tier two commercial banks with 16.4% market share and 22 tier three commercial banks with 8.82% market share.

Over the recent past, the performance of some commercial banks operating agency banking and those without have been declining over the years as a result of increased unhealthy competition, technological changes, government policies and changes in economic and market trends being sighted as some of the causes of the decreasing performance of commercial banks in Kenya (KPMG, 2018; Harzing, 2010; and CBK, 2021). Capping of the interest lending rates by the government of Kenya through The Banking- Amendment Act (2016) to not more than four percent (4%) of the base rate set and published by CBK, further complicated the profitability and performance of commercial banks in Kenya (KPMG, 2018). According to Central Bank of Kenya (2017), 40% of the commercial banks in Kenya are struggling to sustain themselves in the market with their share capital, market share and ROE slightly being critically at the minimum requirements by the CBK regulation standards (Waithanji, 2012).

1.1.4 Agency Banking

Agency banking is an arrangement through which licensed financial institutions engage third parties to offer certain services being offered by the banks (Palaon, Wiryono, & Faturohman, 2020). According to Banking Act (2010), an agency bank is a company/organization that acts in some capacity on behalf of another bank, it, thus, cannot accept deposits or extend loans in its own name; it acts as agent for the parent bank. It is a retail outlet contracted by a commercial bank to process clients' transactions (Muniarty, Pratiwi, Nurhayati, & Purnama, 2020).

Rather than a branch teller, it is the owner or an employee of the agency banking outlet who conducts the transaction to allow bank's clients deposit, withdraw, and transfer funds, pay their bills, inquire their account balances, receive government benefits or a direct deposit from their employer (Central Bank of Kenya Banking Act, 2010; African Banking Corporation-ABC, 2017). Banking agents are the backbone of agency banking, they perform transactions of a bank, to enable clients to convert cash into electronic money and vice versa (Chaisiripaibool et al., 2023). Money can be sent through the banking agent, without clients having to visit a bank branch.

Agency banking leverages heavily on ICT and is a component of branchless banking that allows financial institutions to offer financial services outside the traditional brick and mortar bank premises (Mas, 2008). It allows customers conduct a limited range of financial transactions at third party agency banking outlets (King'ang'ai, Kigabo & Kibachia, 2016). The agency banking outlets are mandated to manage transactions (deposits, payments and cash withdrawals among others) (CGAP, 2006) on behalf of the commercial banks and are remunerated on a fee-for-service basis. They are linked to the bank's servers using a telephone line, cable or satellite link and use Point of Sale (POS) device and Visa Card readers to offer services (Akighir et al., 2022).

Agency banking has evolved over the last three decades, achieving varied success across the world (Ombutora & Mugambi, 2013). Agency banking has been practiced in a number of countries such as Brazil, Columbia, Pakistan, South Africa and Indonesia (Ojedokun & Ilori, 2023). In fact, agency banking or banking agents existed long before, Kenyans ever thought about it (Ayadi, Oke, Oladimeji, & Aladejebi, 2023). Banking agents were first formed in Brazil and in Colombia to help financial institutions to divert existing customers from crowded branches and to provide a "complementary", often more convenient channel to transact from (Ojedokun & Ilori, 2023). Brazil is a pioneer in agency banking (Mauricio & Mandrile, 2012). Since its inception in Brazil in 1999, more than 100,000 retail outlets have been turned into agent banks, reaching 13 million extra unbanked people (Lyman, Ivatury & Staschen, 2016). All 5,600 municipalities in the Brazil have access to banking services through agency banking platform (Economic times, 2017). Although agency

banking is fast growing and gaining strong roots in Latin America, Asia and South Africa, it remains untapped in most of Africa (Sporta & Muganda, 2021).

In Asia, emerging economies such as Singapore have continually embraced agency banking an aspect that has seen the country's banking sector grow significantly for the past 10 years (Ojedokun & Ilori, 2023). Through agency banking, the deposits and number of transactions increased thus leading to enhanced performance of the banks as well as creating employment in the sector as a result of increased demand for the banking agents who at the end of the day earn some commission (Ojedokun & Ilori, 2023). India has also been recognized for agency banking which most of the banks in the country have embraced although not fully as a way of promoting their performance and effectiveness (Sporta & Muganda, 2021).

In South Africa, agency banking has been embraced by most of the banks and this has contributed to the performance and success of bigger portion of these banks. However, some of the banks in the country despite adopting the agency banking method, their performance has been minimal and very little change has been observed (Zungira, 2013). Tarazi (2011) noted that bank agents play a critical role in enhancing the accessibility of banking services among the customers thus connecting the customers to their banks an aspect that increasingly contributes to the performance of commercial banks.

To keep up with international trends regarding the use of agency banking to enhance financial inclusion, in Kenya, the government amended the Banking Act (2010) with the Finance Act (2010) to facilitate use of third parties by banks to provide banking services. Additionally, the Central Bank of Kenya amended the Banking Regulations and issued Agency banking Regulations (2010) to allow commercial banks contract third party retail agents to provide financial services on their behalf (Ndirangu & Kimani, 2022).

This decision was also driven by Kenya's, blue print for economic development, Vision 2030, to extend access to financial services for all adult Kenyans by the year 2030 (Republic of Kenya, 2017). In Kenya, agency banking took effect in May 2010 after the

publication of prudential guidelines by the Central Bank of Kenya. Agency banking in Kenya is governed by the Prudential Guideline on Agency banking issued by the Central Bank of Kenya (CBK, 2015) and which became operational from May, 1st 2010. In February 2011, the Central Bank of Kenya released regulations allowing banks to offer services through third party agents approved by the CBK.

Agency banking partnership has helped banks to take financial services closer to people, more importantly, to areas that lack them (Ndirangu & Kimani, 2022). The agents operate as satellite branches. The agency banking concept has increased access to financial services to the unbanked population and is gaining popularity countrywide, however, currently one-third of the Kenyan population still lacks access to formal banking services (CBK Annual report, 2017). Agency banking has become increasingly popular especially in remote and rural locations where most commercial banks have not set up conventional branches to service its clients, and depend on agency banking platform to access and serve its clientele (Parsons & Urdapilleta, 2016).

Agency banking has been widely recognized as a strategy used by commercial banks to expand their operations and enhance performance (Malek, Mohtar & Ariffin, 2017). According to the 2017 bank supervision report, the Kenyan banking sector comprised 39 commercial banks only 18 commercial banks have been licensed to operate agency banking with more than 53,833 agents across the country (CBK, 2017). The 18 commercial banks which have adopted agency banking in Kenya, 90% of the agency banking agents are from 3 banks with the largest physical branch presence in Kenya namely; Equity Bank (16,734 agents), Kenya Commercial Bank (11,948) and Co-operative Bank (7,956) (CBK Bank Supervision report, 2017). This is in comparison to 17 commercial banks which had contracted 40,592 agents spread across the country in 2016, indicating an increase of 4,745 agents operating agency banking in 2014 (CBK 2016).

The high number of agents operating agency banking signalled increased confidence and acceptability of the agency banking model as an efficient and effective delivery channel

(KBA, 2016). In July 2014, Competition Authority of Kenya (CAK) included a clause after consultation with the CBK in its regulations on competition allowing individuals operating agency banking to operate agency banking for more than one bank (Ndirangu & Kimani, 2022). Most commercial banks took advantage of this opportunity to use agents already experienced and recruited by other banks to operate their agency banking platform, hence cutting down on recruitment and training costs which they would have otherwise incurred (CBK, 2015).

Agency banking has been growing in Kenya with the recent CBK reports showing that there was an increase of the number of agents by 32.6% between the year 2015 and 2016 CBK,2017). Through agency banking, customer deposits increased by 5.3% from Kshs 2.49 trillion in December 2015 to KShs 2.62 trillion in December 2016 (CBK, 2017). The value of all transactions through agency banking increased by KSh 883.4 billion in the year to June 2017 (CBK, 2017). The number of agency banking transactions undertaken stabilised at 385.6 transactions in the year to June 2017 compared with 386.3 million in the year to June 2016. However, the value of banking transactions undertaken increased by 56.5 per cent, to KSh 2,446.1 billion from KSh 1,562.7 billion over the same period (CBK, 2017).

Banks are required by CBK to monitor the activities and transactions undertaken through agency banking to safeguard client's confidentiality, deposits and integrity of transactions undertaken (Ndirangu & Kimani, 2022). As noted from KCB financial report (2017), banks continue to commit a significant of their resources in marketing, branding of agents outlets, providing back office support, providing basic training to the staff employed to work at the agency banking outlet (KCB Annual report, 2017).

The performance of agency banking services by KCB Bank of Kenya is attributed to the existence of a strong core banking technological system (Sporta & Muganda, 2021). A research study on agency banking carried out by Kenya Bankers Association (KBA, 2012) revealed a strong banking technological system like the one operated by KCB through its Center for Research on Financial Markets and Policy, agency banking operators rely on

the point-of-sale (POS) devices and/or mobile phones and have access to the bank‘s core banking system that allows the clients‘ transactions to be reflected in real time (Ndirangu & Kimani, 2022). As indicated by Sporta and Muganda (2021), commercial banks operating agency banking had invested immensely on its core banking systems to improve performance of its operations and facilitate operations consolidations transacted through agency banking, improve general performance of agency banking segment of its business through committing more funds on staff training, investing in new product and technological innovations to grow market share in agency banking market segment.

To safeguard banks interests and those of its clients, banks have to invest heavily on firewalls to protect information from being relayed through agency banking platforms from hacking by fraudsters and other related cyber-crimes (Mbobua, Jama & Musiega, 2013). In order to avoid fraud at agency banking POS terminals, commercial banks provides a unique security password that is confidential to its clients transacting through agency banking to ensure integrity and safety of transactions being undertaken at the agency banking outlet (Ojedokun & Ilori, 2023). Agency banking presents banks with an opportunity for rapid expansion at minimal cost by leveraging on the existing investment of the proprietors operating agency banking allowing the banks to serve its clientele in areas they don’t have branches (Sporta & Muganda, 2021).

From CBK (2021) bank supervision report, some of the banks operating agency banking like KCB, Cooperative Bank, Equity Bank, continue to demonstrate better performance of agency banking while others like SBM bank, National Bank of Kenya, Ecobank, Credit Bank Limited, Kingdom Bank, The First Community Bank posted mixed performance of agency banking segment of their business (CBK, 2022). This study is set out to gather information on the influence of strategic drivers on performance of agency banking in commercial banks in Kenya.

1.2 Statement of the Problem

The banking sector especially through the commercial banks plays a key role in promoting business performance through lending and promoting savings and investments (Otieno & Ndede, 2020, World Bank, 2022). According to Ongongo and Mang'ana (2022), commercial banks in Kenya are the main central enablers of other main economic sectors through provision of capital and other financial support. With the introduction of agency banking, the contribution of commercial banks to the country's economic growth has even doubled (World Bank, 2021).

Commercial banks operating agency banking continue to show mixed performance on the agency segment of their business with some banks like Equity bank, KCB, Cooperative Bank posting good performance while other banks like SBM Bank, Credit Bank, Ecobank, Kingdom Bank showing mixed performance of their agency segment of their business (CBK, 2022). While other banking strategies like mobile banking, ATM, e-banking have been embraced by all the 39 commercial bank, agency banking has only been adopted by 50% of the banks. Despite the embrace of agency banking among most of the commercial banks in Kenya, the agency banking sub-sector continues to be dominated by three banks (Equity Bank, Cooperative Bank and KCB Bank). Other banks hardly generate significant amounts of revenue from the banking mode, with others recording continuous decline in the value and among of transactions from agency banking (CBK, 2022). While the cumulative volume of transactions through agency banking increased from 139.8 million in 2017 to 158.4 million in 2022, over 92% of this growth was from three banks (Equity, KCB, Cooperative banks). The value of transactions increased from Kshs.1.074 trillion in 2017 to Kshs.1.829 trillion in 2022, where 89% of the growth was from the three banks. CBK (2022) further notes that while the volume and value of transactions through agency banking have significantly grown over the years, over 75% of the banks with agency banking have seen their volume and value of transactions decline implying that the cumulative growth has been attributed to the three banks. Moreover, CBK (2022) noted that agency banking has been stagnant in over 80% of the banks, despite the agents having grown from 53,833 in 2017 to 82,780 in 2022; where 92% of these agents are from the 3

banks. This raises a question on what has been ailing agency banking, where compared to other banking strategies, agency banking is highly dominated by a few banks.

The available empirical studies have shown the integral essence of strategic drivers in determining the performance and success of organizational strategies. Moktadir et al. (2023) evaluated the effect of strategic drivers on business success and recovery from Covid-19 Pandemic and established that strategic drivers such as innovation and integration of information technology had a significant impact on organizational success. In another study, Demeter et al. (2023) assessed the effect of strategic drivers on organizational digital transformation and established that through the enablers of a strategy, organizations were able to effectively support their strategies such as digital transformation. Kamau et al. (2018) assessed the role of strategic drivers on organizational performance in Kenya and revealed that strategic drivers such as human capital and market orientation had a significant impact on organizational performance. Muiga and Namusonge (2020) analyzed the effect of strategic drivers on performance of banks in Kenya and revealed that customer focus and integration of technology were essential drivers that contributed to commercial banks' performance. Muketi and Wainaina (2020) analyzed the impact of strategic drivers on services delivery among public entities in Kenya and established that technology orientation, market orientation and customer orientation were key strategic drivers that significantly influenced service delivery.

While these studies have shown the essence of strategic drivers in modern organizations, the study have not focused on how these drivers influence the success/performance of organizational strategies but instead focused on how the drivers influence the overall organizational performance. According to De Guimarães et al. (2020), strategic drivers are meant to ensure the success of a given strategy, thus they may contribute to the success of the strategy but fail to contribute to the organizational performance. Moreover, most of the studies have conceptualized strategic drivers differently where some have overlooked key drivers like resources and innovation. In addition, most of the studies have focused on varied contexts and adopted varied methodologies, which still leaves the question on whether strategic drivers could be the missing factor behind the underperformance of

agency banking among commercial banks in Kenya unanswered. It is against this backdrop that the current study sought to examine the influence of strategic drivers on the performance of agency banking among commercial banks in Kenya.

1.3 Objectives of the Study

The study had both general and the specific objectives. The general objective highlights the main purpose of the study, while specific objectives narrow down the main objective into clearer and specific individual objectives of the different aspects of the study. The objectives are as herein stated.

1.3.1 General Objectives

The main aim of the study was to assess the influence of strategic drivers on performance of agency banking among commercial banks in Kenya.

1.3.2 Specific Objectives

This study was guided by the following objectives:

1. To determine the influence of product innovation on performance of agency banking among commercial banks in Kenya;
2. To establish the influence of information technology on performance of agency banking in commercial banks in Kenya;
3. To assess the influence of human capital on performance of agency banking in commercial banks in Kenya
4. To assess the influence of financial resources on performance of agency banking in commercial banks in Kenya.
5. To analyze the moderating role of firm size on the relationship between strategic drivers and performance of agency banking in commercial banks in Kenya.

1.4 Research Hypotheses

The study sought to test the following null hypotheses:

H_{o1}: Product Innovation has no significant influence on performance of agency banking in commercial banks in Kenya

H_{o2}: Information technology has no significant influence on performance of agency banking in commercial banks in Kenya;

H_{o3}: There is no significant influence of human capital on performance of agency banking in commercial banks in Kenya

H_{o4}: There is no significant influence of financial resources on performance of agency banking in commercial banks in Kenya.

H_{o5}: Firm size has no significant moderating effect on the relationship between strategic drivers and performance of agency banking in commercial banks in Kenya.

1.5 Significance of the Study

The study aimed at finding out the influence of strategic drivers on performance of agency banking in commercial banks in Kenya. The findings from the study will be of significance to a number of parties as herein discussed;

1.5.1 The Management of Commercial Banks

The study findings will help commercial banks in Kenya to determine the strategies that they can apply in investing more for the purpose of enhancing performance. The findings from the study will enable the bank managers to identify the right strategies to adopt when initializing or promoting agency banking so as to steer their performance.

1.5.2 Banking Agents

Banking agents are the individuals or firms that are mandated to carry out agency banking by the commercial banks. They will also form part of the beneficiaries of the study findings in that by the study pointing out the key issues that affect the performance of the banking method and the bank management addressing the issues, the agents will be the direct beneficiaries. The agents will also identify the key prospects to consider so as to steer their performance and efficiency.

1.5.3 Government and Law makers

The study will be of great importance to the law makers and the government such that they will use the findings to determine the implications that may come out of their regulations to the commercial banks. The findings will enable the law makers to make considerate policies in regulating the commercial banks and thus act for the benefit of the bank, the government and more importantly the customers.

1.5.4 Future Scholars and Researchers

The study will contribute to the existing literature on commercial banks and agency banking not forgetting its influences on performance of commercial banks. This therefore will increase reference materials to future scholars and researchers who can use the findings to support their studies and at the same time identify gaps which they ought to fill in their studies.

1.6 Scope of Study

The study aimed at establishing the influence of strategic drivers on performance of agency banking in commercial banks in Kenya. The strategic drivers focused in the study included: information technology, product innovation, human capital and financial resources. These four have been proposed by scholars such as Afèche, Zhe and Costis (2018); Hollebeek, Jodie, and Brodie (2016); Mutindi, Namusonge and Obwogi (2013);

and Koros (2017) who found out that these aspects mainly defined strategic management and acted as crucial pillars for any strategy to be successful and steer organizational performance.

The study focused on commercial banks that have agency banking since the main theme of the study lies on the performance of agency banking in the commercial banks. According to Central Bank of Kenya, there are 18 commercial banks with agency banking in Kenya, however Chase Bank and Prime Bank were excluded from the study since they are under statutory management by CBK (CBK 2017).

All of the banks licensed to operate agency banking have their headquarters and branches in Nairobi hence the study was based in Nairobi County. According to CBK (2017), most of the commercial banks in the country have their banking systems and operations concentrated in Nairobi County which is a host of all commercial banks operating in Kenya, with the leading banks such as Equity bank, KCB and Cooperative bank drawing more than 40% of the revenues from their operations in the County alone. This justifies the focus of the study to the banks in Nairobi County.

1.7 Limitations of the Study

The confidentiality policy of the banks restricts some sampled respondents from filling in the questionnaire for fear of exposing the firms' private information. This was mitigated by assuring the respondents of utmost confidentiality and anonymity of the information they provide. An introduction letter was obtained from the university and a research permit from the National Commission for Science, Technology and Innovation (NACOSTI) was presented to the banks' management in order to eliminate suspicion and enable the respondents to disclose the information sought. Some of the respondents were not willing to fill the questionnaire correctly because of misunderstanding of some issues. This was mitigated by the clarification of issues that could not be easily understood by respondents. Also, inadequate responses to the study questions and unexpected occurrences like respondents leaving before completing the questionnaire were encountered. These

challenges were mitigated through constant reminders and revisit to the respondents during the survey period.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

A literature review is a logical, categorical and reproducible scheme for ascertaining, gauging and construing the existing frame of recorded work produced by other researchers, scholars and practitioners (Braidotti, 2019). This chapter presents the literature review on the influence of strategic drivers on performance of agency banking in commercial banks. The chapter summarizes the information gathered from other researchers who have conducted the same type of research in the same field of study or other fields but with the same approach. The chapter presents a theoretical background, empirical review, research gap as well as the conceptual framework

2.2 Theoretical Review

A theory is a set of assumptions where an individual or group of persons presents specific thoughts on an observed phenomenon regarding the way it behaves or does things (Rudestam & Newton, 2015). Reviewing theories in a study entails presenting different theories and adopting them in the study so as to enhance the backing of the study problem. In this study, several theories were adopted. The theories include; Diffusion theory of innovation, Technology Acceptance Model (TAM), Resource Based View (RBV), Resource Dependence theory and stewardship theory.

2.2.1 Diffusion Theory of Innovation

Diffusion theory of innovations is a theory was first introduced by Rogers (2003). The theory seeks to explain how, why, and at what rate new ideas and technology spread. The scholar aimed at identifying the ways in which organizations can use to enhance innovation and thus increase their sustainability. As cited by Perla, Tonetti, and Waugh (2015), Rogers termed innovation as the degree to which organizations come up with new

ideas and implement them in order to gain more returns. The process of adopting new innovations has been studied for over 30 years, and one of the most popular adoption models is described by Rogers in his book, Diffusion of Innovations (Syverson, 2011). Much research from a broad variety of disciplines has used the model as a framework. Rogers (2003) mentioned several of these disciplines as political science, public health, communications, history, economics, technology, and education, and defined Rogers' theory as a widely used theoretical framework in the area of technology diffusion and adoption (Amurle, 2013; Jagdeep & Singh, 2013).

Rogers' diffusion of innovations theory is the most appropriate for investigating the adoption of technology in organizations (Kemmerer & Lu, 2012; Lashkari, 2016; Comin, & Hobijn, 2010). In fact, much diffusion research involves technological innovations so Rogers (2003) usually used the word "technology" and "innovation" as synonyms. For Rogers, "a technology is a design for instrumental action that reduces the uncertainty in the cause-effect relationships involved in achieving a desired outcome". It is composed of two parts: hardware and software. While hardware is "the tool that embodies the technology in the form of a material or physical object," software is "the information base for the tool" (Alese & Alimi, 2014; Elbanna, 2010).

Since software (as a technological innovation) has a low level of observability, its rate of adoption is quite slow. For Rogers (2003), adoption is a decision of "full use of an innovation as the best course of action available" and rejection is a decision "not to adopt an innovation". Rogers defines diffusion as "the process in which an innovation is communicated thorough certain channels over time among the members of a social system". As expressed in this definition, innovation, communication channels, time, and social system are the four key components of the diffusion of innovations. Commercial banks have to focus on innovation for them to achieve their mandate. As Tesot (2012) explain, innovativeness determines the level of commitment to success that the organization is delivering. Once the employees are turned from being mere workers to real innovators, they are more likely to deliver the most strong and useful ideas to the organization.

Rogers (2003) came up with innovation diffusion process which he defined as an activity meant to seek and process information regarding innovation decision making. As cited by Sampson (2015), Rogers (2003) provides five steps for innovation decision making process. The steps include knowledge, persuasion, decision, implementation and confirmation. Commercial banks need to first of seek knowledge on the strategies that they can use to expand from sources such as employees, competitors, consultants and other online platforms. According to Perla and Tonetti (2014) and Fwaya, Odhuno, Kambona and Othuon (2012), knowledge acts as the basis for identifying the most of the ideas for the purpose of implementing them and getting the best for the organization. Persuasion is the stage whereby individuals expresses either negative or positive attitude towards the innovation ideas put across by the organizational management.

Commercial banks need to make sure that they persuade the employees and make them accept the new innovation ideas at this stage (Buera & Oberfield, 2015). Rogers (2003) states that despite the knowledge stage being more cognitive, the persuasion stage is more effective for managers to impose the changes on the minds of employees. Decision stage is another important stage. It plays a vital role in determining whether one is ready to adopt the innovation ideas or not. Peres, Muller and Mahajan suggested that diffusion is "the process of the organization performance and penetration of new products to the market is driven by social influences, which include all interdependencies among consumers that affect various market players with or without their explicit knowledge (Hayden, 2009; Byles, Aupperle & Arogyaswamy, 2011).

There are more than four thousand articles across many disciplines published on Diffusion of Innovations, with a vast majority written after Rogers created a systematic theory, there have been few widely adopted changes to the theory (Easley & Kleinberg, 2010). Although each study applies the theory in slightly different ways, this lack of cohesion has left the theory stagnant and difficult to apply with consistency to new problems.

Diffusion is difficult to quantify because humans and human networks are complex. It is extremely difficult, if not impossible, to measure what exactly causes adoption of an innovation (Mascia & Morena, 2018). Rogers placed the contributions and criticisms of diffusion research into four categories: pro-innovation bias, individual-blame bias, recall problem, and issues of equality (Scott, 2011). The pro-innovation bias, in particular, implies that all innovation is positive and that all innovations should be adopted.

Cultural traditions and beliefs can be consumed by another culture's through diffusion, which can impose significant costs on a group of people (Diane, 2010). The one-way information flow, from sender to receiver, is another weakness of this theory. The message sender has a goal to persuade the receiver, and there is little to no reverse flow (Cabrita & Vaz, 2012). The person implementing the change controls the direction and outcome of the campaign. In some cases, this is the best approach, but other cases require a more participatory approach.

Bank managers at this stage makes the employees adopt the ideas by ensuring that they are aware of the merits of accepting the same (Roberts, Galluch, Dinger & Grover, 2012). Implementation will then follow as the next stage whereby the ideas will be implemented after individuals are urged to accept the changes. In this stage, reinvention will be done whereby the innovations will be modified as per the understanding of the employees. The last stage will be confirmation of the implemented ideas. The organization can now seek support from other stakeholders so as to bring the innovations into practice (Rogers, 2003). Innovation diffusion theory is one of the most relevant theories so far in determining the use of innovation strategy in the organization (Camisón, 2013; Nadkarni, & Herrmann, 2010). As many scholars and researchers across the globe have noted, innovation diffusion theory clearly puts across the need for organizations to invest in innovations (Carlo, Lyytinen & Rose, 2012; Saraf, Liang, Xue, & Hu, 2013). This therefore makes the theory essential in the study in instigating the first objective of the study which is to unveil the influence of product innovation on performance of agency banking in commercial banks in Kenya.

2.2.2 Technology Acceptance Theory

Technology acceptance theory was first developed by Davis (1989) with an aim to bring out the factors affecting adoption and acceptance of computer applications among individuals in an organization. According to Oye, Iahad and Ab.Rahim (2012), behavior of the user in information technology is very essential for productivity and attainment of better results as far as technology is concerned. Many organizations across the globe are concerned with introducing new technologies in the systems but fail to mind about the acceptance of the employees and the effects the technology has to bring on the employees (Suvarna & Godavari, 2012).

Davis, Bagozzi, and Warshaw (1989) as cited by Park (2009) proposed TAM in order to explain the factors that makes individuals to reject or accept certain technological changes with reference to their model known as Theory of Reasoned Action (TRA). According to Davis, TAM gives a clear indication of how certain external variables affect the attitude, behavior and belief. As put across by Yaseen (2014) one's actual use of a technology system is influenced directly or indirectly by the user's behavioral intentions, attitude, perceived usefulness of the system, and perceived ease of the system.

TAM has been widely criticised, despite its frequent use, leading the original proposers to attempt to redefine it several times. Criticisms of TAM as a "theory" include its questionable heuristic value, limited explanatory and predictive power, triviality, and lack of any practical value (Chuttur, 2009). Benbasat and Barki (2007) suggest that TAM "has diverted researchers' attention away from other important research issues and has created an illusion of progress in knowledge accumulation.

In general, TAM focuses on the individual 'user' of a computer, with the concept of 'perceived usefulness', with extension to bring in more and more factors to explain how a user 'perceives' 'usefulness', and ignores the essentially social processes of IS development and implementation, without question where more technology is actually better, and the social consequences of IS use. Lunceford argues that the framework of perceived

usefulness and ease of use overlooks other issues, such as cost and structural imperatives that force users into adopting the technology (Bagozzi 2007).

A study conducted by Okafor, Nico and Azman (2016) discovered that perceived ease of use doesn't have any influence on the adoption of multimedia online technologies for Malaysian SMEs (Langat & Auka, 2015). The answers from the participants in this study suggest that, for them, perceived ease of use was not indicative of their behavioural intention to adopt multimedia online technologies (MOT) in the future. Instead of not adopting MOT, if they are complicated some participants said they are willing to learn it or practice more.

Banking industry is one of the industries that need to use technology so as to enhance their existence as well as performance. To make the technology adopted in banking, it is very essential for the banks' management to ensure that the users in this case who are the employees, accept the changes and are ready to work as per the requirements by the introduced technological changes (Martins, Tiago and Popovic, 2014). TAM therefore becomes very essential in this case such that it will help the managers to determine the factors that may foil the employees from accepting the changes and thus handle the cases accordingly.

Hendrickson, Massey and Cronan (1993) found high reliability and good test-retest reliability. Szajna (1994) found that the instrument had predictive validity for intent to use, self-reported usage and attitude toward use. The sum of this research has confirmed the validity of the Davis instrument, and to support its use with different populations of users and different software choices. Based on the facts reviewed above, the technology acceptance theory would be useful in the study to instigate the second objective of the study which is to establish the influence of information technology on performance of agency banking in commercial banks in Kenya.

2.2.3 Resource Based Theory

The resource based theory was first introduced by Penrose (1959) but has extensively been elucidated by Barney (2001) as an attempt to explain how organizations can strategically place themselves in the market through utilization of available resources. The theory emphasizes that the firm's resources as the fundamental determinants of competitive advantage and performance. It adopts two assumptions in analyzing sources of competitive advantage. (see for instance Barney, 1991 and Peteraf and Barney).

First, this theory assumes that firms within an industry (or within a strategic group) may be heterogeneous with respect to the bundle of resources that they control. Secondly, it assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms (i.e., some of the resources cannot be traded in factor markets and are difficult to accumulate and imitate). According to Barney (2001), resource based theory is the approach that best describes how organizations can gain competitive advantage and increase their performance.

According to the RBT, organizational resources are the most important determinants of the competitiveness and performance of the organization. The theory suggests that organizations need to integrate their resources which are the key capabilities that they are assured of having for the sake of their internal operations and existence (Ngatia, 2013).

According to Foss and Knudsen (2003) as cited by Mbwaya (2014), resource based theory is based on two assumptions in an effort to bring into light the ways of integrating the organizational resources to win competitive advantage. First, the theory assumes that organizations in a given business environment are unrelated in the sense that their resources defer and the way that they integrate those resources is also different. Secondly, the theory assumes that due to immobility of some of the resources that make the strategies of the firms in a business environment differ, the heterogeneity of the firms may persist for a long period of time. The argument goes "If all firms in a market have the same stock

of resources, no strategy is available to one firm that would not also be available to all other firms in the market" (Mbwaya, 2014).

According to John and Richard (2013) resource based theory is basically based on the uniqueness of the firm's resources as compared to those of the competitors. Employees (human resources) and the skills are some of the resources that according to RBT make organizations produce different products and perform differently from the competitors despite them being in the same market and with the same chances of winning the market. Other resources can be copied by the competitors but the skills and the human resources are unique to the organization that they exist in.

John and Richard (2013) complements that the resources of the firm and the uniqueness of the resources does not necessarily influence the performance of the organization but other determinants such as the managerial strategies injected on the resources supplement the overall performance of the organization. According to Berny (2001), the organizational resources should be valuable and rare for them to generate an impact in the firm's competitiveness and performance.

Recently, resource based theory has been found to focus on the intangible assets or resources of the organization more than the tangible resources. In this context, skills, capabilities and information of the organization have been found to be the most available unique resources for every organization (Wawira, 2013). The uniqueness of the resource is determined by how much the organization is able to make use of the available resources without exposure of its systems and procedures to the competitors (Hunt & Davis, 2008; Jean, Sinkovics & Kim, 2010).

Resource Based theory has as well received its potion of critics as it is to other academic models. Several scholars across the globe have continually expressed their disagreements with the arguments of the RBT. For instance, some critiques complain the theory is static and fails to either address the impact of organizational actions on resource effectiveness over time or describe how static resources affect SCA in dynamic markets. Valuable, rare,

and imperfectly imitable resources instead must be defined in terms of exogenous variables that are separate from the dependent variables of interest.

Second, researchers can decouple the direct link between VRI resources and outcomes by describing organizational processes used to exploit resources (Barney & Clark 2007; and Peteraf & Barney, 2003). Operational competencies can best be explained by the Resource based theory which considers on the advantages of the firm management concentrating on investing their resources to the employees (Pearce & Robinson, 2011). The goals are set by the organizational managers but they are executed by the employees. This therefore means that the employees are the final deciders of the far a decision can go and how it can be implemented thus making them the most important resources in an organization. This makes the theory essential in the study to pin down the third objective of the study which is to find out the influence of human capital on performance of agency banking in commercial banks in Kenya.

2.2.4 Resource Dependence Theory

The RDT theory was publicized by Pfeffer and Salancik (1978) in an attempt to pin-point the need for resources in an organization to steer performance and growth. The theory states that organizations depend on resources so as to keep their operations on-going and effective. In this basis therefore, the organizations have to seek for these resources to ensure that they sustain their operations (Yeo, 2013). According to Pfeffer as cited by Ullah (2013), resources are the basis of power to any organization. This therefore shows the need for the organization to seek for these resources and avail them to its operations.

Pfeffer and Salancik (1978) argue that even the independent organizations will at some point require resources for some of its operations and thus they have to have some relationship with the organizations in their environment. Smerek and Denison (2007) cite Pfeffer and Salancik and stated that resources and power go hand in hand thus any organization that seeks to be powerful in an organization will eventually seek resources for sustaining itself as a powerful organization.

Commercial banks require resources for them to run their key strategies like agency banking. This means that for the banks to effectively implement their strategies through awareness creation, marketing and providing exemplary services, they should have adequate resources. One of these resources as Nandi et al. (2022) expounds is financial resources. Financial resources as the Resource Dependence theory terms them are that they are paramount inputs that enable organizations to run their internal processes smoothly. This is because financial resources are capable of stimulating and mobilizing other resources such as human resources. Agency banking as a strategy requires key investments that strengthen the strategy and ensure its success in the market. Therefore, for the strategy to succeed, the bank has to bring-in adequate financial resources to support key activities of the banking strategy (Orazalin & Baydauletov, 2020).

Basing the argument on RDT theory, it is quite clear that for agency banking to perform as a strategy, the banks' management ought to mobilize more financial resources and direct these resources to the strategy. According to Jiang et al. (2023), while most organizations recognize the essence of financial resources as a key strategic driver, the resources are not directly channelled to the strategy, and this limits the strategy from exploiting its full potential. Funding of agency banking as a strategy, therefore, ought to be immense and deliberately directed to the strategy, as a way of strengthening the strategy and to catalyse it to be effective. The RDT theory upholds the need for outsourcing and mobilizing other potential sources of resources (financial) as a way of supporting organizational strategies. This theory was therefore considered appropriate to instigate the fourth objective of the study which is to examine the effect of financial resources on performance of agency banking among commercial banks in Kenya.

2.2.5 Stewardship Theory

The stewardship theory was first introduced by Donaldson and Davis (1991) and latter improved by Davis, Schoorman and Donaldson (1997). The theory stipulates that managers left on their own, will act as responsible stewards of the assets they control, and given a choice between self-serving behavior and pro-organizational behavior, a steward

will place higher value on cooperation than defection and acts responsively in planning and monitoring the success of the business and do not act against the will of the owners but with the sole aim of steering business performance and growth (Davis, Schoorman & Donaldson, 1997; Chavunduka, Chimunhu & Sifile, 2015).

The Stewardship theory is quite the opposite of the agency theory which suggests that the agents are trustworthy and good stewards of the resources entrusted to them under their care and thus making monitoring useless (Donaldson and Davis, 1991; Davis, Schoorman and Donaldson, 1997). This theory opposes the agency theory which assumes that managers will act to satisfy their own self-interest rather than that of the organization. Donaldson and Davis (1991) argue that stewards who are the managers, executives and board of directors are satisfied and motivated when the organizational objectives are achieved.

Davis (1997) argues that stewards derive a greater utility at personal level by satisfying organizational objectives than through self-serving behavior and as such the managers and directors are also concerned about their personal reputation as expert decision makers which drives their effort in the achievement of better financial performance of their organizations they are serving. According to this theory, other non-financial motives such as need for achievement and recognition, personal satisfaction gained by successful achievement of organizational goal, respect for authority and peers as well as work ethics of the organization they serve influences stewards actions (Aldehayyat & Al Khattab, 2013).

This theory contends that superior financial performance is linked to having majority of inside directors as opposed to external directors since inside directors better understand the business, and are better placed to govern than outside directors, and can therefore make sound financial decisions which leads to higher financial performance (Donaldson & Davis, 1991; Davis, et al., 1997).

Commercial banks embrace agency banking with the main aim of promoting their performance and growth with the belief that the proprietors of agency banking outlets will be stewards of the bank and will work to promote the interests of the bank. However, this can be achieved through enhancing the performance and efficiency of agency banking through the commitment of the banks resources to support the operations of agency banking. This theory was therefore adopted in the study to instigate the dependent variable which is performance of agency banking in commercial banks in Kenya.

2.3 Conceptual Framework

According to Braidotti (2019), a conceptual framework is a concise description of the phenomenon under study accompanied by a graphical or visual depiction of the major variables of the study. Braidotti (2019) stated that conceptual framework is a diagrammatical representation that shows the relationship between dependent variable and independent variables. This study can be conceptualized as shown in Figure 2.1.

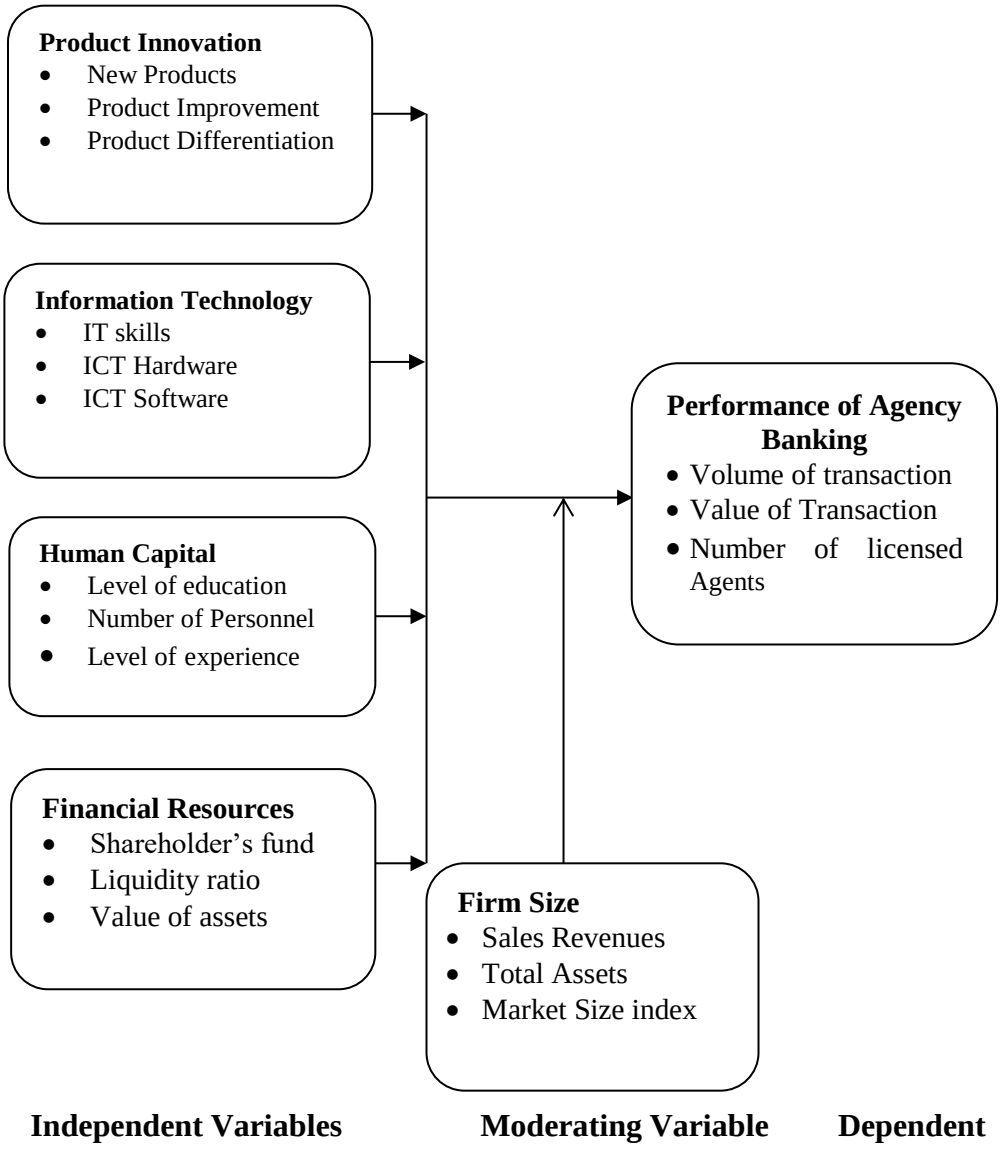

Figure 2.1: Conceptual Framework

2.4 Review of Study Variables

2.4.1 Product Innovation

Product Innovation is one of the aspects that define the current business formulations and success of the business in the 21st century (Dajani, 2016). The organizational innovation is the introduction of new organizational business management methods in the workplace

and/or the relationship between a company and external agents (Paul, 2012). According to Gunday et al. (2011) and Loshali and Krishnan (2013), the organizational innovations are strongly linked with all administrative efforts to renew organizational routines, procedures, mechanisms, systems, etc. and in order to renew teamwork, sharing of information, coordination, collaboration, learning and innovation.

The organizational product innovation is considered a source of sustainable competitive advantage (Sayem, 2012; Lear, 2012). Also, the organizational innovations are strongly associated with all administrative efforts to renew organizational routines, procedures, mechanisms, systems, etc. and in order to promote teamwork, sharing of information, coordination, collaboration, learning and innovation (Gunday, 2011).

As regarded by a growing body of researchers innovation is a catalyst of performance in business and economy. Dubbé (2011) and Jooste and Fourie (2010) refer to innovation as 'the introduction of a new thing or method. Innovativeness refers to 'a firm's capacity to engage in new enterprise that is, introduction of new processes, products, or ideas in the organization' (Owolabi & Makinde, 2012; Ismail, Omar & Bidmeshgipour, 2010). This capacity to innovate is among the most important factors which influence the business performance and as such, innovativeness is amongst the unique culture which embeds in the tangible and intangible resources leading a firm towards successful business performance (Paul, 2012; O'Reilly & Tushman, 2011).

Agency banking is recognized as an outstanding strategy towards enhancing banking process and enabling commercial banks to enhance performance and competitiveness. However, for such a strategy to be successful, innovating on the product and putting more measures to develop and enhance its viability is a necessity. According to Mwate (2016), to enhance the success of any strategy, there ought to be improvements in terms of innovation through which more about the strategy is explored that enhancing its viability. This also remains the case when it comes to success of agency banking. New product lines channelled through the agencies as well as improvement of the existing products would serve to enhance success of agency banking (Kinyanjui, 2011).

2.4.2 Information Technology

Information technology has a huge impact on an organization's performance as it enables the organization to improve and manage its resources effectively (Pearce & Robinson, 2010). In order to have successful results and maximize the use of information systems, organizations need to align their strategies with the information systems they purchase (Rasaouli, 2011; Emeka, 2015). The ability of the project team to communicate and share vital information has a significant effect on completion time of projects (Carter & Greer, 2013). This is because monitoring of human resource and non-human resources is enhanced through information communication technology. This also promotes speedy information feedback to the stakeholders from project management team.

According to Lausa (2011) and Bon and Mustafa (2013), a firm can maximize the value from its information technology (IT) investments by aligning them with business strategies because IT improves scope economies and coordination. However it is important to note that the disparity between the firm requirements and what the new technology offers will result to poor performance. The information systems are used to generate data which is used to assess the complementary interaction between technology use, work processes as measured by best practices, and performance (Gagnon, 2011; Bichanga & Masika, 2014). From various studies, there are significant beneficial correlations between information technology use like intranet and performance and slightly more significant beneficial correlations between best practice use and performance. Interaction effects of the combined use of information technologies and best practices against performance are assessed, finding several positive correlations, although limited data availability prevents robust statistical evaluation (Whitney & Audrey, 2010; Prahalad & Ramaswamy, 2009).

Agency banking mainly comprises of banking agents located elsewhere away from the bank. The bank through its management will monitor its agents to ensure they have proper consolidation systems to implement agency banking operation as well as embrace effective communication systems between the bank and its clients. This enables the banks

to be in full control of the agents and enhances the management of the banking agents so as to keep them up to task in line with the bank's standard and requirements. Information technology will enhance communication and consolidation of the agents activities by the bank. As indicated by Neil and Leishman (2010), information technology has made agency banking as a banking strategy to evolve into a key contributor to the success of commercial banks through which sharing of information and handling concerns of the banking agents by the bank officials has become effective and easier.

2.4.3 Human Capital

Stokey (2014) defines human capital as the person who possesses ability, experience and knowledge to create the economic value of an organization. According to Rodrigues, Dorrego and Jardon (2013) human capital is the employee knowledge, competence and experience in an organization. Human capital orientation entails the practice of influencing and enhancing employee performance, commitment and retention for the betterment of the organization.

Palia and Porter (2007) contemplated that human capital contributes to grooming of employees into reliable organizational leaders through ensuring that they are well paid and motivated for them to continue committed to the organization (Pulic, 2012). Through employee rewarding and motivation, the organization is able to keep the reliable employees so as to take part as the future organizational managers (Alalfy & Elfattah, 2014).

According to Mongi and Mokaya (2018), for agency banking as a strategy to be effective, there need for commercial banks to have the rightful skills both at their internal formations and the agents themselves. Human capital therefore plays an integral role in making a strategy such as agency banking to be successful by ensuring that there are competencies in handling the processes involved in agency banking. Notably, human skills stand at the centre of effective implementation of every organizational strategy therefore even in agency banking they are not exceptional (Taylor, 2017).

2.4.4 Financial Resources

Financial resources are important organizational resources. No organization has ever succeeded without financial resources (Dess, Lumpkin & Eisner, 2010). Therefore it becomes imperative for institutions, firms, organizations and business entities to consider financial management in order to enhance their performance and more so mitigate exposure to financial risks (Rao, 2013; Sarker, 2013).

Financial management is concerned with organization's decisions on how to source for funds, how to control financial resources through financial controls, prudent allocation of financial resources and accountability measures. It is fundamental for the success of any entity. According to Enida and Kume (2015) and Rosenberg and Richard (2010), the rationale for financial management is raising funds for both short-term and long-term use and enhancing proper utilization of the funds.

As a strategy like any other, agency banking would require resources and mainly finances so as to support the operations that are aimed at enhancing the success of the strategy. Commercial banks have to set aside adequate budget to the agency banking doctrine if they intend to reap the best out of the strategy. According to Ramanujam (2016), commercial banks whose certain methods of banking such as agent banking have failed to achieve the projected results have majorly cited poor financing as the major cause. without adequate financing, marketing the product/strategy, training the agents and obtaining the best systems to consolidate the agents would not be possible hence affecting the entire idea.

2.4.5 Firms Size

Hassan (2014) opines that a moderating variable is a qualitative or quantitative variable which affects the direction and/or strength of the relation between an independent variable and a dependent variable. In this study, a firm characteristic is hypothesized to moderate

the relationship between strategic drivers and performance of agency banking in commercial banks in Kenya.

Firm size is one of the most influential characteristics in organizational studies. Bigger firms are presumed to be more efficient than smaller ones; the performance of large size life insurance companies is better than the small size life insurance companies (Watuka, 2014). Large firms are more stable and mature, therefore generate greater sales because of their great production capacity. CBK's organizational structure is not complex and facilitates as well as encourages employee creativity (Watuka, 2014).

2.4.6 Performance of Agency Banking

Over the years, banks have not been performing as expected despite the performance in markets due to increased population and awareness of the need for agency banking services among the individuals (Kajuju, 2016; & Rousson, Gasser & Seifert, 2012). Many commercial banks across the globe have been held under receivership over a number of reasons among them being failure to meet the minimum capital requirements as per the regulations. It has been held that performance of commercial banks has to be based on the profitability and the number of customers that the bank has. However, in the recent years, commercial banks are seen to perform better based on their share capital and amount of loans that they offer in a given period of time (Sowunmi, et al., 2014).

Growth of commercial banks has been characterised with increased liquidity of the commercial banks attained through wide customer base. 81% of the changes in liquidity are influenced by the degree of automation of banks' processes and products such as agency banking. ATMs and POS machines together with mobile phones and internet give banks a technological platform for speedy, convenient and flexible banking (Choudhry & Masek, 2013). They have enabled a wide customer view and are generally affordable, a phenomenon that has encouraged banking of the unbanked. Many banks have embraced E-B as a performance strategy, mainly to on-board as many customers as possible and attract cash deposits. Banks get most income from interest on loans. The loans are lent

from customers' deposits therefore liquidity of banks is a key determinant of their performance.

2.5 Empirical Review

Empirical review according to Saunders, Lewis and Thornhill (2012) is a systematic analysis of studies related to the area of the current study from which the study gaps are extracted. The empirical review for this study is as herein presented based on the study variables.

2.5.1 Product Innovation

A wide range of studies have been done on the relationship between management innovations and performance of organizations. Innovation being one of the key aspects of development in every organization has attracted many scholars and other researchers across the globe that has focused on its impacts on the overall performance of the organizations. For instance, Wachira (2013) conducted a study on the effects of innovation on financial performance of commercial banks in Kenya.

The researcher aimed at finding out the innovations that commercial banks had applied and invested in so as to increase their financial performance. The study adopted a cross sectional descriptive research design and had a sample population of 39 respondents from the all the commercial banks in Kenya. The study found that innovations enabled the commercial banks to enlarge and increase more customers. According to Kirugi and Mwebia (2016) as cited by Wachira (2013), commercial banks performed better when more innovative ideas were put in place and this saw many of them emerge to be the market leaders.

Elsewhere, Cherotich, Sang, Shisia and Mutungu (2015) conducted a study on the effects of product innovations and performance of commercial banks in Kenya. The scholars used a dependent variable which was Return on Equity (ROE) and the independent variables were value of cheques cleared, Value of RTGS transfers and Value of EFTs Cleared. A

descriptive design was used and a study sample of 39 commercial banks in Kenya was used as well. The study found that bank innovations had statistically significant influence on income, return on assets, and profitability and customer deposits of commercial banks. As cited by Cherotich et al. (2015), Nader (2011) stated that organizational expansion was as a result of innovations and bringing in of new ideas from all dimensions while the management takes the front stand to enhance this.

Mbogo (2013) on the other hand conducted a study on the relationship between bank product innovations and performance of commercial banks in Kenya. The study aimed at finding out the effects of innovations on customer deposits, return on total assets, profitability and overall income of the commercial banks.

The study used a descriptive research design and targeted managing employees in commercial banks in Kenya. Innovations were found to have a high prediction power in terms of grouping banks using predictive discriminant analysis. It is therefore important for the Central bank of Kenya to consider grouping banks based on their market share of innovations and link the ranking to their profitability (Francesca & Claeys, 2010). This kind of ranking will provide some competition among banks and lead to better services to customers.

2.5.2 Information Technology

Commercial banks have been expanding over the years as a result of enhancement in technology. Many commercial banks across the globe have been going global due to technology innovations whereby they are reaching more global customers with fewer barriers. Hawajreh and Hawajreh (2012) conducted a study on the impacts of information technology on knowledge management and organizational development. The scholars aimed at identifying the use of technology in generating information flow for better knowledge management in an organization. The study also focused on how information technology enables organizational development. Hawajreh and Hawajreh (2012) found that information technology enhanced information sharing within the organization and

thus managing the knowledge among the employees was more manageable and easier. As cited by Hawajreh and Hawajreh (2012), Albers (2012) established that technical capabilities among the employees were very essential as far as organizational development and knowledge sharing were concerned. Technology enhances the increase in knowledge within an organization due to increased research and information flow (Banes, 2011).

A study by Jean, Sinkovics and Kim (2016) on Information technology and organizational performance within international business to business relationships found that information technology was the key aspect that enhanced performance of organization since it was the cheapest method of marketing and enlarging the market. The study found that IT capabilities contribute directly to improved organizational process such as coordination, transaction specific investment, absorptive capacity and monitoring. These in turn contribute to strategic and operational performance outcomes. Against a resource-based as well as a transaction-cost theory background it is suggested that partner interdependence and environmental, country and cultural factors moderate the process of IT contribution on performance (Chatterjee, Segars & Watson, 2016).

Commercial banks are the key demanders of a lot of investments in information technology in the current business market. As new modern technology is being brought about, banks should be keen to improve their standards and investments in technology as well. As Kasim (2010) contends, banking sector has all the opportunities to apply technology and thus reap the best out of the same.

2.5.3 Human Capital

Ellis and Sorensen (2017) did a study on the impacts of human capital orientation on firm performance. The study focused on the activities practiced by organizational management to have a proper human capital through improvement of skills and capabilities. The study established that human capital orientation is a key contributor to firm performance through engagement of employee capabilities. According to Ellis and Sorensen (2017) human

capital orientation enhances the updating of human skills which are key organizational resources.

Kwenin (2013) did a study on human capital orientation and firm performance and focused on the work environment. The study adopted a descriptive research design and had a sample of 103 respondents. The study established that human capital orientation is a key aspect in firm performance. According to Kwenin (2013) the skills possessed by the organizational employees are critical to firm performance since the ability of a firm to implement the set decisions rely on the ability of the employees to handle specific issues in the firm. This therefore means that enhancing the skills through human capital orientation is critical (Kwenin, 2013; Pangarkar, 2015).

Rodrigues, Dorrego and Jardon (2013) did a study on the influence of human capital on the firm innovativeness and performance of firms. The study analysed the relationship between human capital and organizational performance of software companies. They pointed out that on organizational performance human capital indicators had a positive association. The indicators like training attended and team work practices resulted in awesome performers where more productivity could be translated to organizational performance (Dole, 2013).

Jamal and Saif (2011) did a study on the relationship between Human Capital Management and Organizational Performance. Results of the study showed that the firms Human Capital Management have a significant positive impact on organizational performance. The study focused on how management of human capital can affect firm performance, while this study assessed the direct influence of human capital on firm performance.

Awan and Sarfraz (2013) carried out a study to establish the relationship between human capital and firm performance and the mediating effect of employee satisfaction on the human capital-firm performance link. The study found a strong positive relationship between human capital and firm performance and further found that employee satisfaction

mediated this relationship. The study considered the moderating role of employee satisfaction on the relationship between human capital and firm performance. The sample comprised only three firms. This study considered the direct effect of human capital on firm performance.

Another study by Nishantha (2011) examined the effect of entrepreneur's human capital and social capital on the growth of Small Enterprises (SEs) in Sri Lanka. Specifically, the study sought to establish the moderating effect of social capital on the relationship between human capital and firm growth. Social capital was found to moderate the relationship between human capital and firm growth. The study introduced social capital as a moderator and focused on small organizations only, yet organizational size as a characteristic may yield different results.

2.5.4 Financial Resources

Klingebiel and Rammer (2014) did a study on the relationship between financial resources and innovation performance of organizations in UK. The study aimed at establishing the role of resource allocation to organizational innovativeness and performance. In this regard, the scholars used a correlational research design to find out the extent to which resource allocation correlated with innovativeness of the organizations. They used cluster sampling to come up with a sample size of 216 respondents. In their findings, Klingebiel and Rammer (2014) stated that allocation of financial resources to the organizational departments, led to enhanced innovativeness among the employees and this enhanced the performance of the departments and the organizations in particular. Klingebiel and Rammer (2014) further found that many performing organizations in UK laid more emphasize on financial resource mobilization as a competitive strategy and it's on this basis that measures were taken by the organizations to enhance innovativeness among them being resource allocation (Monday, Akinola, Ologbenla & Aladeraji, 2015).

Faderai (2016) did a study on the impacts of adequate financial resource allocation on performance of government owned firms in Ghana. The study aimed at establishing the

ability of effective financial resource allocation to enhance performance of government institutions (Faderai, 2016). The study employed descriptive survey research design and had a sample of 109 respondents. Faderai (2016) found that most of the government owned firms in Nigeria were underfunded and this affected their performance negatively. Faderai (2016) further established that most of the projects by government firms were given little attention and monitoring thus giving some individuals a chance to misappropriate the resources allocated to the projects thus leading to their collapse. Faderai (2016) concluded that resource allocation was an essential aspect of ensuring success of organizational projects and performance of the organization in the long run (Jackson, 2015).

2.5.5 Firm Size

Lee (2009) examined the role that firm size plays in profitability. He used fixed effect dynamic panel data model and performed analysis on a sample of more than 7000 US publicly-held firms. Results showed that absolute firm size plays an important role in explaining profitability. However, this relationship was nonlinear meaning that gains in profitability reduced for larger firms. Amato and Burson (2007) tested size-profit relationship for firms operating in the financial services sector. The authors examined both linear and cubic form of the relationship (Kuratko, 2016). With the linear specification in firm size, the authors revealed negative influence of firm size on its profitability (Wijetunga, 2013). However, this influence wasn't statistically significant.

Ebel Ezeoha (2008) Stated that the size of a firm plays a crucial role in determining the kind of relationship the firm enjoys within and outside its operating environment. He opined that usually, the larger a firm is, the greater the influence it has on its stakeholders (Saleh, Kaissi, Seamaan & Natafgi, 2013). Again, the growing influences of conglomerates and multinational corporations in today's global economy and in local economies where they operate are indicative of what role size plays within the corporate environment. Chang and Choi (2017) analyzed the impact of firm size on dynamic incentives and investment using a continuous-time agency model. The firm improves on

production efficiency as it grows, and wages are back-loaded when size is small but front-loaded when it is large. Furthermore, there is underinvestment in a small firm but overinvestment in a large firm.

Sola (2012) portrays firm strategy as a plan, a direction, a guide or course of action into the future and as a pattern, that is, consistency in behaviour over time. Sola (2012) found that most organizations in New York begin their strategic planning cycle by updating their business objectives in relation to performance reviews in key areas (such as people, standards and business development), achieved results and development priorities. Drucker (2011) conducted a study on the expansion strategies applied by manufacturing industries in Canada. According to Drucker (2011) and Sharabati and Fuqaha (2014) strategic drivers are viewed as a pattern of major objectives, purposes or goals and essential policies or plans for achieving their goals, stated in such a way as to define what business the company is in or to be in and the kind of company it is or is to be.

Drucker (2011) further found that for organizations to succeed in today's environment they have to focus on strategies that are customer focused rather than only production focused strategies. According to Zachmann (2012) and David, Patrick, Phillip and Kent (2010), strategic drivers enable assembly of production customs built from standard component and unique to each customers need.

Regionally, Ansoff (2015) argues that business strategy aims at increasing the share capital of the business as a result of some measures put in place to enhance the productivity of the business. Ansoff (2015) found that expansion remains as one of the most key aspects of many businesses who seek to invest more and secure more market for their operations in South Africa. According to Ansoff (2015), organizations in South Africa have been taking several strategies to enhance their performance and competitiveness. The strategies have been aimed at making the organizations thrive from the low level to high level and thus gain the customer confidence (Ansoff, 2015; Johnson, 2015; and Rasaouli, 2011).

In Nigeria, Nasri and Charfeddine (2012) found that many organizations in Nigeria were focusing on how they could win the market and attract more customers through investing in various expansion strategies. Nasri and Charfeddine (2012) and Agiobenebo and Ezirim (2012) found that Nigerian organizations considered investing in technology as one of the areas that made them expand at ease and with lower costs. This agrees with Cabiles (2012) Chinyamurindi (2016) who found that most companies that embraced diverse expansion strategies eventually gained competitiveness through increased quality of products and services, reduced operational costs as well as innovations of new products and services (Harzing, 2010; Agha, Alrubaiee & Jamhour, 2012).

Kirugi and Mwebia (2016) found that performing banks in terms of customer base and sales turnover had better strategies and this saw them grow systematically and gain competitive advantage. As noted by Kang'oro (2016) and Mutia (2015), in his study on the impacts of expansion strategies on manufacturing companies in Kisumu, Kenyan companies determine expansion by increase in market share and technology advancement. Adriana (2011) noted that expansion strategies adopted by Kenyan organizations were basically for the purpose of competitiveness and that they followed the market trends before adopting certain expansion strategies. Kang'oro (2016) found that Kenyan organizations were adopting expansion strategies such as mergers and acquisitions, strategic alliances and diversifications to enhance their performance and competitiveness (Mburu & Thuo, 2015).

Nkuranja and Ogeya (2017) in their study on the strategic management drivers by government corporates, found that some of government organizations in Kenya were experiencing increased productivity and performance as a result of embracing strategic drivers such as technology, innovation and resource mobilization (Rugman & Hodgetts, 2011). As Bob and Ron (2010) and Wanjiru (2014) contend, strategic management is about embracing better and new ways of carrying out business for enhanced performance and competitiveness. Nkuranja and Ogeya (2017) however reported that many organizations in Kenya especially the state corporations had not effectively embraced the strategic drivers and this limited their performance. In this regard, to enhance performance

and expansion among organizations, it is always better to adopt strategic drivers (Bob & Ron, 2010; Makori, 2014).

2.5.6 Performance of Agency Banking

Empirical studies have shown mixed results on the relationship between strategic drivers and performance of business organizations. In their study, Jerop and Juma (2014) found that adopting key strategic drivers such as innovation had a significant influence on the performance of commercial banks in Kenya. Buyuksalvarci and Abdioglu (2011) did a study on expansion through strategic agencies and performance of Turkish firms and established that opening or appointing agencies had positive relationship with firm performance through enhancing the market expansion and product diversification. Gunday and Dutton (2011) on the other hand established that appointing agencies strategically placed organizations to new locales through which their performance and expansion were enhanced. In the contrary, Dajani (2016) found that operating firms through agencies had negative influence on firm's performance while Tafirei (2014) found no direct relationship between agency banking and performance of commercial banks in Sweden.

The above studies present a contradictory argument on the relationship between strategic drivers of agency banking and the performance of agency banking in commercial banks. This therefore justifies the aim of this study, to fill the gap on the strategic drivers on performance of agency banking in commercial banks. It is on this background that the study at hand sought to establish the influence of strategic drivers on performance of agency banking in commercial banks in Kenya.

2.6 Critique of the Existing Literature

The studies on strategic influence of agency banking on performance of commercial banks revealed various arguments where most of them are contemporary to the current study. The study by Wachira (2013) on innovation strategy and financial performance of

commercial banks did not explain the keys aspects of innovation that influenced financial performance of the commercial banks. Wachira (2013) did not point out the direct link between innovation and financial performance. This leaves a gap on whether there is the actual influence of commercial banks financial performance and innovation. The study by Chatterjee, Segars and Watson (2016) on role of information technology on firm financial performance only addresses the infrastructural nature of IT but left out other essential aspects of IT such as training and proper budgeting. Marrion (2017) on the study on human capital orientation and firm performance addressed human capital as a moderating variable whereas it is clear that human capital is directly linked to firm performance and operations hence it may not be an effective moderator but rather an independent variable.

A study Conducted by Bold (2011) in Brazil found that some countries restrict the location of agents, though such restrictions are sometimes eased when regulators recognize that the regulations create obstacles to financial inclusion. For example, due to concerns that agents could threaten bank branches, Brazilian regulation originally allowed agents only in municipalities that did not have bank branches (Bold, 2011).

Tarazi and Breloff (2011) in their study showed that overly restrictive location requirements can complicate the business case for viable agent-based banking and ultimately work against financial inclusion goals. In addition, the real-time nature of most agent services has enabled remote supervision, thereby obviating one of the central arguments for location restrictions. They revealed that regulations often impose some form of "fit and proper" requirements, mandating a form of agent due diligence that requires financial institutions to verify that would-be agents have good reputations, no criminal records, and no history of financial trouble or insolvency. While fit-and-proper criteria listed in regulation often are not problematic, providers and agents have occasionally argued that compliance with particular details can impose significant cost, particularly with respect to gathering documentation (Tarazi & Breloff, 2011).

Another study by Bean (2009) indicated that agency banking has reduced cost and enhanced efficiency in the financial sector with a possibility and availing financial

services at much lower cost to consumers. In a similar study, Bold (2011) concurred that agency banking has increased the ease of banks' expansion hence outreach to far flung market pockets of bankable populations. In his view, agency banking means commercial outlets like shops and supermarkets acting in some capacity on behalf of formal banks (Bold, 2011).

In the Kenyan context, a study by Gichuki (2013) examined the major factors affecting the performance of agency banking in Nyeri Central District. Findings from this study indicated that system availability contributes to service reliability. High reliability was also asserted to increase the performance of agency banking. In another study, another study by Saropa (2013) focused on determining the performance of agency banking by equity bank in its international business operations. The study pointed out that the main factors influencing the adoption of agency banking among commercial banks in Kenya are; cost reduction, enhancement of customer service, and expanded presence by banks particularly in remote areas.

Although theories have been put forward in literature in efforts to explain the factors that influence the adoption of a given technology, their discussions are emaciated in their application to the concept of agency banking performance. This is evidenced in the Theory of Reasoned Action (TRA), Ajzen and Fishbein (1980) who averred that an individual's intention to perform a behavior is a function of his/her attitude toward the act or behavior and social norms. It is thus expected, according to this proposition, that the decision of adopting agency banking would be merely explained by the attitude developed towards it. The theory thus ignores the possibility of other factors influencing the decision which in real sense is very possible. In addition, the theory does not elaborate what influences this attitude to the decision to consideration or rejection of a decision.

2.7 Research Gaps

The study by Wachira (2013) on the impacts of innovations on financial performance of commercial banks addressed innovation in terms of service, financial and systems

innovations which are too general to stipulate innovation. This study addresses this gap by focusing on one aspect of innovation which is product innovation. Moreover, Wachira focused on performance of commercial banks whereas this study focuses on performance of agency banking which is a specific method of banking that operates differently and the returns may not be equipped to those of other forms of banking.

The study by Rodrigues, Dorrego and Jardon (2013) on the influence of human capital on firm innovativeness and Performance did not explain the aspects of human capital that enhanced performance and how innovation and performance were related. In other words, the study combined an enabler (innovation) with performance thus the role of human capital may not be efficiently observed. This study therefore sought to fill this gap by unveiling the influence of human capital on performance of agency banking.

The study by Faderai (2016) on the impacts of adequate financial resource allocation on performance of government owned firms in Ghana addressed financial resources in terms of financing and budgetary procedures but ignored the type of financial resources that were considered in the study. The current study addresses this by stipulating the several types of financial resources such as total assets and liquidity rations thus making it easy to underpin how these resources contribute to performance. Faderai (2016) also addressed performance in terms of return on assets which makes the study limited on whether indeed financial resources contribute to the overall organizational performance. The current study therefore addresses this by combining several performance measures to make the findings more diverse and specific.

2.8 Summary of the Literature

The chapter focuses on the review of previous literature on influence of strategic drivers on performance of agency banking in commercial banks in Kenya. The chapter presents specific theories to support the independent variables, moderating and dependent variables of the study. The first theory is diffusion theory of innovation to support the product innovation variable, technology acceptance theory to support the information technology

variable, resource-based theory to support the human capital, resource dependence theory to support the financial resources and stewardship theory to support performance of agency banking. Empirical studies were presented based on the specific variables on the study. The studies revealed compelling arguments on the effect of strategic drivers on performance of agency banking in commercial banks in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that used in the study. It gives a detailed description of the methodological approach and explains the philosophical thrust of the framework influencing the procedures in the research. The chapter describes the research design, study population, sampling technique and sample characteristics, data collection procedures as well as data analysis.

3.2 Research Philosophy

Paradigms are the basic belief system that guides the investigation, not only in choices of methods but in ontologically and epistemologically fundamental ways (Snyder, 2019). They posit that epistemology is the branch of philosophy that studies knowledge (Browne et al., 2019). Epistemology is concerned with determination of the nature and extent of human knowledge and attempts to address the distinction of adequate and inadequate knowledge. There are two major philosophical schools of thought that guide research in social sciences that is; positivism and phenomenology.

The study used positivism paradigm as the research philosophy. The paradigm uses a quantitative approach which involves data collection and the analysis of numerical data (Fellows & Liu, 2021). It relies on numerical evidence to draw the results or to test hypotheses. The advantage of the paradigm in a quantitative research is that it is possible to measure the reactions of a large number of subjects as representative of some wider population to a limited set of questions, which facilitates comparison and statistical aggregation of the data (Beins, 2017).

3.3 Research Design

Research design refers to the procedural framework within which the research is conducted (Hennink, Hutter, & Bailey, 2020). Research design is characterized by procedures and methods for arriving at results and findings and tools for proofing or disproving such, knowledge (Adams & McGuire, 2022). The research methodological approaches a researcher chooses to conduct research could be affected by the researcher's philosophical perspectives and paradigm.

The study employed descriptive research design. Descriptive research design entails explanation of a phenomenon, estimating a proportion of a population with similar characteristics and ascertaining the relationship that occurs amid the variables under study (Litosseliti, 2018). The design was deemed appropriate for the study due to its ability to incorporate several aspects in a study and give the researcher a wide room to choose from thus enhancing better understanding of the research problem (Alpi & Evans, 2019).

3.4 Target Population

The target population for the study was the commercial banks in Kenya that operate agency banking. Specifically, the study focused on commercial banks with agency banking since the subject matter of the study is one the performance of agency banking in commercial banks. According to Central Bank of Kenya (2022), there are 18 commercial banks with agency banking in Kenya (Appendix IV). Due to homogeneity of the branches in the implementation and management of agency banking, the study focused on branches of these commercial banks and specifically those that are based in Nairobi. There are a total of 303 bank branches from all the 18 commercial banks with agency banking in Nairobi County. Branch managers from these branches formed the unit of observation in the study.

The focus on Nairobi County was influenced by the fact that it is the capital city of Kenya and the country's business hub while at the same time the county contributes to over 40%

of Kenya's annual GDP and it harbors branches of all the 18 commercial banks with agency banking in Kenya. This therefore makes Nairobi the appropriate area for the study since it effectively represents the entire country (CBK, 2022).

3.5 Sampling and Sampling Technique

Suitable sampling frame is necessary for the selection of the sampling units. Halperin and Heath (2020) indicate that sampling frame is a list of elements from which the sample is actually drawn and is closely related to the population. The sampling frame in the study comprised of the branch managers of the 303 branches of commercial banks with agency banking in Nairobi County.

These were selected since they were considered to be well knowledgeable on all aspects of bank's products, both existing and in the pipeline as well as agency banking and strategies employed to enhance the latter as focused in the study (Cooper & Schindler, 2013). As reported by KPMG (2016), most of the banks give control of agency banking and the surrounding agents to the branches which in turn report the performance of the banking agents that are under them. Focusing on branches therefore pointed out the real situation as far as performance of agency banking is concerned.

Busetto (2020) posit that the sample size is almost always a matter of judgment rather than calculation. Given the heterogeneity nature of the population, census was used whereby all the 18 commercial banks were selected as the sample size. Afterwards, purposive sampling was used whereby only the branch managers or their representatives were picked from every branch and they formed the unit of observation. This means that one respondent was picked from each of the branches resulting to 303 respondents. Table 3.1 shows the distribution of the sample size per bank tiers.

Table 3.1: Sample Size Distribution

Bank Name	Sample
Tier One (Large Peer Group) Commercial Banks	186
Tier Two (Medium Peer Group) Commercial banks	83
Tier Three (Small Peer Group) Commercial Banks	34
Total	**303**

Source; CBK (2022)

3.6 Data Collection Procedure

Both primary and secondary sources were used in obtaining the needed data and information. During the data collection, both qualitative and quantitative data was required, which justifies the need to have both primary and secondary data. The research obtained data and information on strategic drivers on agency banking performance in Commercial Banks. Primary data was collected from the branch managers or their representatives. Primary research was done using a self-structured questionnaire.

The secondary sources which were used to collect secondary data included financial statements and reports of the commercial banks. Moreover, secondary data was collected from existing studies on agency banking that had been documented, journals, books and other secondary sources that contained relevant data for the purpose of this study.

3.7 Pilot Testing

Busetto et al. (2020) state that a relatively small sample of 10 to 20 respondents can be chosen from the population during piloting which is not included in the sample chosen for the main study. According to Kothari (2014), 10% of study population is appropriate for pilot test.

The study used 10% of the sample size to carry out pilot test and the results were captured in the main study. This helped the researcher to identify any ambiguous and unclear questions (Lê & Schmid, 2022). The commercial banks' branches selected were outside

the geographic scope of the study and mainly based in the Counties near Nairobi. This was so as to prevent duplication of information or biasness orchestrated by use of the same respondents for both pilot and the main study. Feedback received was used to fine-tune the questionnaire before embarking on the actual data collection. The researcher also used research experts to review the instrument to ascertain face validity.

3.7.1 Reliability of the Research Instruments

Reliability is the extent to which data collection techniques or analysis procedures will yield consistent findings (accuracy and precision of a measurement procedure) (Creswell, 2014). It establishes if the measure is able to yield the same results on other occasions, similar observations are reached by other observers and transparency in the raw data. Reliability was used to check the internal consistency of the data measuring instrument.

Cronbach's coefficient alpha which determines the internal consistency or the average correlation of items within the test was used after collection of data to test the findings. Alpha values range from zero- no internal consistency to one -complete internal consistency. Voss and Marton (2012) and Denscombe (2010) suggested that if values were too low, either too few items were used or the items had little in common. Lim (2013) posits that reliability of over 0.70 is considered acceptable. This was the threshold applied in this study.

3.7.2 Validity of the Research Instruments

Validity is the ability of the research instrument to measure what it is supposed to measure (Cooper & Schindler, 2006). There are three genres of validity, namely; face, content and construct validities (Trochim, Donnelly & Arora, 2016).

Content validity was assessed through review and verification of the extant literature for the items contained in the questionnaire. Finally, construct validity was assessed from the correlations of items. Positive and significant correlations are expected for convergent validity while for divergent validity, items were expected to positively and significantly

correlate with one another, but not with items from other dimensions (Lê & Schmid, 2022).

The questionnaire was pilot tested in ten firms randomly selected prior to data collection to establish if the respondents can answer the questions without difficulty. This also helped the researcher to identify any ambiguous and unclear questions. Feedback received was used to fine-tune the questionnaire before embarking on the actual data collection. The study also used research experts to review the instrument to ascertain face validity.

3.8 Data Analysis and Presentation

The study used both descriptive and inferential statistics to analyze data through use of Statistical Package for Social Sciences (SPSS) version 26. Descriptive statistics such as frequency distribution and measures of central tendency were used to analyse the quantitative data. First, preliminary analysis was performed. This involved screening the data to check for errors by inspecting the frequencies of each variable, including all the individual items that make up the scales. Descriptive statistics were then used to describe the characteristics of the sample and to check for statistical conclusion validity by looking for violation of the assumptions underlying the statistical techniques used to address the specific research questions.

To improve statistical conclusion validity, data was examined for violation of the assumptions underlying multivariate normality, homoscedasticity and linearity (Lim, 2013). These tests were performed in addition to tests of skewness and kurtosis on the data for normality. Testing of the hypothesis was done by calculating an F-Value using a two-way ANOVA. Determination of the location of the differences between all mean pairs was done using Scheffe's posterior contrast test, which is readily applicability to groups of unequal sizes. It is also relatively insensitive to departures in normality and homogeneity of variances.

Besides the fit statistics, of particular interest is the path significance that assesses the effect of one variable on another. Correlational analysis and independent-samples z-tests was performed to determine relationships and compare the mean scores. Correlational analysis establishes whether or not a relationship exists between two variables. However, it does not provide evidence for causation. The z-test determines the statistical significance of the difference in mean scores between the two independent groups (Clark, Foster, Bryman, & Sloan, 2021) by looking at the standard error of the difference in the group means. This provided a basis for either accepting or rejecting the null hypothesis. For instance, if the absolute z value is greater than the critical value, the null hypothesis may be rejected, indicating that there is a significant difference in the group means.

Multiple regression analyses was conducted to test the hypotheses. In adopting the 95% confidence interval, the hypotheses was considered significant if the p-value is below 0.05. Multiple regression analysis allows for the examination of relationships between several independent variables and one dependent variable. In addition to the independent variables' collective prediction of the dependent variable, this statistical method determines the individual contribution of each of the individual variables to the dependent variable, both directionally and magnitudinally (Wiid & Diggines, 2015). The two-directional analysis of variance (ANOVA) is another regression technique that was used. The method is particularly of use when the research design includes more than one independent variable and independent variables with more than one level (Leedy & Ormrod, 2015). The ANOVA allows the researcher to compare between groups with two or more levels. Thus, ANOVA was used to answer the entire question.

3.8.1 Regression Models

The models were derived from the independent variables and dependent variables.

$H0_1$ Product innovation has no significant influence on the performance of agency banking in commercial banks in Kenya.

Performance of agency banking in commercial banks = f(Product Innovation)

$$A_B = \alpha + \beta_1 C + \varepsilon \quad \text{..... i}$$

H0₂ Information technology has no significant influence on the performance of agency banking in commercial banks in Kenya

Performance of agency banking in commercial banks = f (Information technology)

$$A_B = \alpha + \beta_2 F + \varepsilon \quad \text{..... ii}$$

H0₃ Human capital has no significant influence on the performance of agency banking in commercial banks in Kenya

Performance of agency banking in commercial banks = f (human capital)

$$A_B = \alpha + \beta_3 O + \varepsilon \quad \text{.....iii}$$

H0₄ Financial resources has no significant influence on the performance of agency banking in commercial banks in Kenya

Performance of agency banking in commercial banks = f(financial resources)

$$A_B = \alpha + \beta_5 B + \varepsilon \quad \text{.....iv}$$

3.8.2 Overall Independent Variable Regression model

In order to establish the combined influence of the independent variables on the dependent variable, a linear model was used. Therefore, the model for this study was consolidated as:

$$Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \quad \text{……Equation (i)}$$

3.8.3 Moderating Variable Regression Model

The moderating variable in this study was firm size. Mishra and Alok (2022) argue that estimating interaction effects using moderated multiple regression usually consists of creating an Ordinary Least Squares (OLS) model and a Moderated Multiple Regression (MMR) model equations involving scores for a continuous predictor variable Y, scores for a predictor variable X, and scores for a second predictor variable Z hypothesized to be a moderator. To determine the presence of moderating effect, the OLS model was then compared with the MMR model. Equation (ii) shows the Ordinary Least Squares (OLS) regression equation model predicting Y scores from the first-order effects of X and Z observed scores.

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \varepsilon} \quad \text{..... Equation (ii)}$$

Equation (iii), the Moderated Multiple Regression (MMR) model is formed by creating a new set of scores for the two predictors (i.e. X, Z), and including it as a third term in the equation, which yields the following model:

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \beta_5 X_1 * Z + \beta_6 X_1 * Z + \beta_7 X_1 * Z + \beta_8 X_4 * Z + \varepsilon} \quad \text{..... Equation (iii)}$$

Where:

Y is the Performance of agency banking in commercial banks

X_1 is the product innovation

X_2 is information technology

X_3 is the human capital

X_4 is the financial resources

Z is the moderating Variable

Ɛ is an error term

α is a constant term

β_1, β_2, β_3, β_4, are coefficients for product innovation, information technology, human capital, financial resources respectively.

3.9 Diagnostic Tests

3.9.1 Normality Test

An assessment of the normality of data is a prerequisite for many statistical tests because normal data is an underlying assumption in parametric testing. Before analysis of the data, the model was tested for normality. This test was performed to validate the model and the methodology used in the study. As previous studies have revealed, normal distributions take the form of a symmetric bell-shaped curve. The quantile-quantile plot (Q-Q plot) was used to test for normality in the study. The plot enables the respondent to identify whether the data is normally distributed or not. These compares ordered values of a variable with quantiles of a specific theoretical normal distribution. If two distributions match, the points on the plot formed a linear pattern passing through the origin with a unit slope.

3.9.2 Linearity Test

According to Cuestas and Regis (2013) linearity refers to a situation where a dependent variable has a liner relationship with one or more independent variables and, thus, can be computed as the linear function of the independent variable(s). In this study, linearity test was carried out where the Goodness of Fit test was applied. This helped in summarizing the discrepancy between the observed values and the projected values under a statistical model. If the F significance value for the nonlinear component is below the critical value (ex., < .05), then there is significant nonlinearity (David, 2012).

3.9.3 Test for Multicollinearity

According to Damodar (2010), linear regression analysis assumes that independent variables are not correlated with each other meaning there is no linear relationship among the explanatory variables. On that matter therefore, Multicollinearity is the existence of a

perfect relationship between two variables which are both predictors in a given model. As noted by Andrew et al. (2019) this relationship in many cases makes it extremely difficult to estimate the individual coefficients of the variables. In this study, multicollinearity test was carried out by the use of Variance Inflation Factor (VIF). This method involves giving the estimation of the increase in variance of the coefficients after the correlation of the predictors (Independent variables). If no factors are correlated, the VIFs are 1 but if the VIF is greater than 1, the regressors may be moderately correlated. A VIF between 5 and 10 indicates high correlation that may be problematic and that would require the researcher to remove highly correlated predictors from the model.

3.9.4 Autocorrelation

One of the basic assumptions in linear regression model is that the random error components or disturbances are identically and independently distributed. This is what is called autocorrelation. In a regression model, therefore, it is assumed that the correlation between the successive disturbances is zero. In this study, the DW statistic was used to test for autocorrelation where Ordinary Least Square (OLS) residuals with values ranging from 0 to 4 were adopted. If the D value is 4 then there is negative autocorrelation, 2 means no autocorrelation and 0 means positive autocorrelation. In the event of autocorrelation, there is need to transform the model so that the error term is serially independent, then apply OLS to the transformed model to give the usual Best Linear Unbiased Estimator (BLUE).

3.10 Operationalization of the Variables

The variables in the study were operationalized as shown in Table 3.2. This enabled easier and better answering of the research questions when collecting the data for the study. According to Mohajan (2018), operationalizing the variables in a study enables the researcher to identify the appropriate questions to ask the respondents when collecting data thus obtaining a reliable data for the study.

Table 3.2: Summary of Operationalization of Variables

Variable/ Elements	Operationalization of the variable	Measure
Product Innovation • New products • Product improvement • Product differentiation	Range of questions enquiring on product innovation strategies being used to promote bank's services/products and hypothesized relationship with agency banking.	Likert type scale 1) strongly disagree 5) strongly agree Dummy data of 0 and 1 also to be used
Information technology • IT skills • Hardware Budget • Software Budget	Range of statements describing information technology relationship with agency banking.	Likert type scale 1) strongly agree to 5) strongly disagree Dummy data of 0 and 1 also to be used
Human capital • Level of education • Number of Personnel • Level of experience	Range of statements describing influence of human capital on performance of commercial banks	Likert type scale 1) strongly agree to 5) strongly disagree Dummy data of 0 and 1 also to be used
Financial Resources • Shareholder's fund • Liquidity ratio • Value of assets	Range of statements describing the aspects of banks' financial resources and the interplay with agency banking	Likert type scale 1) strongly disagree 5) strongly agree Dummy data of 0 and 1 also to be used
Firm Size • Total Assets • Sales revenue • Market size index	Range of questions describing the firm size in commercial banks.	Likert type scale 1) strongly disagree 5) strongly agree Dummy data of 0 and 1 also to be used

3.11 Ethical Considerations

Ethical considerations are important in research because they protect the rights of research participants, enhance research validity, and maintain scientific or academic integrity. The study upheld voluntary participation by allowing research participants freedom to choose whether or not they want to participate in the study. The respondents were not be coerced or forced to participate. Research participants were also informed about the study's purpose, procedures, risks, and benefits before agreeing to participate and that they can withdraw from the study at any time. Participants' privacy and confidentiality was assured and information provided by them was kept anonymous and in confidence and only used solely for the purpose of the study.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the findings of the study on the influence of strategic drivers on the performance of agency banking in commercial banks in Kenya. The chapter covers the response rate of the research instrument, the pilot study results and the presentation of the demographic results. The main findings are presented in two phases; the descriptive and inferential analysis which is done systematically as per the study objectives.

4.2 Response Rate

According to Young (2013), a response rate analysis is essential to determine whether a study obtained a threshold of participants required to make it valid and effective as well as to be a representative of the targeted population. The study had a sample of 303 respondents drawn from 42 commercial banks in Kenya based on the categories of tier one, tier two and tier three. A total of 303 questionnaires were issued out to the respondents. Out of these, a total of 251 questionnaires were returned fully filled implying a response rate of 82.8%. A total of 52 questionnaires were either returned partially filled, not filled at all or were not returned at all thus implying a non-response rate of 17.2%. This is summarized in Table 4.1. According to Schindler as cited by Mulei (2016), a response rate of between 40 to 80% is appropriate for a study with more than 160 respondents to make conclusion and recommendations, an implication that this study met the threshold.

Table 4.1: Instrument Return Rate

Category	Sample Size	Response Rate	
		Frequency	Percentage
Tier One (Large Peer Group) Commercial Banks	186	144	77.4%
Tier Two (Medium Peer Group) Commercial banks	83	76	91.6%
Tier Three (Small Peer Group) Commercial Banks	34	31	91.2%
Total	**303**	**251**	**82.8%**

4.3 Results of the Pilot Study

Sahr *et al.* (2021) indicate that a relatively small sample of 10 to 20 respondents can be chosen from the population during piloting which is not included in the sample chosen for the main study. According to Kothari (2014), 10% of study population is appropriate for pilot test.

The study used 10% of the targeted population to carry out pilot test. This helped to identify any ambiguous and unclear questions. Feedback received was used to fine tune the questionnaire before embarking on the actual data collection. Research experts were also consulted to review the instrument to ascertain face validity.

4.3.1 Response Rate of the Pilot Study

The pilot study targeted 30 respondents drawn from commercial banks meeting the threshold for the target population but outside Nairobi County. The 30 respondents were surveyed using the questionnaire as it would be done in the actual study. Out of the 30 issued questionnaires, 24 were dully filled and returned for analysis. This represented a response rate of 80% which was considered adequate for analysis. The distribution of the response rate is as shown in table 4.2.

Table 4.2: Response Rate for the Pilot Study

Targeted Sample		Response		None-response	
Frequency	Percent	Frequency	Percent	Frequency	Percent
30	100%	24	80%	6	20%

4.3.2 Reliability of the Research Instruments

Reliability is the extent to which data collection techniques or analysis procedures will yield consistent findings (accuracy and precision of a measurement procedure) (Creswell, 2014). It establishes if the measure is able to yield the same results on other occasions, similar observations are reached by other observers and transparency in the raw data. Reliability was used to check the internal consistency of the data measuring instrument.

Cronbach's coefficient alpha which determines the internal consistency or the average correlation of items within the test were used for collection of data to test the findings. Alpha values range from zero - no internal consistency to one - complete internal consistency. Voss and Marton (2012) and Denscombe (2010) suggested that if values were too low, either too few items were used or the items had little in common. Lim (2013) posits that reliability of over 0.70 is considered acceptable. This was the threshold applied in this study.

The findings as shown in Table 4.3 revealed that the first variable; product innovation had a Cronbach's Alpha of 0.796 with 12 items (number of questions), Information Technology had 0.814 with 16 items, human capital had 0.786 under 12 items, financial resources had a Cronbach's Alpha had 0.781 with 12 items, firm size had a Cronbach's Alpha of 0.839 with 6 items and the dependent variable; performance of agency banking had a Cronbach's Alpha of 0.874 with 3 items. The findings herein portray that all the variables met the rule of thumb of 0.70 thus implying that the research instrument was reliable. All the questions are therefore retained for the collection of the actual data for the study. The reliability was attained as a result of continued consultations and amendment

of the questionnaire as per the comments from the supervisors and experts in the banking field and strategic management.

Table 4.3: Reliability Test

Variable	Number of Items	Cronbach's Alpha
Product Innovation	12	0.796
Information Technology	16	0.814
Human Capital	12	0.786
Financial Resources	12	0.781
Firm size	6	0.839
Performance of Agency Banking	3	0.874

4.3.3 Validity of the Research Instruments

Validity is the ability of the research instrument to measure what it is supposed to measure (Cooper & Schindler, 2006). There are several types of validity tests that can be conducted on an instrument namely construct, content and face related validity (Trochim, Donnelly & Arora, 2016). Content validity can be determined by pre-testing the questionnaire. Face validity was estimated by use of correlations between the objective and subjective items utilized in the scales.

Content validity was done through extensive review of literature to ensure that all the items covered on the questionnaire were aligned to the focus areas of the study. Face validity was established through use of experts' opinion. The questionnaire was pilot tested in selected respondents to establish if the respondents can answer the questions without difficulty. The feedback received has been used to fine tune the questionnaire before embarking on the actual data collection.

Construct validity was further tested by use of factor analysis using Principal Component Analysis (PCA). The items were run into the SPSS to come up with the extractions and the findings are as herein shown. The first variable, product innovation had a PCA coefficient of 0.881 while the information technology had a factor loading of 0.770, human capital had 0.895 and financial resources had a factor loading coefficient of 0.921.

The moderating variable; firm size had a factor loading coefficient of 0.842 while the dependent variable; performance of agency banking had a factor loading coefficient of 0.702. The results imply that the items under study variables had factor loadings above 0.30 with the overall factor loadings being above 0.70 hence they were deemed valid. According to Merlirt (2014), extractions of more than 0.30 are considered valid for the data collection provided the overall factor loading for the items is 0.70 and above.

Table 4.4: Principle Component Analysis

Variable	PCA Coefficient
Product Innovation	0.881
Information Technology	0.770
Human Capital	0.895
Financial Resources	0.921
Firm size	0.842
Performance of Agency Banking	0.702

4.4 Analysis of Respondents' Demographic Information

According to Rudestam and Newton (2015), background information of the respondents in a study is essential in establishing a rapport and good discussion platform between the researcher and the respondents thus creating trust and the willingness of the respondents to give information on the main research questions. This study therefore sought to reap this benefit by seeking to establish the respondents' background information. Among the information asked included the length of service at the bank, number of years the bank had been in operation and the tier to which the bank belonged to. The findings are as herein presented in tables and figures.

4.4.1 Length of Service at the Bank

The study sought to find out the period of time in years that the respondents had worked in their respective banks. The findings as shown in Figure 4.1 revealed that majority of the respondents had been in their respective banks for less than five years while 33.9% had worked in their banks for between 6 and 10 years and 25.5% had been in their

respective banks for over 10 years. The findings imply that the retention rates in the commercial banks is relatively low with more than 70% of the respondents having worked in the banks for a period of less than 10 years.

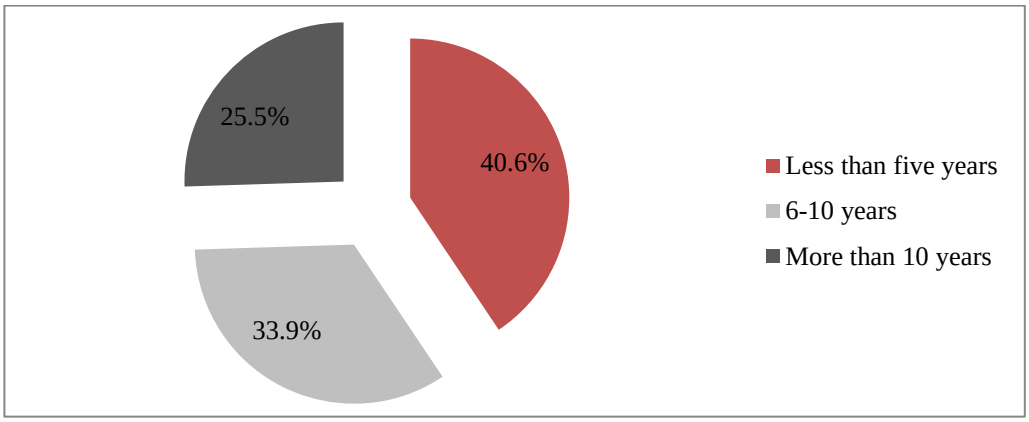

Figure 4.1: Length of Service

4.4.2 Position Held at the Bank

The study sought to establish the position that the surveyed employees held in their respective commercial banks. The findings are as shown in Figure 4.2. The operations mangers were 29.1% of the respondents, 22.3% were branch managers, 24.3% were relationship managers while 19.9% were heads of agency banking. Other respondents not in the four management cadre sampled were 4.4%. These were mainly the representatives for those in the positions targeted that were not presence at their respective banks at the time of study. The findings imply that all the categories of the respondents targeted were part of the response rate hence the findings would be diverse. According to Daniel (2015), diverse responses are obtained when respondents with varying characteristics and experiences are part of the responses in a study.

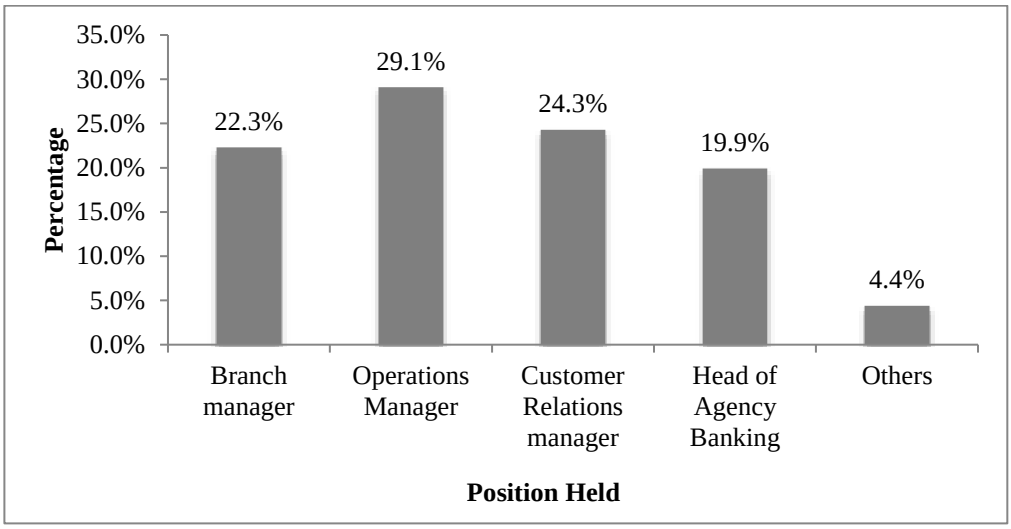

Figure 4.2: Position Held at the Banks

4.4.3 Period Operated Agency Banking

The respondents were further asked to indicate the period in years that their respective banks had operated agency banking. The findings as shown in Figure 4.3 revealed that majority of the banks (52.6%) had operated agency banking for a period of more than 5 years, 35.9% had been in the agency banking for between 1 and 5 years while 11.6% had operated agency banking for less than one year. The findings compare with the report by the CBK (2018), since the inception in Kenya, agency banking had been adopted by over 19 commercial banks with most of the banks having started as early as in the year 2010.

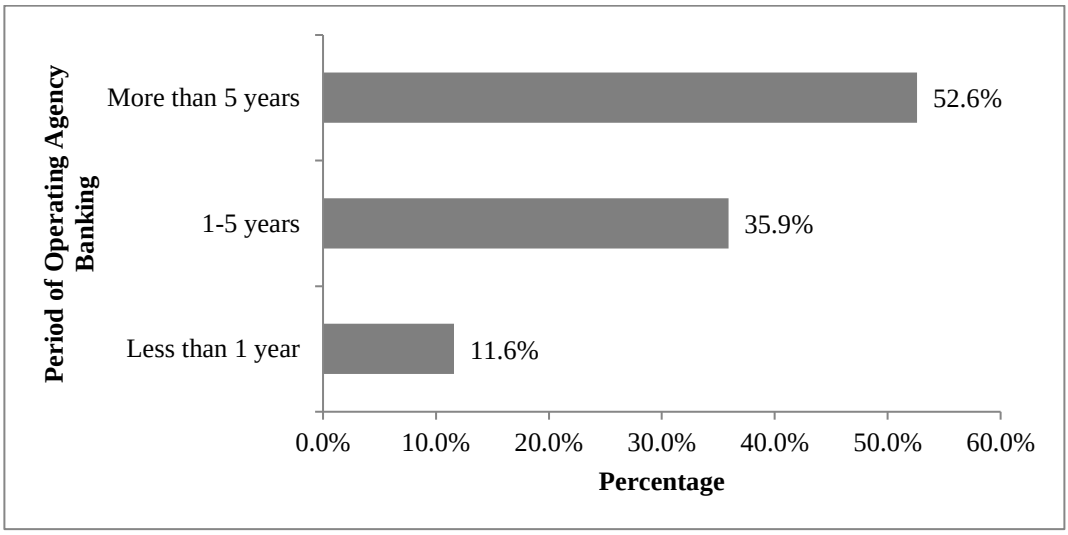

Figure 4.3: Years Agency Banking has been in Operation

4.4.4 Ownership of the Banks

The respondents were asked to indicate the ownership of their banks. The findings as shown in Figure 4.4 revealed that 45% of the commercial banks were privately owned, 35.5% public owned and 12.7% were foreign owned. According to Black et al. (2012), the ownership of a bank plays a significant role in determining the policies and strategies that the bank adopts such as agency banking and other similar strategies. Public owned banks takes longer time to adopt new strategies as compared to private ones due to the bureaucracies involved and other policy formulation procedures. In foreign owned ones, the international policies and place of origin may affect adoption and implementation of some strategies.

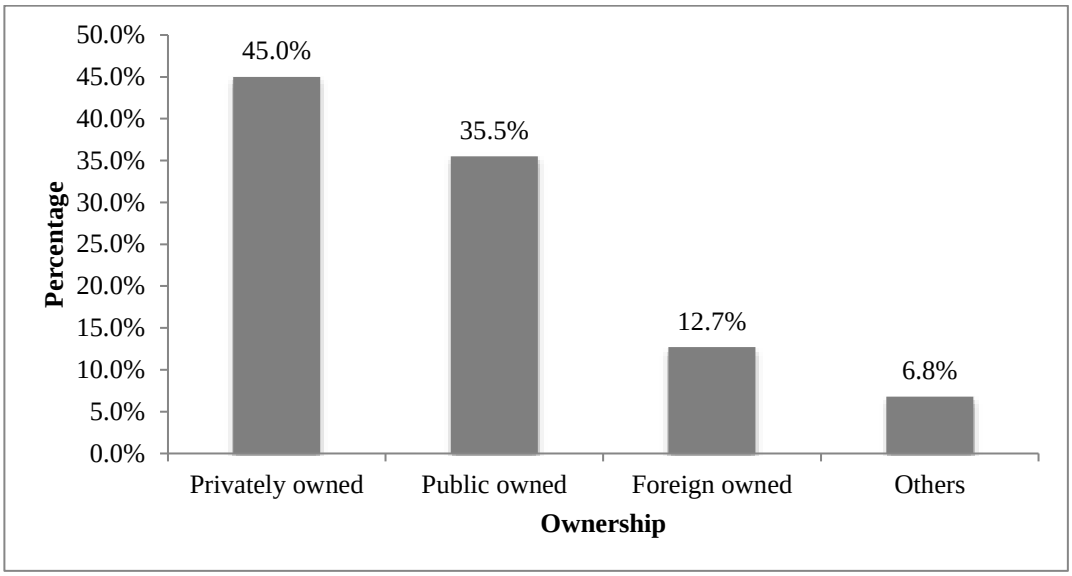

Figure 4.4: Ownership of the Banks

4.4.5 Length of Operation

The study sought to analyse the period that the banks had been operating in the Kenyan Market as a way of assessing whether their period of operation could affect their adoption of agency banking. The findings as shown in Figure 4.5 reveals that majority of the surveyed commercial banks (54.6%) had been in operation for more than 15 years, 23.4% had been in operation for a period between 10 and 15 years while 17.1% had operated in the Kenyan market for a period of between 6 and 10 years. According to Jagdeep and Singh (2013), the period that an organization operates in a given market strengthens its ability to deal with pre-existing market conditions hence easy to develop and adopt new strategies.

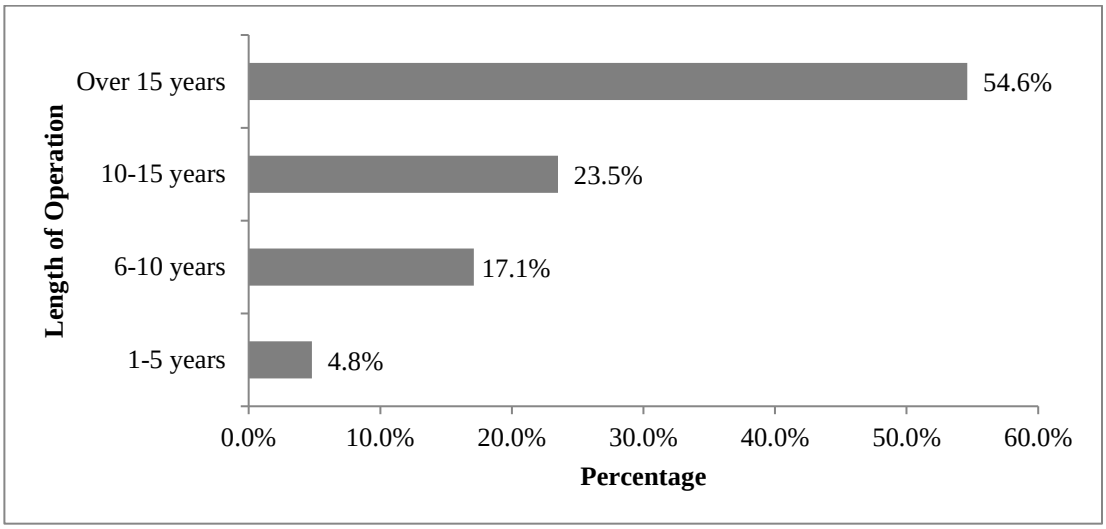

Figure 4.5: Length of Operation

4.4.6 Classification of the Banks

The study sought to find out the CBK classification of the commercial banks based on their sizes. As the findings in Figure 4.6 show, majority of the banks (57.4%) were tier one, 30.3% were tier two while 12.3% were tier three. Despite majority of the banks being from tier three (smallest banks), they have lesser branches hence they were the minority. Most of the tier three commercial banks also are yet to adopt agency banking and this could be the factor behind their continued underperformance.

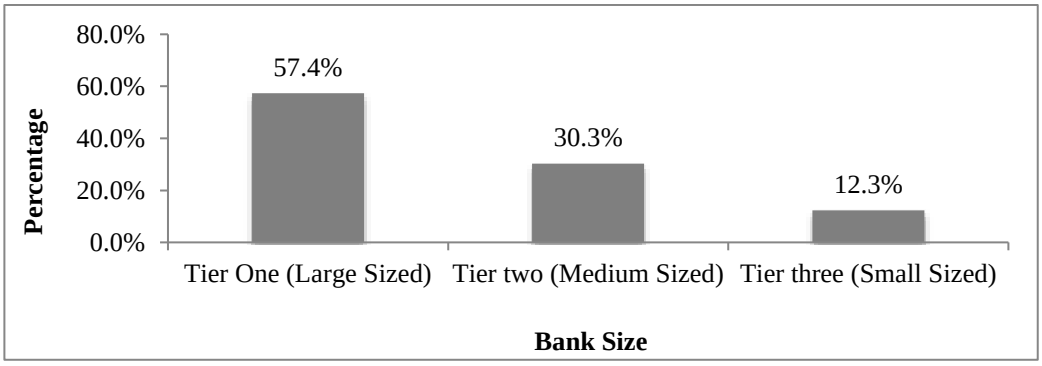

Figure 4.6: Size of the Banks

4.5 Descriptive Analysis of the Findings

Descriptive analysis was carried out where the respondents' views of the research questions were reported as they were. The main statistics included in the standard deviation, means and percentages. The analysis is done systematically based on the research objectives of the study.

4.5.1 Product Innovation

The first objective of the study was to establish the influence of product innovation on the performance of agency banking in commercial banks in Kenya. The study sought to determine the influence of introduction of new products, improvement of the existing products and differentiation of the product lines on the performance of agency banking among commercial banks in Kenya.

The respondents were asked to rate the application of the major aspects of product innovation in their respective banks based on a scale of 1 to 5 with 1 as the lowest and 5 as the highest. The findings are as shown in Table 4.5. As the findings portray, differentiation in product lines was highly rated (Mean = 3.85) followed by improvement of the existing products (Mean = 3.78) and introduction on new products (Mean = 3.31). The findings imply that most of the commercial banks are more focused on differentiating their products by ensuring that they are different from those of their competitors. Improvement of existing products was also upheld by the banks and this could be a key driver towards enhanced performance of the agency banking.

Table 4.5: Rating the Application of the Aspects of Product Innovation

Aspect	N	Minimum	Maximum	Mean	Std. Deviation
Introduction of new products	251	1.00	5.00	3.31	1.36
Improvement of existing products	251	1.00	5.00	3.78	1.25
Differentiation into product lines	251	1.00	5.00	3.85	1.01

The respondents were further asked to indicate their level of agreement on specific statements on product innovation. A five-point Likert's scale was adopted where 1=strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree. The findings are as shown in Table 4.6. The respondents agreed that their respective banks had adequate budget to support the development of new products as shown by a mean of 3.72 and a standard deviation of 0.97. The banks considered the ideas contributed by their employees on new product development. Involving employees and other stakeholders in innovation has been termed to be a key driver towards firm innovativeness and performance (Dubbé, 2011). Majority of the respondents disagreed that their respective banks had an adequate budget for improvement of the existing products as shown by a mean of 2.29 while agreed that the employees were well informed on the need to improve the existing products and the agents were involved on any improvement in agency banking products.

The findings further revealed that most of the commercial banks adequately and frequently trained and updated their agents on the features that differentiated their products from those of their competitors for easier identification (Mean = 3.68). The findings are in line with those by Jerop and Juma (2014) who found that most of the commercial banks in Kenya were keen to invest in innovation and improvement of their products as a way of gaining competitiveness and steering their performance. Through innovation in products, the banks are able to find better ways to capture new markets as well as establish better ways to reap from agency banking. Lashkari (2016) highlights that product innovation is one of the major dimensions of innovation that enable a company to showcase its abilities

an competencies in comparison to those of their competitors through which performance is enhanced.

Table 4.6: Level of agreement with statements on Product Innovation

Statement	N	SD	D	N	A	SA	Mean	Std. Dev.
The bank has adequate budget to support development of new products	251	2.4	11.2	16.7	50.6	19.1	3.72	0.97
Bank staff at the branches contribute new ideas on the development of new products in the bank	251	4.0	8.8	11.6	44.2	31.5	3.90	1.06
The bank's new products in agency banking are well communicated to the agents	251	5.6	7.6	18.3	39.0	29.5	3.79	1.11
The bank has adequate budget to support improvement of existing agency banking products	251	25.1	17.5	7.2	38.6	11.6	2.29	1.10
The staff at my bank are well informed and educated on new improvements of existing agency banking products	251	5.2	10.0	22.7	35.9	26.3	3.68	1.12
The bank communicates adequately to agents operating agency banking of any new improvements of existing products	251	4.0	8.0	19.5	49.0	19.5	3.72	0.99
My bank has committed adequate resource to differentiating the agency products and services from other banks	251	7.6	11.6	16.3	46.2	18.3	3.56	1.14
Our agency banking products and services are properly differentiated in the market	251	4.8	8.4	19.9	37.5	29.5	3.78	1.10
My bank trains adequately our agents on the unique features of our agency banking products to differentiate from other banks	251	8.0	6.4	16.7	46.6	22.3	3.68	1.12

The respondents were further asked to indicate their opinions in regard to the effectiveness of product innovation towards enhancing the success of agency banking in their respective banks. Majority of the respondents indicated that through product innovation, they were able to rebrand their agency banking strategy as well as improve its features for more customer satisfaction. One of the respondents indicated the following:

> *"Agency banking has been in our bank for a while now, and I think one of the essential steps the bank has taken is to continually improve the product through innovation. The agency banking we have now is not the same as what we had five*

years ago. The issues of network and lack of connectivity are not very rare, unlike before when they were a normal thing. This is all thanks to product innovation"

The findings imply that product innovation was essential for enhancing the efficiency and effectiveness of agency banking as a banking strategy. Other respondents noted that product innovation was visible in their respective banks' agency banking through the increased number of banking products dispensed through agency banking. One of the respondents noted the following:

"While previously agency banking used to offer a few products and banking services, now we have additional products dispensed through agency banking. Some years back, our agencies were only offering balance inquiries, withdrawals and deposits. However, currently people can even open bank accounts, obtain their statements, pay utility bills and access many other banking services through the agents. It therefore believe that product innovation has played an instrumental role in enhancing the success and effectiveness of agency banking"

The findings are a true justification that product innovation has an instrumental role to play in enhancing the success of a strategy as one of the key strategic drivers. The findings concur with those by Lee, Lee, and Garrett (2019) who established that organizational strategies would require continuous innovation as a way of ensuring that they continually meet the changing dynamics of the operating world. As the customer tastes and preferences keep on changing, and so should be the organizational strategies such as agency banking and this can be achieved through product innovation (Pesch, Endres, & Bouncken, 2021).

4.5.2 Information Technology

The second objective of the study was to establish the influence of information technology on the performance of agency banking among commercial banks in Kenya. The respondents were asked to rate the extent to which various technology-based aspects was

upheld in their respective banks. The findings as shown in Table 4.7 revealed that mobile banking was highly rated with a mean of 3.97 followed by Point of sale banking which had a mean of 3.78 and ATM banking which had a mean of 3.75. Internet banking had a mean of 3.63. When asked to indicate the extent to which the aspects of technology were given attention in their respective banks, the respondents indicated that training budget on ICT skills was poorly invested in as shown by a mean of 3.34. According to Martins, Tiago and Popovic (2014), information technology is the modern pillar of business success that directly influences the ability of the business to come up with diverse ways of operation as well as enabling it to reach to a wider range of market at minimal costs.

Table 4.7: Rating the aspects of Information Technology

Aspect	N	Minimum	Maximum	Mean	Std. Dev
Training Budget on ICT Skills	251	1.00	5.00	3.34	1.19
Software budget	251	1.00	5.00	3.49	1.39
Hardware budget	251	1.00	5.00	3.49	1.42
ATM banking	251	1.00	5.00	3.75	1.09
Internet banking	251	1.00	5.00	3.63	1.22
POS banking	251	1.00	5.00	3.78	1.12
Mobile banking	251	1.00	5.00	3.97	1.20

The respondents were further asked to indicate their levels of agreement or disagreement with specific statements on information technology as it was applied in their respective commercial banks in line with enhancing the effectiveness of agency banking. The findings are as shown in Table 4.8. The respondents indicated that their respective banks did not have adequate budget for training the staff on the use and need for ICT as shown by a mean of 2.50 and a standard deviation of 1.13. The respondents however indicated that their respective banks had the required ICT skills to promote and support the performance of agency banking and that their respective banks adopted new emerging ICT skills. Most of the banks upheld ICT software to be among the main requirements for a well embraced ICT (Mean=3.94) and ICT software were integrated in the agency banking frameworks to enhance its effectiveness and efficiency.

The respondents however indicated that their respective banks had inadequate resources for ICT software (Strong Disagree = 41.8%; Disagree = 25.2%; Mean = 2.72) and that the budget for ICT hardware was as well inadequate. The findings imply that while many banks embrace ICT as a strategic driver of a tool to enhance the efficiency of their services, they are yet to give adequate attention to this important driver in that the budgeting to the major aspects of ICT (training and infrastructure) has not been keenly focused on. The literature reveals that ICT is mainly influential to the organizational performance only when adequate resources are allocated to training and ICT tools failure to which its adoption and integration may not be successful (Park, 2009). As noted in the Technology Acceptance Model (TAM), for ICT to make notable changes to the organizational performance, it should be easy to use among the employees out of which their level of acceptance is high (Rogers, 2003). This is to imply that there is need for continued investment in the right ICT software and hardware as a way of bring the employees on board with the latest IT and also invest in training for them to be much updated. According to Talha et al. (2022), through continuous integration of information technology, organizations are able to effectively run their strategies and enhance the efficiency and reliability of such strategies. Similarly, agency banking as a strategy would require appropriate technology for it to achieve the best results and contribute significantly to banks' performance.

Table 4.8: Level of Agreement with Statements on Information Technology

Statement	N	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Dev.
The bank has an adequate training budget for its staff on ICT Skills to support agency banking	251	22.7	10.4	8.0	41.4	17.5	2.50	1.13
The bank has adequate ICT Skills to support and enhance performance of agency banking operations.	251	6.8	8.4	13.5	39.0	32.3	3.81	1.17
The bank embraces new emerging ICT skills	251	4.8	4.8	14.7	40.2	35.5	3.96	1.06
My bank recognizes ICT software as a key driver to enhance performance	251	3.6	4.4	15.9	46.2	29.9	3.94	.97
My bank has embraced ICT software integration as a performance and strategic driver in agency banking	251	4.4	8.0	13.9	33.9	39.8	3.96	1.12
The bank has an adequate budget for emerging ICT software needs to support agency banking	251	41.8	25.2	5.5	4.8	22.7	2.72	2.02
My bank recognizes ICT hardware as a key driver to enhance performance	251	5.6	9.6	15.1	45.4	24.3	3.86	1.03
My bank has embraced ICT hardware integration as a performance and strategic driver	251	4.4	11.2	16.3	35.5	32.7	3.80	1.13
The bank has an adequate budget for emerging ICT hardware needs to support agency banking	251	46.4	29.6	13.9	6.2	6.9	2.01	1.02

The respondents were further asked to indicate their opinions on the effectiveness of information technology adoption as one of the strategic drivers towards enhancing the success of agency banking in their respective banks. The respondents indicated that they perceived information technology to be an instrumental enabler of the success of agency banking as a banking strategy. The following were sentiments from one of the respondents:

"Information technology is one of the most fundamental aspects in the modern world. It therefore would be very crucial for every bank that intends to reap the best from agency banking to support it with the right technology. Through technology, I believe agency banking would be more reliable, effective and capable of delivering to the expectations of the customers."

The respondents recognized the essence of technology through the appropriate software, hardware and skills. They indicated that their respective banks' agency banking products were not being delivered as expected due to inefficient technology. One of the respondents indicated the following:

"Although our bank has been operating agency banking for year now, there is very little to write about. The acceptance of the agency banking method has been minimal in our bank, and I would majorly attribute this to the technology applied on the mode of banking. Our team of UCT experts has not effectively supported this product, and in most cases, our agents feel neglected as some simple issues such as modern gadgets and reliable internet have been recurrent issues over time."

The findings imply that the inefficiency in agency banking that has seen most banks with agency banking strategy fail to stimulate and reap the benefits of the mode of banking has been as a result of poor investment in technology. According to Alolote (2022), without embracing the right technology, organizations fail to achieve the best out of their strategies as this limits the capability of the strategies. Further, Chandavarkar and Nethravathi (2023) noted that technology adoption plays an instrumental role in determining the success of organizational strategies as this creates a more efficient and effective delivery mechanisms for the products or services dispensed through the strategy.

4.5.3 Human Capital

The third objective of the study was to determine the influence of human capital on the performance of agency banking among the commercial banks in Kenya. The study sought to assess the influence of level of education, number of personnel and the level of experience on the performance of agency banking. The respondents were asked to rate the main aspects of human capital in line with the extent to which they were applied in their respective. The findings as shown in table 4.9 revealed that the level of experience was the most upheld aspect in the commercial banks as far as human capital was concerned with a mean of 3.84 followed by the number of personnel (mean = 3.82) and level of education with a mean of 3.71.

The findings imply that if the commercial banks were focusing on enhancing their human capital, they would mainly go for the level of experience (recruiting employees with the highest number of years working in a similar capacity) followed by ensuring they had enough personnel by hiring more staff then getting more educationally qualified staff. The dimension of human capital that an organization decides to major on is very critical in determining how best their performance will get as well as shaping the future of the organization's strategic direction (Rodrigues, Dorrego & Jardon, 2013).

Table 4.9: Rating the Aspects of Human Capital

Aspect	N	Minimum	Maximum	Mean	Std. Deviation
Level of Education	251	1.00	5.00	3.71	1.15
Number of personnel	251	1.00	5.00	3.82	1.07
Level of experience	251	1.00	5.00	3.84	1.15

The respondents were further asked to indicate their level of agreement with specific statements on human capital and its influence on the performance of agency banking. As the findings in Table 4.10 reveal, majority of the respondents indicated that the educational qualification for the operators of the agency banking was not emphasized in

their respective banks as shown by a mean of 2.60 and a standard deviation of 1.14. It was further established that majority of the banks trained the operators of the agency banking outlets as a way of enhancing their skills (Mean=3.83). The respondents further agreed that their respective banks had adequate personnel to manage and handle agency banking issues and concerns as well as to audit, monitor and supervise the operations of the agents. The staff managing, monitoring and supervising the agents had adequate experience to ensure the agents were running their assigned duties as expected.

The findings concur with those by Sarker (2013) who established that banking operations required adequate monitoring based on the delicacy of the banking activities hence the need for experienced and properly educated workforce. The agents are monitored and assessed to ensure that they are able to run their business as expected as well as uphold integrity in their operations. In this regard, the commercial banks running agency banking ought to have to have enough personnel and with the appropriate skills and competencies through which monitoring of the agents and handling their daily issues is extensively does to achieve the expected results. The findings imply that the respondents recognize the essence of human resource development as one of the functions of strategic managers. The findings compare with assertions by Belias et al. (2017) who indicated that the main goal of strategic managers is not only to provide a strategic focus for the organization, but also to ensure the right human skills are brought on board for a more effectively working organization. Through spearheading the motivation, training and engagement of the employees, the senior management sets a stage for upholding the role played by human skills in strengthening performance of organizational strategies.

According to Swanson (2022), employee engagement is an effective way that the organizational management can embrace to enhance employee commitment and productivity thus steering organizational performance. Okolie et al. (2021) allude that it is the responsibility of strategic managers to make sure that employees are effectively trained and their career growth developed so as to steer their satisfaction and their continued productivity. The findings are also in tandem with those of Shirmohammadi et al. (2021) who affirmed that with inadequate employee reward and motivation,

organizations deprive themselves of the ability to strengthen employee performance thus reaping from the employees' skills and competencies.

Table 4.10: Level of Agreement with Statements on Human Capital

Statement	N	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Dev.
The level of education of operators of agency banking outlets is emphasized in our bank before authorization	251	39.8	22.4	21.1	6.0	10.7	2.60	1.14
My bank continues to invest in training and educating the operators of our agency banking outlets.	251	4.4	5.2	24.3	35.1	31.1	3.83	1.06
My bank provides adequate learning and education materials on our agency banking products to operators running our agency outlets	251	5.6	5.6	16.3	43.0	29.5	3.85	1.08
The bank has adequate staff to manage and handle agency banking operations at the branches	251	8.4	10.4	18.7	42.2	20.3	3.55	1.16
The bank has distributed adequate staff at the branches to support agency banking	251	10.4	9.2	13.9	41.4	25.1	3.61	1.24
The bank has adequate staff to supervise, audit and monitor performance of agency banking in the field	251	6.0	8.0	20.7	44.6	20.7	3.66	1.08
The level of experience is emphasized during recruitment of agency banking operators	251	4.0	10.8	16.7	43.8	24.7	3.74	1.07
The staff operating and managing agency banking at the branches are experienced	251	4.8	6.8	12.7	44.2	31.5	3.90	1.06
The bank has employed and deployed experience staff in the field to supervise, audit and monitor performance of agency banking outlets	251	3.6	9.6	7.6	41.0	38.2	4.01	1.08

The study further sought to establish the respondents' opinions in regard to the effectiveness of human capital as a strategic driver towards enhancing the success of agency banking in their respective banks. The findings revealed that most of the respondents acknowledged the essence of human capital in steering the success of agency banking strategy. One of the respondents stated the following:

> *"The full potential of agency banking as a banking strategy can be achieved if the entire banking personnel is committed towards supporting the strategy. I believe if we have more staff assigned to agency banking whereby they provide the much needed assistant to the agents, the product would be more reliable and gain more traction among the customers."*

The respondents further contemplated that continuous training of the personnel attached to agency banking would be instrumental in enhancing the success of agency banking strategy. One of the respondents noted the following:

> *"While there are some staff members who are assigned to agency banking, that is not their only mandate, leaving them with limited time to attend to agents' queries and concerns. I also feel that the skills they have may not match what modern agency banking has transformed to be. I therefore uphold that training these staff members would be a game changer in enhancing the success of agency banking."*

The findings portray that human capital through adequate personnel and training is instrumental in supporting the success of agency banking as a banking strategy. The findings concur with those by Alolayyan et al. (2021). who established that training of employees and motivating them to enhance their satisfaction is an ultimate driver of success of a strategy. Usman and Adeyinka (2019) on the other hand noted that strategic managers have a bid responsibility to ensure that they have the appropriate human capital to run their strategies.

4.5.4 Financial Resources

The fourth objective of the study was to examine the influence of financial resources on the performance of agency banking in commercial banks in Kenya. The study aimed at establishing the role played by shareholders' fund, liquidity ratios and the value of assets as the main aspects of organizational financial resources on the performance of agency banking. The respondents were asked to rate the extent to which their respective commercial banks focused on the main aspects of financial resources to steer the performance of agency banking. The findings as shown in Table 4.11 revealed that liquidity ratio was the main aspect of financing upheld by the banks with a mean of 3.84 followed value of assets with a mean of 3.79 and shareholders' fund with a mean of 3.54. The findings imply that most of the banks preferred maintaining high levels of liquidity in order to be in apposition to finance their operations. This is mainly enhanced by agency banking which according to CBK (2018) accounts to more than 25% of the total deposits in most of the banks with agency banking.

The findings compare to those by Jimoh (2021) who established that financial resource mobilization fails to achieve the ultimate goal of enhancing organizational performance due to inability by managers to strengthen the effectiveness of mobilization through promoting accountability and transparent use of the financial resources. According to Kanapathipillai et al. (2021), while financial resources mobilization remain an essential strategic driver that enhances organizational performance, this can be achieved through more proactive approach where the managers ensure that the resources are openly utilized thus encouraging shareholders to invest more.

Table 4.11: Rating the Aspects of Financial Resources

	N	Minimum	Maximum	Mean	Std. Dev.
Shareholder's Fund	251	1.00	5.00	3.54	1.19
Liquidity Ratio	251	1.00	5.00	3.84	1.06
Value of Assets	251	1.00	5.00	3.79	1.24

The respondents were further asked to indicate their level of agreement on given statements on financial resources and performance of agency banking among the commercial banks based on a 5-point Likert's scale. The findings as shown in Table 4.12 revealed that 58.2% of the respondents agreed that the size of the shareholders' fund was significant in steer the operations of the banks and that their respective shareholders preferred internal findings to equity which is cheaper and easily accessible. Majority of the respondents further agreed that their respective banks had put appropriate measures to enhance their liquidity as a way of keeping their operations flowing and effective as evidenced by a mean of 3.70 and a standard deviation of 1.05. Majority further stated that their respective banks were able to meet the CBK's mandatory 20% liquidity level as a result of agency banking which steer deposits. It was further established that as a results of agency banking, the value of the assets by the commercial banks surveyed increased as shown by a mean of 3.98 and a standard deviation of 1.14. The findings imply that financial resources streamline the ability of the commercial banks to focus on other strategies such as agency banking and run them into success.

The findings concur with those by Rabo (2015) who found out that for any financial service to be effectively extended to the final-end customer, it is imperative to have adequate resources allocated to the service so as to enable other operations such as marketing and hiring of personnel through which the service is offered. Financial resources determine the extent to which a bank reaches out to more customers which on the other hand promotes the agents thus steering the performance of agency banking. The findings are a true indication that the respondents felt the need for resource mobilization as one of the practices by the strategic leaders, but saw its inadequate utilization as one of the factors leading to a decline in competitiveness of their respective banks.

The findings concur with those by Basemera (2022) who alluded that financial resources play a central role in steering the competitiveness of modern organizations, hence the need for managers to proactively mobilize for adequate financial resources. According to Basemera (2022), disclosing financial position of organization through effective annual financial reporting plays an integral role in enhancing the organization's public image and

encouraging investors to invest their resources in the organization. Asawo et al. (2021) alluded that for the financial resources to be effective and contribute effectively to organizational performance, there must be proper management to ensure that the resources are channelled to the right strategies and budgeted accordingly.

Table 4.12: Level of Agreement with Statements on Financial Resources

Statement	N	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Dev.
The size of the Shareholder's fund is significant in supporting the operations of agency banking	251	10.4	11.6	19.9	34.7	23.5	3.49	1.25
The shareholders prefer internal funding to equity to support operations of agency banking	251	3.6	10.8	19.1	37.5	29.1	3.77	1.09
The bank's management is empowered to allocate resources from shareholders fund to support operations of agency banking	251	3.2	10.4	14.3	45.0	27.1	3.82	1.04
The bank has put appropriate measures to maintain its liquidity ratio for better financing of its projects and operations	251	4.0	9.2	22.3	41.0	23.5	3.70	1.05
Agency banking operations has improved liquidity ratio of the bank in the past	251	7.6	8.8	13.9	31.1	38.6	3.84	1.24
Through agency banking, the bank has managed to meet the mandatory CBK 20% liquidity requirement.	251	10.4	9.6	8.0	43.4	28.7	3.70	1.26
The bank has invested adequately in government securities, stocks and bonds to support long term performance of the bank	251	9.2	9.2	12.0	38.6	31.1	3.73	1.24
The bank, through agency banking has improved its value of assets	251	6.0	4.0	17.9	29.9	42.2	3.98	1.14
Increase in value of assets has significantly improved performance of agency banking	251	10.0	10.4	14.7	32.7	32.3	3.66	1.29

The respondents were also asked to give their views in regard to the effectiveness of financial resources as a strategic driver towards enhancing the success of agency banking strategy. The respondents were of the opinion that financial resources determined the extent to which the banking strategy was supported to enhance its success. One of the respondents indicated the following:

> *"Agency banking can only success if we have the right investments. Financial resources mean a lot in terms of supporting a strategy. Through finances, we can market the product effectively as well as finance other key initiatives to make the product accepted among our customers. I therefore believe that financial resources would play an essential role to support the agency banking as a strategy."*

The findings revealed that the financial resources allocated to agency banking in most of the banks were not adequate to effectively support and run the banking strategy. One of the respondents noted the following:

> *"While I agree that financial resources are essential for supporting a given strategy in any organization, I also note that the financial resources allocated to most of these strategies such as the Agency banking are not adequate to fully support the strategy. There should be dedicated budget to specifically support the strategy, and this should not be an issue left to the branches without full support of the top leadership of the bank."*

The findings imply that agency banking could have failed to achieve the expected results in most of the banks as a result of lack of adequate financial resources. This confirms that financial resources are instrumental in supporting the success of a strategy, thus qualifying the resources as key strategic drivers. The findings concur with those by Hendrawan et al. (2023) who established that financial resources determine the extent to which a given strategy in an organization is able to meet the expected goals. According to Xiao and Kim

(2022), financial resources critically support key activities meant to implement the strategy, thus being essential strategic drivers for a successful strategy.

4.5.5 Firm Size

The fifth objective of the study was to analyse the moderating effect of firm size on the performance of agency banking in commercial banks in Kenya. The major aspects of firm size focused on in the study included the age of the firm, the size of the board and the size of the bank. The respondents were asked to rate the extent to which these aspects influenced their strategic operations and the performance of agency banking in their respective banks. The size of the bank was the highly rated aspect with a mean of 3.70 followed by the size of the board with a mean of 3.44 and age of the bank with a mean of 3.25. The findings imply that the size of the bank would moderate the strategic drivers and agency banking performance than size of the board and age of the bank.

According to CBK (2018), some commercial banks with the least performing agency banking have been in the market for over three (3) decades while some banks like equity bank which has less than 2 decades of operation in the market has the best performing agency banking. This is to mean that the age of the bank could actually not influence the performance of agency baking. However, large banks with high market coverage and huge financial muscle would have an advantage of diversifying their investments and supporting extensive marketing of their agents thus the agency banking in these banks would perform better than smaller banks. This is to imply that the size of the bank has an influence on the agency banking performance.

Table 4.13: Rating the Aspects of Firm size

Aspect	N	Minimum	Maximum	Mean	Std. Dev.
Age of the Bank	251	1.00	5.00	3.25	1.28
Size of the Board	251	1.00	5.00	3.44	1.43
Size of the Bank	251	1.00	5.00	3.70	1.10

The respondents were further asked to indicate their levels of agreement or disagreement on given statements in regard to firm size and agency banking. The findings as shown in Table 4.14 revealed that majority of the respondents disagreed (Strongly disagree = 42.4%; Disagree = 30.5%; Mean = 2.47) that the age of their respective banks did not significantly influence the performance of agency banking. The respondents also stated that the size of the board of directors in their respective banks was significant to the performance of agency banking as shown by a mean of 3.59 and a standard deviation of 0.93. The respondents further stated that the size of their respective banks was signif9cnat to the performance of agency banking as shown by a mean of 3.61.

The findings further revealed that the respondents had a divided opinion on the reduction of the number of transactions in conventional banking halls following the spread of agency banking which implies that some banks had reduced traffic in conventional banking while other had not recorded decrease. This connects to the varied performance of agency banking in various banks where some banks have widespread agency banking outlets while others do not have. On the other hand, 39% of the respondents disagreed that the number of registered banking agents under their respective banks had increased over time and this significantly contributed to the banks' performance while 47% agreed. This implies that some banks had some of the agent outlets close-down while other did not. The Central Bank of Kenya (2018) notes that smaller banks had some of their agent outlets close down as a result of declined performance of the banks and low customer uptake of a given banks' products.

Table 4.14: Level of Agreement with Statements on Firm size

Statement	N	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Dev.
The assets accumulated by the bank has been instrumental in the effectiveness of the agency banking	251	42.4	30.5	13.3	2.2	11.6	2.47	1.94
The sales revenues made by the bank have enabled the agency banking to perform more efficiently	251	2.4	10.0	27.9	45.0	14.7	3.59	0.93
The bank has adequate branch network to support the agencies across the country	251	2.4	15.1	25.1	33.1	24.3	3.61	1.08
The market size index of the bank has seen a growth in its agency banking due to the widespread demand for the bank's products	251	9.2	35.1	14.7	28.7	12.4	3.00	1.22
The market capitalization of the bank has more customers demanding our services thus leading to the success of agency banking	251	15.1	23.5	19.1	25.9	16.3	3.04	1.32
The size of the bank is significant to the performance of agency banking	251	15.1	23.9	13.9	26.7	20.3	3.13	1.38

The study further sought to examine the respondents' opinions in regard to the extent to which the bank size determined the effectiveness of strategic drivers towards supporting the success of agency banking strategy. The respondents acknowledged that agency banking would succeed if the banks adopted key strategic drivers, but at the same time had the appropriate capacity in terms of size to support the strategy. One of the respondents noted the following sentiments:

> *"I fully agree that agency banking requires the key strategic drivers. However, the size of the bank matters. A larger bank where its presence in the market is felt as a result of high market share can launch agency banking today and it will be more successful than agency banking launched ten years ago by a smaller bank. This means that the bank can utilize its size to sell their product and support the strategy."*

Another respondent noted the following in regard to the ability of the size of the bank to stimulate the success of agency banking through the strategic drivers:

> *"Just like every other product, agency banking depends with the extent to which the existing customers embrace the product even before it is sold to new customers. This means that a bank with more customers already has its agency banking a step ahead the moment it is introduced in-house, even before it is launched to the external world. I believe that the size of a bank places the bank in a better position to run successful strategies as compared to smaller banks."*

The findings are an indication that the size of the bank is a key determinant of how successful a strategy is. According to Ali, Yassin, and AbuRaya (2020), while smaller sized organizations have the advantage of efficient and faster decision-making and smaller costs, the larger organizations have a higher advantage since they can easily implement their strategies and have the strategies accepted and trusted by their customers based on their size. The presence in the market, the size of assets and the overall size of an organization is essential for supporting the effectiveness of the strategic drivers towards enhancing the success of the strategies.

4.5.6 Performance of Agency Banking

The study sought to establish the performance of agency banking in Kenyan commercial banks. The main aspects used to measure performance were volume of transactions through agency banking, value of the transactions as well as the number of licenced agents. The findings are as shown below.

The findings were asked to indicate their level of agreement with key statements regarding the performance of agency banking in their respective banks. The findings as shown in Table 4.15 revealed that majority of the respondents disagreed that the annual number of transactions through agency banking has been significantly increase over the past five years in their respective banks as evidenced by a mean of 2.91 and a standard deviation of

1.87. The respondents further disagreed that the number of agency banking transactions in their respective banks had surpassed other banking methods (Mean = 2.72; Standard deviation = 1.96), and that the annual value of transactions through agency banking had been significantly increasing over the past five years in their respective banks (Mean = 2.95; Standard deviation = 1.65). The respondents disagreed that the value of transactions through agency banking in their respective banks took a significant portion of the total bank's value of transactions (Mean = 2.62; Standard deviation = 1.94), and that the number of registered agents in their respective banks had significantly increased over the past five years as evidenced by a mean of 2.78 and a standard deviation of 1.99. Majority of the respondents further disagreed with the statement that the agents licensed to undertake agencies banking in their respective banks were spread across the country. The findings are a true justification of the statement of the problem that agency banking as a banking strategy has not been performing well in most of the banks (Buri, Cull, & Giné, 2023).

Table 4.15: Level of Agreement with Statements on Performance of Agency Banking

Statement	SA	A	N	D	SD	Mean	Std. Dev.
The annual number of transactions through agency banking has been significantly increase over the past five years in our bank	13.8%	15.3%	6.1%	34.1%	30.8%	2.91	1.87
The number of agency banking transactions in our bank has surpassed other banking methods	9.0%	15.3%	5.3%	45.5%	34.9%	2.72	1.96
The annual value of transactions through agency banking has been significantly increasing over the past five years in our bank	14.5%	23.0%	6.1%	15.2%	41.2%	2.95	1.65
The value of transactions through agency banking in our bank takes a significant portion of the total bank's value of transactions	14.5%	7.6%	6.1%	17.3%	54.5%	2.62	1.94
The number of registered agents in our bank has significantly increased over the past five years	13.0%	4.5%	7.6%	35.6%	39.2%	2.78	1.99
The agents licensed to undertake agency banking in our bank are now spread across the country	11.5%	6.8%	7.6%	49.2%	24.8%	2.69	1.91

The number of banking transactions undertaken through bank agents increased by 12.5 percent from approximately 139.8 million transactions recorded in 2017 to 157.3 million in December 2018. The increase in total transactions was mainly as a result of increases in transactions relating to mini statements requests, transfer of funds, account balance enquiries and cash withdrawals, which increased by 153.3 percent, 109.1 percent, 73.9 percent and 15.6 percent respectively. In comparison to 2017, the increased transactions were attributable to payment of bills, cash withdrawals, cash deposits and mini statements requests which increased by 51.01 percent, 47.2 percent, 28.5 percent and 27.8 percent respectively.

Table 4.16: Secondary Data on Performance of Agency Banking

Measurement Aspects	2017	2018	2019	2020	2021	2022
No. of commercial banks	39	39	39	39	39	39
Number of banks with agency banking	18	19	20	21	21	21
Number of agents	53,833	59,578	67,314	72,617	78,371	82,780
Volume of transactions	139.8M	157.3M	162.9M	118.7M	156.3M	158.4M
Value of transactions (Kshs)	1.074T	1.188T	1.22T	1.073T	1.59T	1.829T
Market distribution (Equity, KCB, COOP)	85%	85%	90%	91%	91%	92%

In 2018, the value of banking transactions undertaken through agents increased from Ksh.1 trillion (USD 10.4 billion) in December 2017 to Ksh.1.18 trillion (USD 11.7 billion) in December 2018. The increase was attributed to the growth of transactions relating to transfer of funds, cash deposits and cash withdrawals. These transactions experienced a growth of 21.8 percent, 14.4 percent and 7.6 percent respectively, from the previous year. The increase in number and value of transactions underlines Kenyans' growing confidence and acceptability of the agency banking model by banks and the public. Despite the overall increase in the value of transactions, there was a decline in transactions relating to payment of retirement and social benefits and payment of bills in the year 2018 as highlighted in Table 4.15 above. The decline in the payment of retirement and social benefits was due to the change from the old card based system to the new Inua Jamii payment model 'Choice Model' that provides multiple payment systems based on bank accounts that promises flexibility for the beneficiaries.

Table 4.17: Value of Transactions in Kshs.'M'

Transactions	2017	2018	% change	Cumulative (2010 to 2018)
Cash Deposits	791,701.83	906,043.63	14.40%	3,038,084.66
Cash Withdrawals	175,242.56	269,160.40	7.60%	1,068,849.41
Payment of Bills	13,683.15	11,568.45	-15.50%	44,791.31
Payment of Retirement and Social Benefits	18,990.50	1,096.46	-94.20%	39,143.78
Transfer of Funds	376.11	458.06	21.80%	1,163.95
Total	1,074,820.40	1,188,326.99	10.60%	4,192,033.11

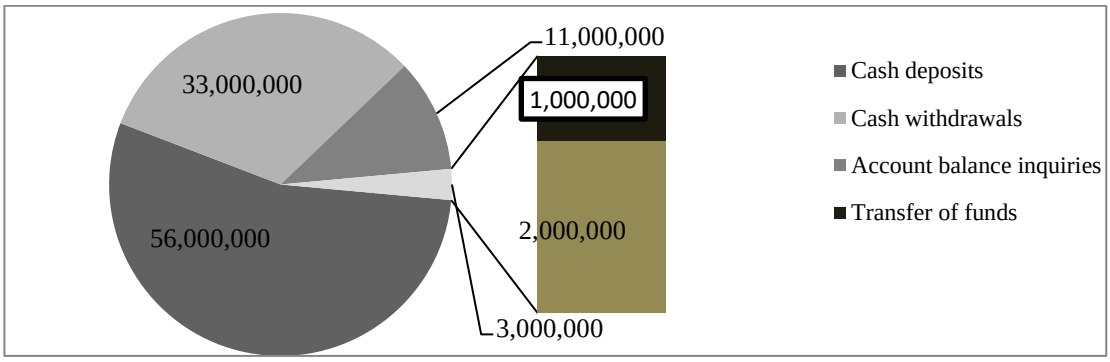

Figure 4.7: Diversified Agency Banking Offering-by Volume of Transactions

4.6 Factor Analysis

Factor analysis was carried out to show the strength of each factor (item/question) in the variables. The need for factor analysis is so as to show the contribution of each item in a variable to the overall variance of the said variable. Yammit (2012) argue that factor analysing is the best way for a researcher to establish the questions in a questionnaire that are likely to give a reliable outcome in the model analysis hence enhance the ability of the model to give a correct prediction. Factor analysis in this study is done systematically as per the study variables and the findings are as herein shown. According to Wiid and Diggines (2015), the rule of thumb in factor analysis is 0.40 where a factor with a factor loading coefficient of less than 0.40 is ruled inappropriate and insignificant to be included in the final model analysis of the study. This is the threshold that was used in this study.

4.6.1 Factor Analysis on Product Innovation

Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and Bartlett's Test of Sphericity were used to test for the sampling adequacy of the instrument. This determines whether the instrument is valid, and whether the data obtained from such an instrument is fit for factor analysis. The results as shown in Table 4.17 revealed that the KMO coefficient was 0.619 which is positive while the significance level under the Bartlett's Test of Sphericity was 0.000<0.05. This is an indication that the data obtained a sampling adequacy and the data was fit for factor analysis.

Table 4.18: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.619
Bartlett's Test of Sphericity	Approx. Chi-Square	346.223
	df	36
	Sig.	.000

The communalities for the product innovation are as shown in Table 4.18. The results revealed that all the factor loadings had coefficients higher than the standard factor loading of 0.30. The highest factor (My bank trains adequately our agents on the unique features of our agency banking products to differentiate from other banks) had a factor loading of 0.939, while the lowest (The staff at my bank are well informed and educated on new improvements of existing agency banking products) had a factor loading of 0.310. This is an indication that the questions under the variable product innovation met the threshold hence they were retained for further analysis.

Table 4.19: Communalities for Product Innovation

Factors	Extraction
The bank has adequate budget to support development of new products	.592
Bank staff at the branches contribute new ideas on the development of new products in the bank	.661
The bank's new products in agency banking are well communicated to the agents	.575
The bank has adequate budget to support improvement of existing agency banking products	.416
The staff at my bank are well informed and educated on new improvements of existing agency banking products	.310
The bank communicates adequately to agents operating agency banking of any new improvements of existing products	.568
My bank has committed adequate resource to differentiating the agency products and services from other banks	.525
Our agency banking products and services are properly differentiated in the market	.548
My bank trains adequately our agents on the unique features of our agency banking products to differentiate from other banks	.939

The total variance explained for each of the questions revealed that three components had eigenvalues of greater than 1 where the first component had Eigenvalue of 2.181, the second component had Eigenvalue of 1.904 and the third component had Eigenvalue of 1.050. The three components had a cumulative variance of 57.056%, thus implying that they will be computed to represent the variable product innovation. This is an implication that all the three sub-constructs of product innovation would be represented in subsequent analysis.

Table 4.20: Total Variance Explained on Product Innovation

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.181	24.231	24.231	2.181	24.231	24.231
2	1.904	21.156	45.387	1.904	21.156	45.387
3	1.050	11.669	57.056	1.050	11.669	57.056
4	.975	10.832	67.888			
5	.899	9.991	77.879			
6	.627	6.961	84.840			
7	.568	6.309	91.149			
8	.451	5.011	96.160			
9	.346	3.840	100.000			

Extraction Method: Principal Component Analysis.

The component matrix for product innovation is as shown in Table 4.20. As the results portray, the first component had 4 factors with factor loadings above 0.50, while the second component had four factors as well, with factor loadings exceeding 0.50. The third component had 1 factor with a factor loading of 0.967>0.50. These factors were computed to represent product innovation in the subsequent analysis.

Table 4.21: Component Matrix on Product Innovation

Factors	Component		
	1	2	3
The bank has adequate budget to support development of new products	.754		
Bank staff at the branches contribute new ideas on the development of new products in the bank	.807		
Bank's new products in agency banking are communicated to agents	.728		
~~The bank has adequate budget to support improvement of existing agency banking products~~	~~.600~~		
~~The staff at my bank are well informed and educated on new improvements of existing agency banking products~~		~~.551~~	
The bank communicates adequately to agents operating agency banking of any new improvements of existing products		.707	
My bank has committed adequate resource to differentiating the agency products and services from other banks		.724	
Our agency banking products and services are properly differentiated in the market		.739	
My bank trains adequately our agents on the unique features of our agency banking products to differentiate from other banks			.967

Extraction Method: Principal Component Analysis.
a. 3 components extracted.

4.6.2 Factor Analysis on Information Technology

In order to establish the sampling adequacy and the ability of the data obtained through the instrument under information technology to be suitable for factor analysis, Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity tests were carried out. As the results in Table 4.21 reveal, the coefficient for KMO test was 0.914 which is positive while the Bartlett's Test of Sphericity had a significant level of 0.000<0.05. This is an implication that the data met the sampling adequacy and would be suitable for factor analysis.

Table 4.22: KMO and Bartlett's Test for Information Technology

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.914
Bartlett's Test of Sphericity	Approx. Chi-Square	1513.668
	df	55
	Sig.	.000

The communalities for the questions under Information Technology are as shown in Table 4.22. The results revealed that the factor (My bank recognizes ICT software as a key driver to enhance performance) had the highest factor loading of 0.820 while the factor (The bank has an adequate training budget for its staff on ICT Skills to support agency banking) had the lowest loading of 0.455. The findings imply that all the factor loadings were higher than the minimum threshold of 0.30 hence the questions under Information Technology were retained for further analysis.

Table 4.23: Communalities for Information Technology

Factors	Extractio
The bank has adequate training for its staff on ICT Skills to support agency banking	.455
The bank has adequate ICT Skills to support agency banking operations.	.674
The bank embraces new emerging ICT skills	.650
My bank recognizes ICT software as a key driver to enhance performance	.820
My bank has embraced ICT software as a strategic driver in agency banking	.705
The bank has adequate budget for ICT software needs to support agency banking	.796
My bank recognizes ICT hardware as a key driver to enhance performance	.748
My bank has embraced ICT hardware integration as a strategic driver	.752
The bank has an adequate budget for emerging ICT hardware needs to support agency banking	.755

The total variance explained for each of the questions under Information Technology was established. This was so as to establish the extent to which each of the questions contributed to the overall weight of the variable. As the results in Table 4.23 portray, three components obtained Eigenvalues of more than 1.0. The first component had an Eigenvalue of 5.620; the second one had 1.183 while the third component had an Eigenvalue of 1.025. The three explained a cumulative variance of 71.162%. This is an

indication that three sub-constructs under the Information Technology variable would be represented; hence a good representation of the aspects under Information Technology would be obtained.

Table 4.24: Total Variance Explained for Information Technology

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.620	51.090	51.090	5.620	51.090	51.090
2	1.183	10.754	61.844	1.183	10.754	61.844
3	1.025	9.318	71.162	1.025	9.318	71.162
4	.955	8.686	79.848			
5	.606	5.514	85.362			
6	.401	4.648	89.010			
7	.363	4.301	93.310			
8	.253	3.303	97.613			
9	.180	1.633	100.000			

Extraction Method: Principal Component Analysis.

The component matrix for the identified components is as shown in Table 4.24. As the results reveal, the first component had 8 components with factors exceeding the minimum threshold for factor loadings of 0.50. The second component had one factor with a factor loading above 0.50, while the third component had 2 factors with factor loadings higher than 0.50. The three components were computed to represent Information Technology on the regression and correlation analysis.

Table 4.25: Component Matrix for Information Technology

Factors	Component		
	1	2	3
The bank has an adequate training budget for its staff on ICT Skills to support agency banking			.584
The bank has adequate ICT Skills to support and enhance performance of agency banking operations.			.796
The bank embraces new emerging ICT skills	.768		
My bank recognizes ICT software as a key driver to enhance performance	.888		
My bank has embraced ICT software integration as a performance and strategic driver in agency banking	.811		
The bank has an adequate budget for emerging ICT software needs to support agency banking	.877		
My bank recognizes ICT hardware as a key driver to enhance performance	.855		
My bank has embraced ICT hardware integration as a performance and strategic driver		.863	
The bank has an adequate budget for emerging ICT hardware needs to support agency banking		.856	

Extraction Method: Principal Component Analysis.
a. 3 components extracted.

4.6.3 Factor Analysis on Human Capital

On the third variable (Human Capital), the KMO and Bartlett's Test were carried out. The results as shown in Table 4.25 revealed that the coefficient for the Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 0.816 which is positive hence the data was concluded to be valid for carrying out factor analysis. The Bartlett's Test of Sphericity had a significance of 0.000 which is less than the standard significant level of 0.05 hence the data was ruled to be statistically significant for factor analysis.

Table 4.26: KMO and Bartlett's Test on Human Capital

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.816
Bartlett's Test of Sphericity	Approx. Chi-Square	1028.308
	df	36
	Sig.	.000

The factor loadings for the questions under human capital are as shown in Table 4.26. As shown in the Table below, the factor "My bank continues to invest in training and educating the operators of our agency banking outlets" had the lowest factor loading of 0.433 while the factor "My bank provides adequate learning and education materials on our agency banking products to operators running our agency outlets" had the highest factor loading of 0.827. This is an indication that all the factor loadings for the questions under the variable met the 0.30 threshold hence the questions were retained for further analysis in the study.

Table 4.27: Communalities for Human Capital

Factors	Extraction
The level of education of operators of agency banking outlets is emphasized in our bank before authorization	.757
My bank continues to invest in training and educating the operators of our agency banking outlets.	.433
My bank provides adequate learning and education materials on our agency banking products to operators running our agency outlets	.827
The bank has adequate staff to manage and handle agency banking operations at the branches	.817
The bank has distributed adequate staff at the branches to support agency banking	.738
The bank has adequate staff to supervise, audit and monitor performance of agency banking in the field	.439
The level of experience is emphasized during recruitment of agency banking operators	.743
The staff operating and managing agency banking at the branches are experienced	.703
The bank has employed and deployed experience staff in the field to supervise, audit and monitor performance of agency banking outlets	.710

The total variance explained by the items under human capital was also sought and the findings are as shown on Table 4.27. As the results portray, two components had eigenvalues of more than 1.0. The first component had an eigenvalue of 3.393; the second component had an eigenvalue of 2.575. The two components explained a cumulative variance of 66.314%. The results implied that all the sub-variables of human capital were

represented in the instrument; hence the data obtained would cover opinions regarding the three aspects of human capital.

Table 4.28: Total Variance Explained for Human Capital

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.393	37.705	37.705	3.393	37.705	37.705
2	2.575	28.609	66.314	2.575	28.609	66.314
3	.844	9.376	75.690			
4	.714	7.936	83.626			
5	.377	4.191	87.817			
6	.350	3.889	91.706			
7	.317	3.524	95.230			
8	.244	2.707	97.937			
9	.186	2.063	100.000			

Extraction Method: Principal Component Analysis.

The component matrix for the identified components under the Human Capital is as shown in Table 4.28. As the results portray, the first component had 5 factors with factor loadings exceeding the threshold of 0.50. The second component had 4 factors with factor loadings ranging from 0.626 to 0.828. The two components were computed to represent human capital in the regression and correlation analysis.

Table 4.29: Component Matrix for Human Capital

Factors	Component	
	1	2
The level of education of operators of agency banking outlets is emphasized in our bank before authorization	.857	
My bank continues to invest in training and educating the operators of our agency banking outlets.	.536	
My bank provides adequate learning and education materials on our agency banking products to operators running our agency outlets	.876	
The bank has adequate staff to manage and handle agency banking operations at the branches	.900	
The bank has distributed adequate staff at the branches to support agency banking	.841	
The bank has adequate staff to supervise, audit and monitor performance of agency banking in the field		.626
The level of experience is emphasized during recruitment of agency banking operators		.828
The staff operating and managing agency banking at the branches are experienced		.816
The bank has employed and deployed experience staff in the field to supervise, audit and monitor performance of agency banking outlets		.817

Extraction Method: Principal Component Analysis.
a. 2 components extracted.

4.6.4 Factor Analysis on Financial Resources

KMO and Bartlett's Test were carried out to assess the sampling adequacy for financial resources. The results as shown in Table 4.29 revealed that the coefficient for the Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 0.882 which is positive; hence the data was concluded to be validity of carrying out factor analysis. The Bartlett's Test of Sphericity had a significance of 0.000 which is less than the standard significant level of 0.05 hence the data was ruled to be statistically significant for factor analysis.

Table 4.30: KMO and Bartlett's Test on Financial Resources

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.882
Bartlett's Test of Sphericity	Approx. Chi-Square	780.062
	df	36
	Sig.	.000

The communalities for the financial resources are as shown in the Table 4.30 below. The findings indicate that the factor loadings for the questions under the variable met the 0.30 threshold with the lowest factor (Agency banking operations has improved liquidity ratio of the bank in the past) have a factor loading of 0.531 while the highest factor (Through agency banking, the bank has managed to meet the mandatory CBK 20% liquidity requirement) having a factor loading of 0.689. The factors were retained for further analysis in the study.

Table 4.31: Communalities on Financial Resources

Factors	Extraction
The size of the Shareholder's fund is significant in supporting the operations of agency banking	.540
The shareholders prefer internal funding to equity to support operations of agency banking	.679
The bank's management is empowered to allocate resources from shareholders fund to support operations of agency banking	.679
The bank has put appropriate measures to maintain its liquidity ratio for better financing of its projects and operations	.570
Agency banking operations has improved liquidity ratio of the bank in the past	.531
Through agency banking, the bank has managed to meet the mandatory CBK 20% liquidity requirement.	.689
The bank has invested adequately in government securities, stocks and bonds to support long term performance of the bank	.660
The bank, through agency banking has improved its value of assets	.570
Increase in value of assets has significantly improved performance of agency banking	.553

The findings on the total variance explained for financial resources are as shown in Table 4.31. As the results portray, only two components had Eigenvalues greater than 1. The first component had an Eigenvalue of 4.366, while the second component had an Eigenvalue of 1.104. The two components had a cumulative variance of 60.78%. Thus, they were computed to represent the financial resources variable.

Table 4.32: Total Variance Explained on Financial Resources

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.366	48.516	48.516	4.366	48.516	48.516
2	1.104	12.264	60.780	1.104	12.264	60.780
3	.743	8.254	69.034			
4	.676	7.509	76.542			
5	.527	5.853	82.396			
6	.479	5.328	87.723			
7	.400	4.445	92.168			
8	.363	4.036	96.203			
9	.342	3.797	100.000			

Extraction Method: Principal Component Analysis.

The component matrix for the retained components under financial resources is as shown in Table 4.32. As the results portray, the first component had 6 factors with factor loadings exceeding the 0.50 threshold. The second components had two factors with factor loadings above 0.50. These factors were computed to represent financial resources.

Table 4.33: Component Matrix on Financial Resources

Factors	Component	
	1	2
The size of the Shareholder's fund is significant in supporting the operations of agency banking	.659	
The shareholders prefer internal funding to equity to support operations of agency banking	.755	
The bank's management is empowered to allocate resources from shareholders fund to support operations of agency banking	.726	
The bank has put appropriate measures to maintain its liquidity ratio for better financing of its projects and operations	.676	
Agency banking operations has improved liquidity ratio of the bank in the past		.637
Through agency banking, the bank has managed to meet the mandatory CBK 20% liquidity requirement.	.776	
The bank has invested adequately in government securities, stocks and bonds to support long term performance of the bank		.560
The bank, through agency banking has improved its value of assets	.754	
Increase in value of assets has significantly improved performance of agency banking	.666	

Extraction Method: Principal Component Analysis.
a. 2 components extracted.

4.6.5 Factor Analysis on Firm Size

On the moderating variable (firm size), the KMO and Bartlett's Test were carried out. The results are as shown in Table 4.33. The findings revealed that the coefficient for the Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 0.633 which is positive, hence the data was concluded to be valid of carrying out factor analysis. The Bartlett's Test of Sphericity had a significance of 0.000 which is less than the standard significant level of 0.05 hence the data was ruled to be statistically significant for factor analysis.

Table 4.34: KMO and Bartlett's Test on Firm Size

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.633
Bartlett's Test of Sphericity	Approx. Chi-Square	264.474
	df	36
	Sig.	.000

Factor loadings for the firm size items (questions) are as shown in Table 4.34. The threshold for the factor loadings as indicated by Carreon et al. (2011), should be over 0.30. Any item/factor (question) that has a factor loading of below 0.30 should be deleted from the research instrument or rephrased for clarity purpose. In this study, the 0.30 threshold was used and any item that had a factor loading of less than the 0.30 threshold was deleted from the data. As the results portray, it was established that the items under the variable had factor loadings ranging from 0.490 to 0.672. This implies that all the items met the threshold; hence they were retained for further analysis.

Table 4.35: Communalities on Firm Size

Factors	Extraction
The assets accumulated by the bank has been instrumental in the effectiveness of the agency banking	.508
The sales revenues made by the bank have enabled the agency banking to perform more efficiently	.672
The bank has adequate branch network to support the agencies across the country	.490
The market size index of the bank has seen a growth in its agency banking due to the widespread demand for the bank's products	.494
The market capitalization of the bank has more customers demanding our services thus leading to the success of agency banking	.589
The size of the bank is significant to the performance of agency banking	.579

The total variance explained results as shown in Table 4.35 revealed that three components had Eigenvalues of above 1. The first component had an Eigenvalue of 2.140, the second one had an Eigenvalue of 1.637, while the third on had an Eigenvalue of 1.261. The three components had a total variance of 59.972%. This implied that the three main sub-variables of firm size were represented under the obtained data.

Table 4.36: Total Variance Explained on Firm Size

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.140	23.779	23.779	2.140	23.779	23.779
2	1.637	18.186	41.965	1.637	18.186	41.965
3	1.261	18.007	59.972	1.261	18.007	59.972
4	.934	17.383	77.355			
5	.791	16.793	94.148			
6	.476	5.991	100.000			

Extraction Method: Principal Component Analysis.

The factor loadings for the factors under the extracted components on firm size were derived. As the results on Table 4.36 reveal, the first component had 2 factors with factor loadings exceeding the minimum acceptable threshold of 0.50. The factor loadings under this component were 0.758 and 0.667 respectively. The second component had 3 factors with factor loadings higher than the threshold. The factors had factor loadings of 0.697, 0.784 and 0.699. The third component had one factor with factor loadings exceeding the threshold. These three components were computed to represent Firm Size in the regression and correlation analysis.

Table 4.37: Component Matrix on Firm Size

Factors	Component		
	1	2	3
The assets accumulated by the bank has been instrumental in the effectiveness of the agency banking		.697	
The sales revenues made by the bank have enabled the agency banking to perform more efficiently		.784	
The bank has adequate branch network to support the agencies across the country		.699	
The market size index of the bank has seen a growth in its agency banking due to the widespread demand for the bank's products	.667		
The market capitalization of the bank has more customers demanding our services thus leading to the success of agency banking	.758		
The size of the bank is significant to the performance of agency banking			.754

Extraction Method: Principal Component Analysis.
a. 3 components extracted.

4.6.6 Factor Analysis on Performance of Agency Banking

The KMO and Bartlett's tests revealed that the KMO coefficient was positive at 0.711 while the Bartlett's Test of Sphericity had a significant level of 0.000<0.005. To this effect, the data under the dependent variable (performance of agency banking) was concluded to have met the sampling adequacy and suitable for factor analysis.

Table 4.38: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.711
Bartlett's Test of Sphericity	Approx. Chi-Square	147.511
	df	15
	Sig.	.000

Factor analysis was carried out to minimize the number of items and retain only those that had greater variance on the variable. The findings as shown in Table 4.38 revealed that the factor loadings ranged from 0.634 to 0.419. This means that all the items met the 0.30 threshold; hence they had the minimum required contribution to the variance of variable (performance of agency banking).

Table 4.39: Communalities for Performance Agency Banking

Factors	**Extraction**
The average Number of agency transactions	.533
The average Value of agency transaction	.591
The average Number of agents	.419
Through agency banking, the bank has reduced number of transactions and enquiries in the conventional banking halls	.634
The bank has used agency banking to save on operational costs thus enhancing value of transactions	.560
The number of registered agents in our bank has increased over time and significantly contributed to the performance of the bank	.427

Total variance explained by each of the items under the variable was further used to assess which factor could be retained and those to be deleted. As the results in Table 4.39 reveal, two components had the Eigenvalues of greater than 1. The Eigenvalue for the first component was 2.101; while the second component had an eigenvalue of 1.062. The two components explained a cumulative variance of 52.727%. The items were used to represent performance of agency banking in the subsequent analysis.

Table 4.40: Total Variance Explained for Performance of Agency Banking

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.101	35.019	35.019	2.101	35.019	35.019
2	1.062	17.708	52.727	1.062	17.708	52.727
3	.881	14.682	67.409			
4	.754	12.574	79.982			
5	.708	11.802	91.784			
6	.493	8.216	100.000			

Extraction Method: Principal Component Analysis.

The component matrix for the factor analysis under performance of agency banking is as shown in Table 4.40. As the results portray, the first components had 4 factors ranging from 0.646 to 0.778. The second component had two factors with factor loadings ranging from 0.660 to 0.736. These items were computed to represent performance of agency banking variable.

Table 4.41: Component Matrix for Performance of agency Banking

Factors	Component	
	1	2
The average Number of agency transactions		.660
The average Value of agency transaction		.736
The average Number of agents	.646	
Through agency banking, the bank has reduced number of transactions and enquiries in the conventional banking halls	.778	
The bank has used agency banking to save on operational costs thus enhancing value of transactions	.716	
The number of registered agents in our bank has increased over time and significantly contributed to the performance of the bank	.648	

Extraction Method: Principal Component Analysis.
a. 2 components extracted.

4.7 Diagnostic Tests

The results of the tests for the model assumptions are as herein presented. The diagnostic tests carried out in the study included the normality test, the linearity test, test for multicollinearity, autocorrelation test and the test for heteroscedasticity. The findings are shown systematically per each test.

4.7.1 Normality Test

The normality test was carried out in the study to ensure that the data collected was normally distributed. The regression model assumes that the data used in analysis is normally distributed such that it forms a linear pattern. A normally distributed data takes the form of a symmetric bell-shaped curve. The quantile-quantile plot (Q-Q plot) and the Kolmogorov-Smirnov (K-S) and Shapiro-Wilk tests were used to test for normality in the study. If two distributions match, the points on the plot formed a linear pattern passing through the origin with a unit slope. As the findings in Table 4.41 reveal, the significant values under both Kolmogorov-Smirnov and Shapiro-Wilk are above 0.05 an indication that they are insignificant. This therefore implies that the data is normally distributed.

Table 4.42: Normality Test Results

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Product Innovation	.122	251	.200	.962	251	.077
Information Technology	.160	251	.119	.826	251	.381
Human Capital	.160	251	.424	.895	251	.214
Financial Resources	.195	251	.106	.919	251	.126
Firm size	.170	251	.322	.934	251	.081

4.7.2 Linearity Test

According to Cuestas and Regis (2013) linearity refers to a situation where a dependent variable has a liner relationship with one or more independent variables and, thus, can be computed as the linear function of the independent variable(s). In this study, linearity test was carried out where the Goodness of Fit test was applied. This helped in summarizing the discrepancy between the observed values and the projected values under a statistical model. If the F significance value for the nonlinear component is below the critical value ($P < .05$), then there is significant nonlinearity (David, 2012). As the findings in Table 4.42 reveal, the F-value of 316.736 is significant at $0.000<0.05$ confidence level thus there is a linear relationship between the dependent variables and at least one of the independent variables. To this effect, therefore, it can be deduced that the data passed the linearity test. This is also confirmed on Figure 4.8 which shows the linearity scatter plot diagram.

Table 4.43: Linearity Test

Model		**df**	**Mean Square**	**F**	**Sig.**
1	Regression	4	10085.210	316.736	.000[b]
	Residual	246	31.841		
	Total	250			

a. Dependent Variable: Performance of Agency Banking
b. Predictors: (Constant), Information Technology, Human Capital, Product Innovation, Financial Resources

As the results on the linearity plot in Figure 4.8 show, the scatter plots are neat a straight line, an indication that there is a high likelihood of most of the independnet varioables

having a linear relationship with the dependent variable. It can therefore be deduced that the dataset obtained the linearity test, thus it can be used for a regression model.

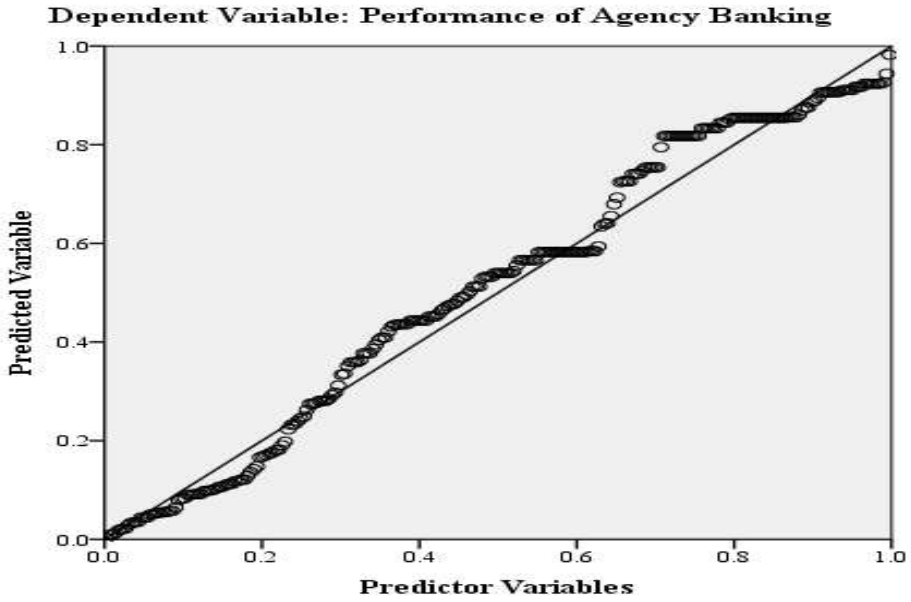

Figure 4.8: Linearity Test

4.7.3 Test for Multicollinearity

According to Damodar (2010), linear regression analysis assumes that independent variables are not correlated with each other meaning there is no linear relationship among the explanatory variables. On that matter therefore, Multicollinearity is the existence of a perfect relationship between two variables which are both predictors in a given model. As noted by Babbie (2002) this relationship in many cases makes it extremely difficult to estimate the individual coefficients of the variables. In this study, multicollinearity test was carried out by the use Variance Inflation Factor (VIF). This method involves calculating the tolerance values from which the VIF values are obtained through reciprocal of the tolerance values. The findings as shown in Table 4.43 reveals that VIF values of the variables are between 4.99 and 1.97. According to Cuestas and Regis (2013), the widely accepted VIF can be between below 5 for cases with low correlation and below 10

for cases with moderate correlation. The findings therefore imply that for the variables in the study, there was no multicollinearity.

Table 4.44: Results of the Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	Product Innovation	.334	2.998
	Information Technology	.507	1.972
	Human Capital	.222	4.511
	Financial Resources	.200	4.996
	Firm size	.413	2.423

4.7.4 Autocorrelation

One of the basic assumptions in linear regression model is that the random error components or disturbances are identically and independently distributed. This is what is called autocorrelation. In a regression model, therefore, it is assumed that the correlation between the successive disturbances is zero. In this study, the DW statistic was used to test for autocorrelation where Ordinary Least Square (OLS) residuals with values ranging from 0 to 4 were adopted. If the DW value is 4 then there is negative autocorrelation, 2 means no autocorrelation and 0 means positive autocorrelation. In the event of autocorrelation, there is need to transform the model so that the error term is serially independent, then apply OLS to the transformed model to give the usual Best Linear Unbiased Estimator (BLUE). The findings as shown in Table 4.12 reveal, the DW value for the model was 1.526 which is close to 2.0 hence there was no autocorrelation in the model.

Table 4.45: Autocorrelation Test Results

Model	Durbin-Watson
1	1.526[a]

4.8 Correlation Analysis

Correlation analysis was carried out to establish the relationship between the independent variables and the dependent variable. Correlation analysis tells whether the independent variables have a strong correlation with the dependent variable, thus informing the study on the direction the hypotheses testing may take. The correlation analysis in this study has been carried out per the variable.

4.8.1 Correlation Analysis on Product Innovation and Performance of Agency Banking

On the first objective which was to assess the effect of product innovation on the performance of agency banking in commercial banks in Kenya, the correlation analysis was carried out to establish the relationship between product innovation and performance of agency banking. As the findings on Table 4.45 portray, the Pearson Correlation coefficient for product innovation was 0.867 at a significant level of 0.000<0.05. The results imply that product innovation has a strong and significant correlation with the performance of agency banking in commercial banks in Kenya.

Table 4.46: Correlation Analysis on Product Innovation

		Performance of Agency Banking	Product Innovation
Performance of Agency Banking	Pearson Correlation	1	.867**
	Sig. (2-tailed)		.000
	N	251	251
Product Innovation	Pearson Correlation	.867**	1
	Sig. (2-tailed)	.000	
	N	251	251

4.8.2 Correlation Analysis on Information Technology and Performance of Agency Banking

The study sought to establish the correlation between information technology and performance of agency banking in commercial banks in Kenya. The results as shown in

Table 4.46 revealed that the Pearson Correlation (r) on the relationship between information technology and performance of agency banking was 0.710, at a significant level of 0.000<0.05. The findings imply that information technology has a significant and strong correlation with the performance of agency banking in commercial banks in Kenya.

Table 4.47: Correlation Results between Information Technology and Performance of Agency Banking

		Performance of Agency Banking	Information Technology
Performance of Agency Banking	Pearson Correlation	1	.710**
	Sig. (2-tailed)		.000
	N	251	251
Information Technology	Pearson Correlation	.710**	1
	Sig. (2-tailed)	.000	
	N	251	251

4.8.3 Correlation Analysis on Human Capital and Performance of Agency Banking

A correlation between human capital and performance of agency banking in commercial banks in Kenya was sought. As the results on Table 4.47 portray, it was established that the Pearson correlation between human capital and performance of agency banking was 0.813, while the level of significant was 0.000<0.05. The results implied that the human capital had a strong correlation with the performance of agency banking in commercial banks in Kenya.

Table 4.48: Correlation between Human Capital and Performance of Agency Banking

		Performance of Agency Banking	Human Capital
Performance of Agency Banking	Pearson Correlation	1	.813**
	Sig. (2-tailed)		.000
	N	251	251
Human Capital	Pearson Correlation	.813**	1
	Sig. (2-tailed)	.000	
	N	251	251

4.8.4 Correlation Analysis on Financial Resources and Performance of Agency Banking

The study was set to establish the relationship between financial resources and performance of agency banking, using correlation analysis. As the results on Table 4.48 reveal, the Pearson Correlation for the variable was 0.817, at a significant level of 0.000<0.05. The results imply that the correlation between financial resources and performance of agency banking is strong and significant.

Table 4.49: Correlation between Financial Resources Performance of Agency Banking

		Performance of Agency Banking	Financial Resources
Performance of Agency Banking	Pearson Correlation	1	.817**
	Sig. (2-tailed)		.000
	N	251	251
Financial Resources	Pearson Correlation	.817**	1
	Sig. (2-tailed)	.000	
	N	251	251

4.9 Hypotheses Testing

Inferential analysis is the statistical analysis of the data in a study with the main aim of testing the hypotheses for the study. In this study, inferential analysis was carried out using a regression model through SPSS to establish the statistical relationship between strategic drivers and performance of agency banking in commercial banks in Kenya. The main aspects covered herein include the ANOVA tests, the model summary and the regression coefficients.

4.9.1 Product Innovation and Performance of Agency Banking

H_{o1}: *Product Innovation has no significant influence on performance of agency banking in commercial banks in Kenya*

The first objective of the study was to establish the influence of product innovation of the performance of agency banking in commercial banks in Kenya. The linear regression model was carried out to reveal the relationship between the two variables and the findings are as herein presented. As the model summary in Table 4.49 reveal, the R Square (R^2) for the model was 0.752. This implies that product innovation influences up to 75.2% variation in the performance of agency banking. This confirms that product innovation has an influence on the performance of agency banking in commercial banks in Kenya.

Table 4.50: Model Summary for Product Innovation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.867[a]	.752	.751	.41769

a. Predictors: (Constant), Product Innovation

The Analysis of Variance (ANOVA) results are as shown in Table 4.50. As the findings indicate, the F-Statistics for the model was 753.607 at a significant level of 0.000<0.05. This implies that the model is statistically significant to predict the relationship between product innovation and performance of agency banking among commercial banks in Kenya.

Table 4.51: Analysis of Variance (ANOVA) for Product Innovation

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	131.481	1	131.481	753.607	.000[b]
	Residual	43.443	249	.174		
	Total	174.923	250			

a. Dependent Variable: Performance of Agency Banking
b. Predictors: (Constant), Product Innovation

The regression coefficients results as shown in Table 4.51 revealed that the Beta (ß) coefficient for product innovation was 0.780 which implies that a unit change in product innovation would lead to an increase in performance of agency banking by up to 78.0%. The P-value for product innovation was 0.000 which is less than the standard P-value of

0.05. This implies that there is a significant and positive relationship between product innovation and performance of agency banking. On this merit, we therefore reject the null hypothesis that there is no significant influence of product innovation on the performance of agency banking in commercial banks in Kenya. Medeiros *et al*. (2022) stated that when product innovation is well though and directed towards meeting the customer needs, it significantly influences the organizational performance by giving it a modern approach to new products and improving the existing products.

Table 4.52: Regression Coefficients for Product Innovation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.831	.110		7.578	.000
	Product Innovation	.780	.028	.867	27.452	.000

a. Dependent Variable: Performance of Agency Banking

A Histogram was used to show the distribution of the standardize residuals in the model. As the results in Figure 4.9 portray, the standardized residual is normally distributed as evidenced by the curve that is bell-shaped and the symmetric nature of the histogram. This is an implication that the regression model significantly predicts the effect of product innovation on the performance of agency banking in commercial banks in Kenya.

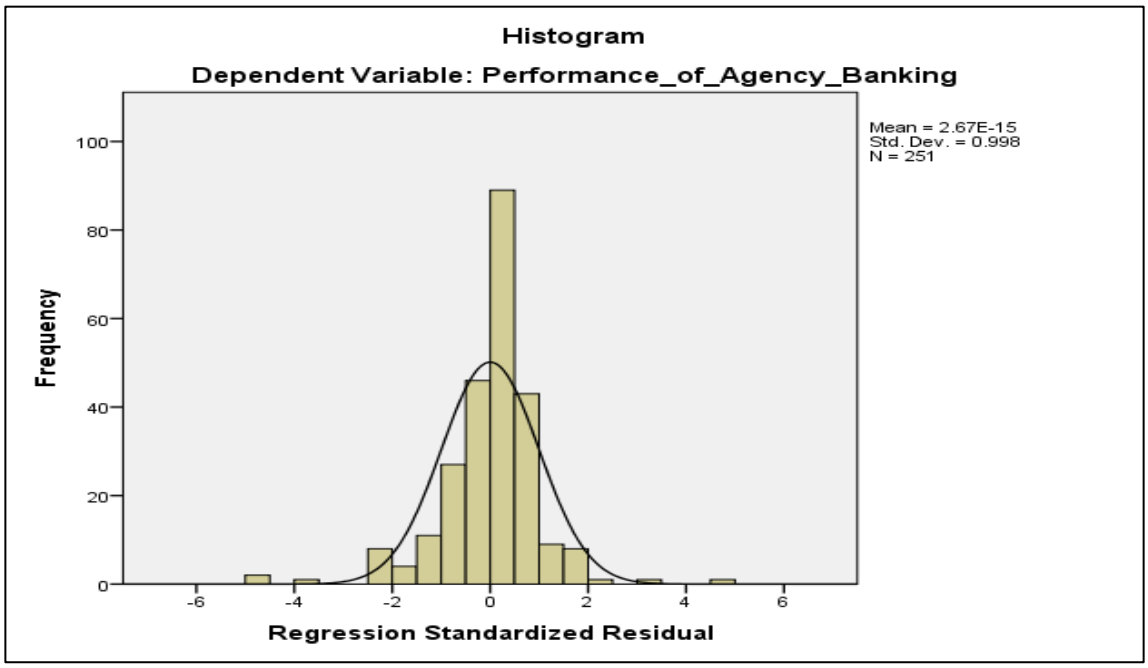

Figure 4.9: Histogram on Product Innovation

The study sought to prove the effect of product innovation on the performance of agency banking in commercial banks in Kenya using the scatter plot diagram as herein shown on Figure 4.10. The findings revealed that the scatter plots had a positive gradient an indication that product innovation positively influenced the performance of agency banking in commercial banks in Kenya.

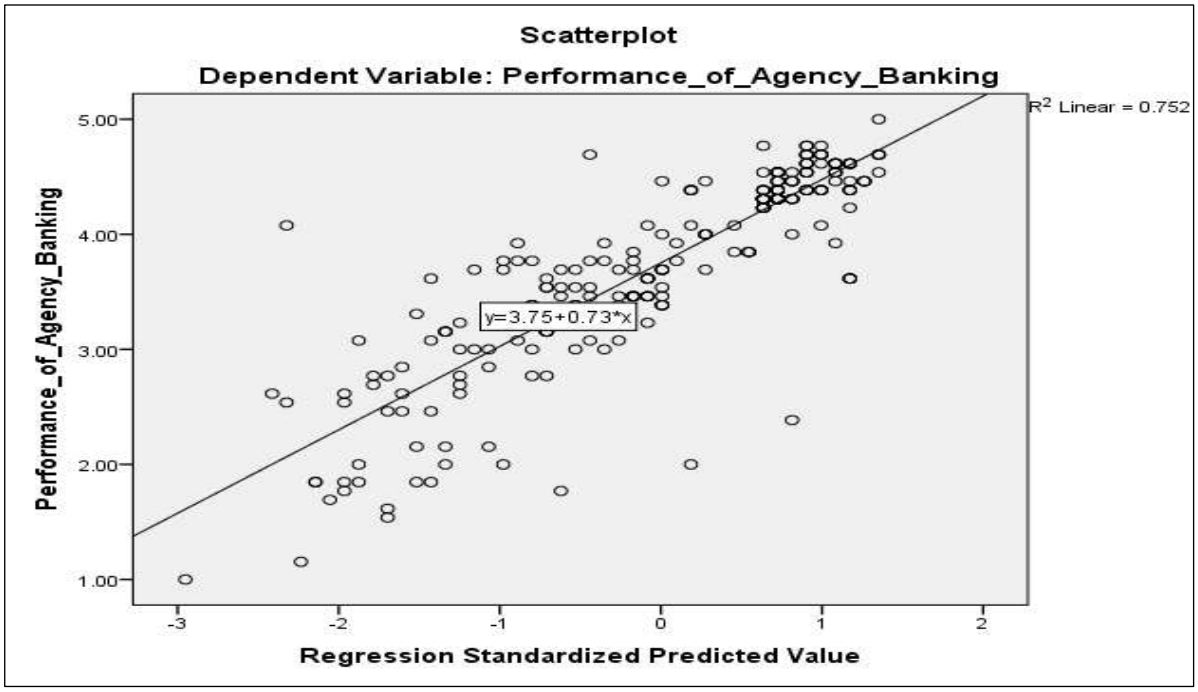

Figure 4.10: A Scatterplot on Product Innovation

4.9.2 Information Technology and Performance of Agency Banking

H_{o2}: *Information technology has no significant influence on performance of agency banking in commercial banks in Kenya*

The second objective of the study was to establish the influence of information technology on the performance of agency banking in commercial banks in Kenya. The model summary (R, R^2, and adjusted R^2), ANOVA and regression coefficients were the main approaches used to test for the relationship between Information Technology and Performance of agency banking. The model summary results are as shown in Table 4.52. As the results reveal, the R^2 for the model was 0.504. This implies that up to 50.4% variation in the performance of agency banking among commercial banks in Kenya is as a result of information technology.

Table 4.53: Model Summary on Information Technology

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.710[a]	.504	.502	.59058

a. Predictors: (Constant), Information Technology

The ANOVA test results are shown in Table 4.53. As the findings portray, the F-Statistics was 252.530 at a significance level of 0.000<0.05. This is an implication that the regression model adopted can significantly predict the relationship between information technology and performance of agency banking among commercial banks in Kenya.

Table 4.54: ANOVA results for Information Technology

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	88.077	1	88.077	252.530	.000[b]
	Residual	86.846	249	.349		
	Total	174.923	250			

a. Dependent Variable: Performance of Agency Banking
b. Predictors: (Constant), Information Technology

The regression coefficient results on the other hand are as shown in Table 4.54. As the findings portray, the constant value is 15.891 implying that if information technology and other factors are held constant, the performance of agency banking would improve by 15.891. On the other hand, the Beta coefficient for information technology is 0.540 while the standardized coefficient if 0.540. The findings imply that a unit increase in information technology would lead up to 54% increase in the performance of agency banking. The P-value for the variable is 0.000 which is less than 0.05. This is to imply that there is a significant influence of information technology on the performance of agency banking. The findings therefore support the rejection of the null hypothesis that there is no significant and positive influence of information technology on the performance of agency banking.

Table 4.55: Regression Coefficients for Information Technology

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.694	.135		12.577	.000
	Information Technology	.540	.034	.710	15.891	.000

a. Dependent Variable: Performance of Agency Banking

To further explain the effect of information technology on performance of agency banking in commercial banks in Kenya, a histogram was used. As the results show, the curve under the histogram was bell-shaped which shows a normally distributed standardized residual. The histogram also it's symmetric which is an indication that the data on the standardized residual is normally distributed (Cattell, 2016).

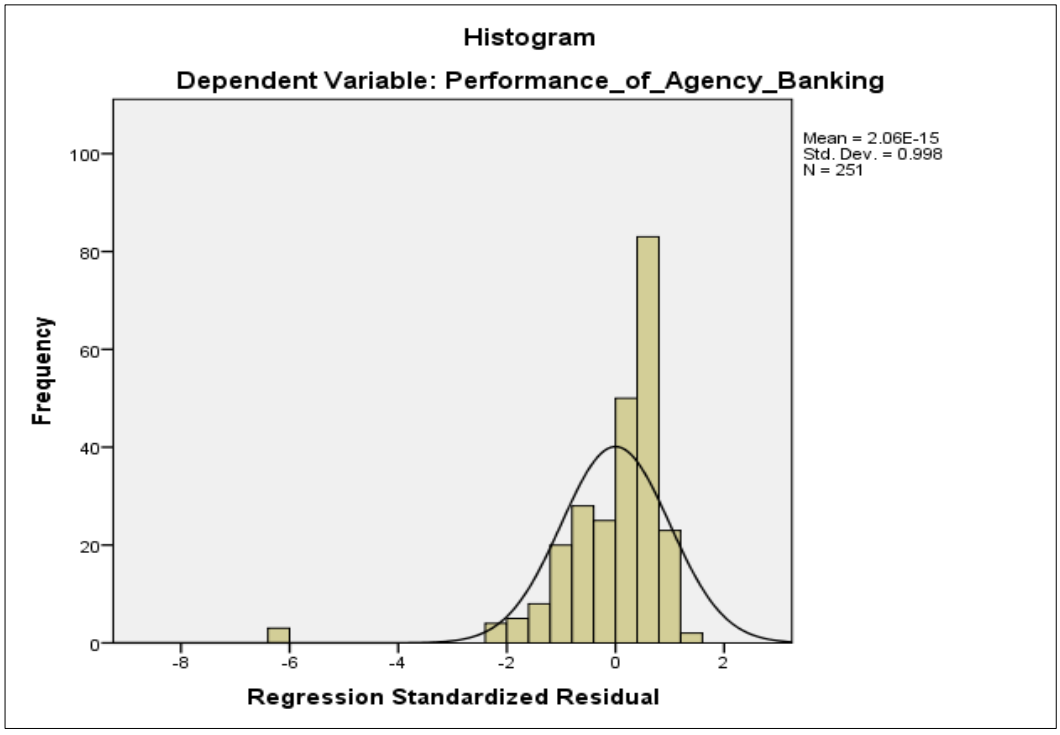

Figure 4.11: Histogram on Information Technology

The scatter plot was used to further bring out the effect of information technology on the performance of agency banking in commercial banks in Kenya. The findings as shown in Figure 4.12 revealed that the plots had a positive gradient. This implied that information technology had a positive influence on the performance of agency banking in commercial banks in Kenya. This justified the decision to reject the null hypothesis that information technology has no significant influence on performance of agency banking in commercial banks in Kenya.

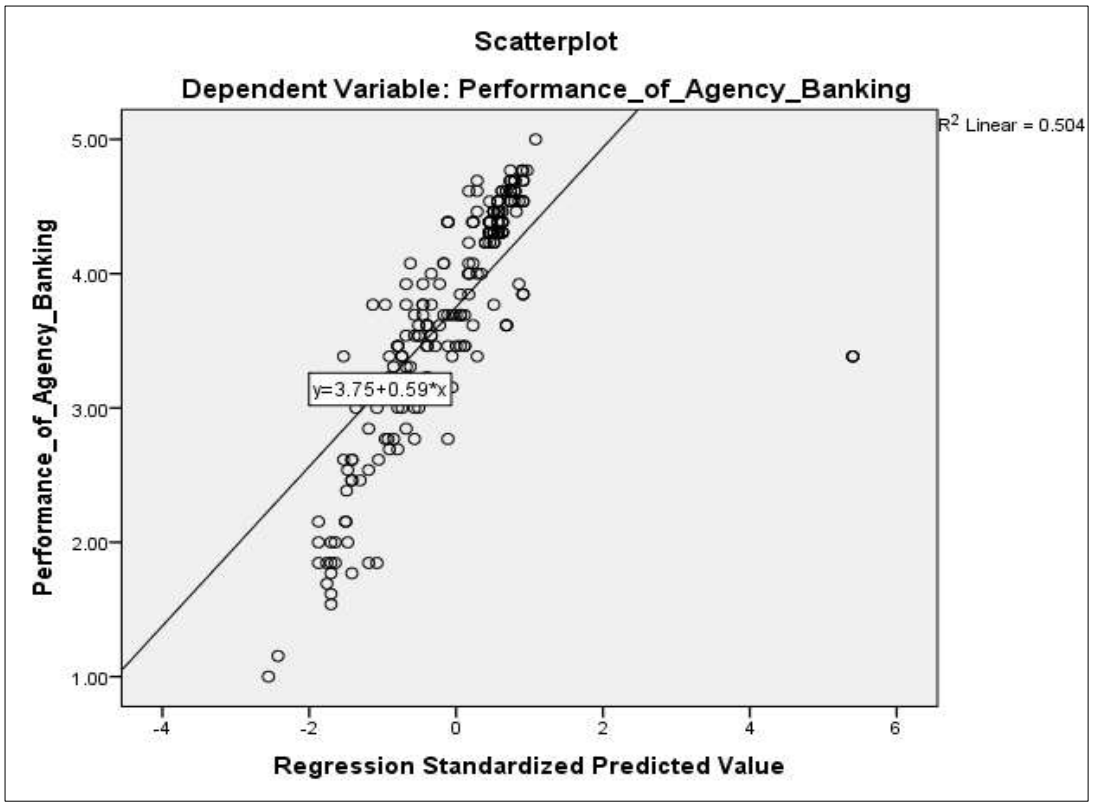

Figure 4.12: Scatterplot on Information Technology

4.9.3 Human Capital and Performance of Agency Banking

H_{o3}: *There is no significant influence of human capital on performance of in commercial banks in Kenya*

The third objective of the study was to examine the influence of human capital on the performance of agency banking in Kenya. The linear regression model analysis was carried out to establish the relationship between human capital and performance if agency banking and the output included the model summary, the ANOVA results and the regression coefficients. The model summary results are as shown in Table 4.55. As the findings portray, the R^2 for the variable was 0.662. This implies that human capital influences up to 66.2% variation of the performance of agency banking in commercial banks in Kenya.

Table 4.56: Model Summary for Human Capital

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.813[a]	.662	.660	.48763

a. Predictors: (Constant), Human Capital

The ANOVA results are as shown in Table 4.56. As the results portray, the F-statistics for the model was 486.636 at a significant level of 0.000<0.05. This implies that the adopted model can significantly predict the relationship between human capital and performance of agency banking in commercial banks in Kenya.

Table 4.57: ANOVA Results for Human Capital

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	115.715	1	115.715	486.636	.000[b]
	Residual	59.209	249	.238		
	Total	174.923	250			

a. Dependent Variable: Performance of Agency Banking
b. Predictors: (Constant), Human Capital

The regression coefficients on the other hand are as shown in Table 4.57. As the results portray, the Beta coefficient for human capital was 0.902. This implies that a unit change in human capital would lead up to 90.2% increase in the performance of agency banking.

The p-value was 0.000 which is less than the standard p-value of 0.05. This means that there is a significant influence of human capital on the performance of agency banking hence the rejection of the null hypothesis that there is not significant influence of human capital on the performance of agency banking in commercial banks in Kenya.

Table 4.58: Regression Coefficients for Human Capital

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.449	.153		2.936	.004
	Human Capital	.902	.041	.813	22.060	.000

a. Dependent Variable: Performance of Agency Banking

The study further used a histogram to assess the distribution of the standardized residuals. The results revealed that the standardized residuals for the model were normally distributed as shown by the bell-shaped curve and the symmetric bars in the histogram (Mair, 2018). This is an indication that human capital has a positive influence on the performance of agency banking in commercial banks in Kenya.

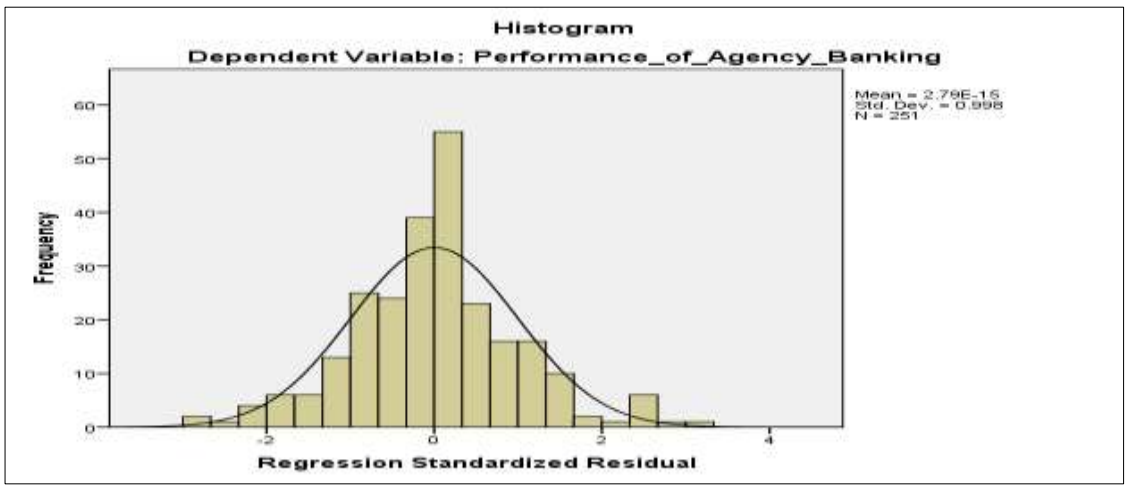

Figure 4.13: Histogram on Human Capital

The relationship was further proved by use of a scatter plot diagram. The results are as shown in Figure 4.15 where the plots show a positive gradient. This implies that human capital positively influenced the performance of agency banking in commercial banks in Kenya. The finding is in tandem with the finding of Bulturbayevich (2021), who established that human capital positively influences firm performance by enhancing the contribution of the employees towards the strategic goals of the organization.

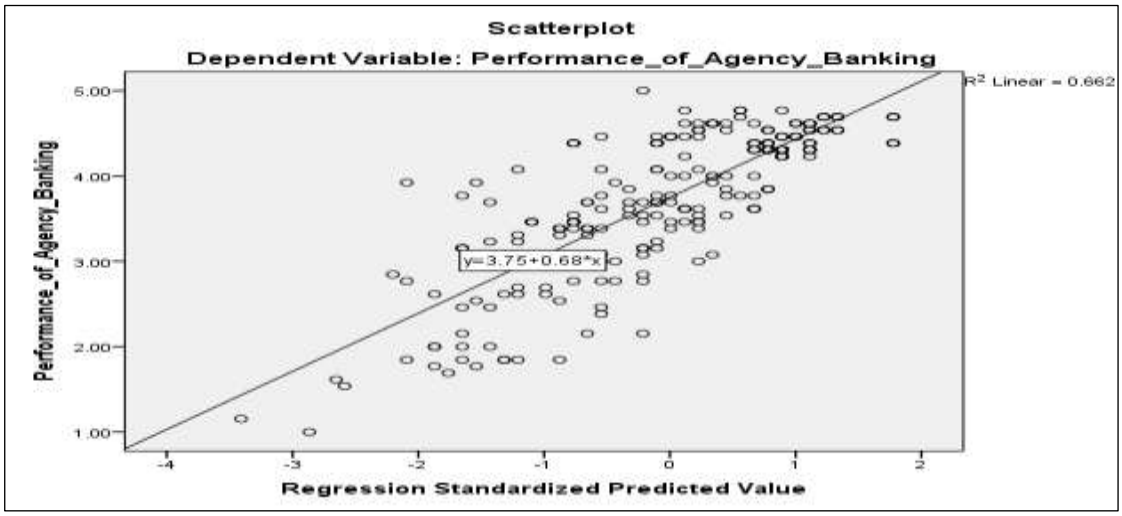

Figure 4.14: Scatter Plot on Human Capital

4.9.4 Financial Resources and Performance of Agency Banking

H_{o4}: *There is no significant influence of financial resources on performance of agency banking in commercial banks in Kenya*

The fourth objective of the study was to establish the influence of financial resources on the performance of agency banking in commercial banks in Kenya. The linear regression model analysis results are as herein shown in form of model summary, ANOVA test and regression coefficients. The model summary shown in Table 4.58 revealed that the R^2 for the model was 0.668. This is to imply that 66.8% of the variations in performance of agency banking are as a result of financial resources.

Table 4.59: Model Summary for Financial Resources

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.817[a]	.668	.667	.48279

a. Predictors: (Constant), Financial Resources

The ANOVA results are as shown in Table 4.59. As the findings reveal, the F-statistic for the model is 501.481 at a significance level of 0.000<0.05. This is an implication that the regression model utilized in the study can significantly predict the relationship between financial resources and performance of agency banking among commercial banks in Kenya.

Table 4.60: ANOVA Results for Financial Resources

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	116.886	1	116.886	501.481	.000[b]
	Residual	58.037	249	.233		
	Total	174.923	250			

a. Dependent Variable: Performance of Agency Banking
b. Predictors: (Constant), Financial Resources

The regression coefficients as shown in Table 4.60 on the other hand revealed that the Beta coefficient for financial resources was 0.786. This implies that a unit change in financial resources would lead up to 78.6% increase in the performance of agency banking. The p-value for the variable was 0.000 which I less than the standard P-value of 0.05. This is to mean that financial resources had a significant influence on the performance of agency banking. To this end, we therefore, reject the null hypothesis that there is no significant relationship between financial resources and performance of agency banking among commercial banks in Kenya.

Table 4.61: Regression Coefficients for Financial Resources

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.010	.126		8.006	.000
	Financial Resources	.786	.035	.817	22.394	.000

a. Dependent Variable: Performance of Agency Banking

A histogram was used to further explain the viability of financial resources on performance of agency banking in commercial banks in Kenya. The results as shown in Figure 4.16 revealed that the bell-shape curve was attained which is an indication of normal distribution of the standardized residuals (Saunders, 2019). The bars on the histogram were also symmetric an indication that the data is normally distributed.

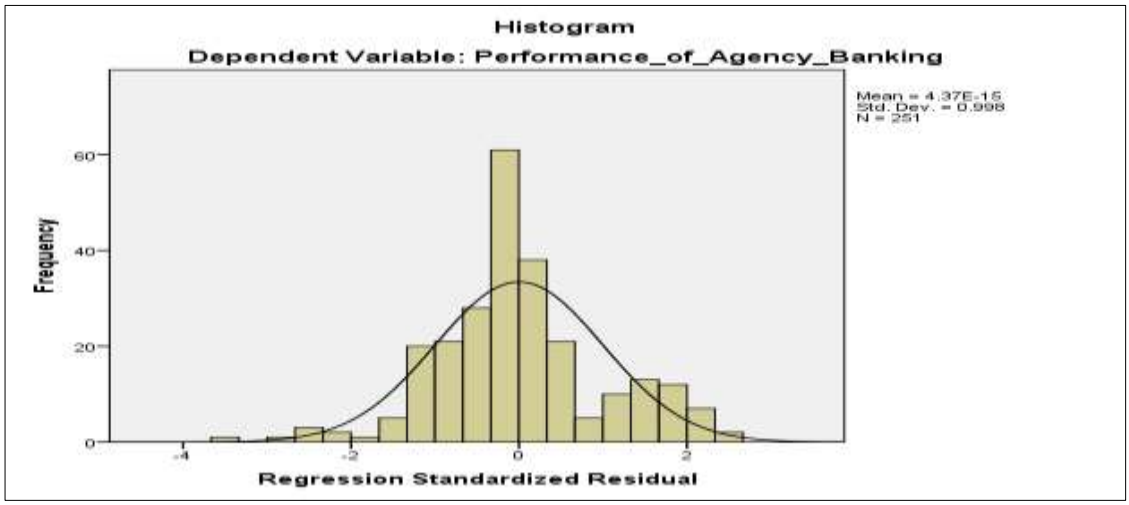

Figure 4.15: Histogram on Financial Resources

The relationship was further proved by use of a scatter plot diagram. The results are as shown in Figure 4.17 where the plots show a positive gradient. This implies that financial resources positively influenced the performance of agency banking commercial banks in Kenya. The finding is in tandem with the finding of Scarpellini *et al.* (2021), who established that financial resources significantly influence performance of agency banking in commercial banks in Kenya.

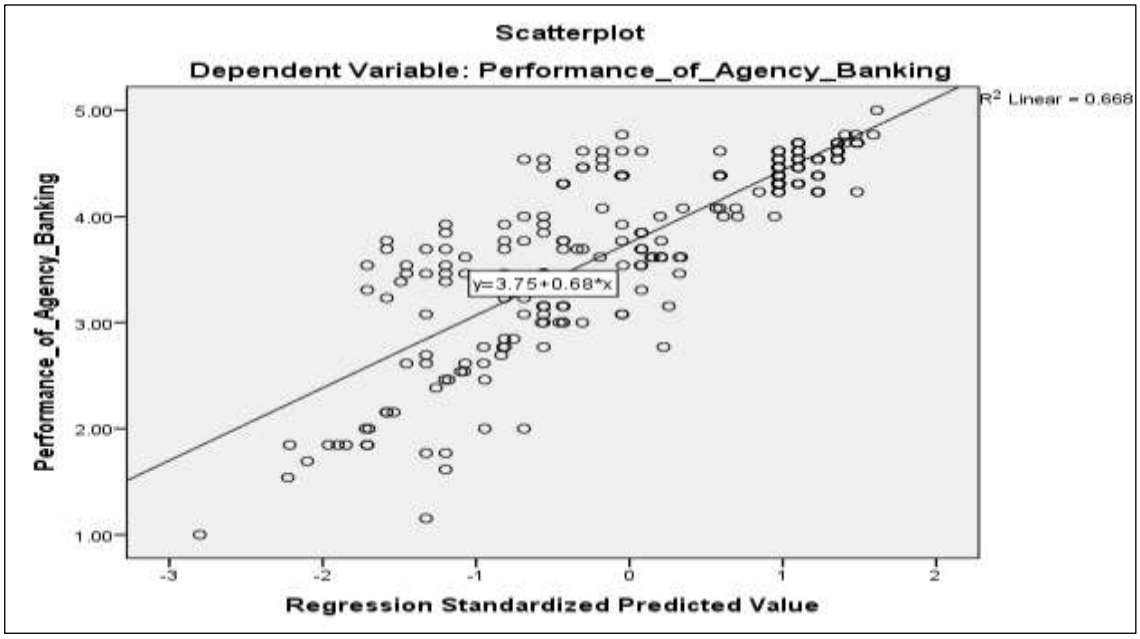

Figure 4.16: A Scatter Plot on Financial Resources

4.9.5 Overall Regression Model (Unmoderated)

The study sought to carry out a multiple regression model without the moderating variable (firm size). The model was of the form;

$$Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

The multiple regression model results as shown below covers the model summary, the ANOVA test results and the regression coefficients for the four independent variables. The study sought to carry out a multiple regression model without the moderating variable (quality control and certification). The model was of the form;

The multiple regression model results as shown below covers the model summary, the ANOVA test results and the regression coefficients for the four independent variables. The model summary is as shown in Table 4.61. As the results portray, the R-square for the model was 0.837. This implies that 83.7% of the variation in performance of the

agency banking in commercial banks in Kenya is as a result of the combined effect of information technology, human capital, product innovation, and financial resources.

Table 4.62: Model Summary (Overall unmoderated)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.916[a]	.839	.837	.33819

a. Predictors: (Constant), Information Technology, Human Capital, Product Innovation, Financial Resources

The ANOVA results as shown in Table 4.62 revealed that the F-statistics was 316.736 at a significance level of 0.000. This implies that the regression model was fit to statistically predict the relationship between strategic drivers (information technology, human capital, product innovation, financial resources) and performance of agency banking among commercial banks in Kenya. The results further reveal that there was a probability of at least one of the predictor variables having a linear and significant relationship with the predicted variable (performance of agency banking among commercial banks in Kenya).

Table 4.63: ANOVA (Overall Unmoderated)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	146.788	4	36.697	320.864	.000[b]
	Residual	28.135	246	.114		
	Total	174.923	250			

a. Dependent Variable: Performance of Agency Banking
b. Predictors: (Constant), Information Technology, Human Capital, Product Innovation, Financial Resources

The regression coefficients for the model are a shown in Table 4.63. The findings revealed that human capital had a regression coefficient of 0.436 an indication that a unit change in human capital would influence performance of agency banking among commercial banks in Kenya by up to 43.6%. On financial resources, it was established that the Beta coefficient was 0.354 which implies that a unit change in financial resources would influence performance of agency banking among commercial banks in Kenya by up to

35.4%. Product innovation had a Beta coefficient of 0.523 which indicates that a unit change in product innovation could influence performance of agency banking among commercial banks in Kenya by up to 52.3%. Information Technology on the other hand had a Beta coefficient of 0.103 which implies that a unit change in information technology would influence performance of agency banking among commercial banks in Kenya by up to 10.3%. The findings further revealed that all variables had P-values less than 0.05 an indication that they significantly influenced the performance of agency banking among commercial banks in Kenya.

Table 4.64: Regression Coefficients (Overall Unmoderated)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.227	.107		2.121	.035
	Human Capital	.246	.049	.222	4.991	.000
	Financial Resources	.228	.043	.237	5.322	.000
	Product Innovation	.368	.042	.409	8.669	.000
	Information Technology	.118	.027	.155	4.383	.000

a. Dependent Variable: Performance of Agency Banking

The study also used the histogram to show the distribution of the standardized residuals. As the findings in Figure 4.18 shows, there is a normal distribution of the standardized residuals with a standard deviation closer to 1. The histogram also looks symmetric with a bell-like curve which implies that the residuals are normally distributed hence there is the likelihood of the model significantly predicting the relationship between the strategic drivers and performance of agency banking in commercial banks in Kenya. The findings are consistent with the findings of Bulturbayevich (2021), who established that through strategic drivers such as human capital, information technology and product innovation significantly influences organizational performance.

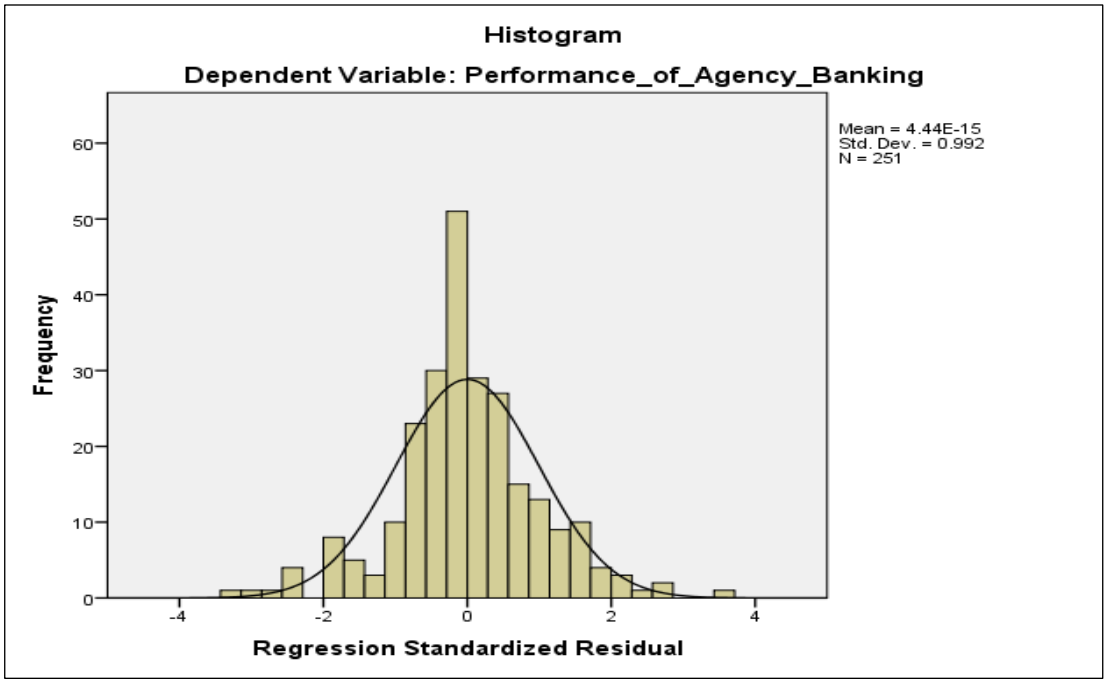

Figure 4.17: Histogram for the Overall Model

The scatter plot diagram on Figure 4.19 shows that the plots had a positive gradient an indication that the variables; product innovation, information technology, human capital and financial resources have a positive influence on the performance of agency banking in commercial banks in Kenya.

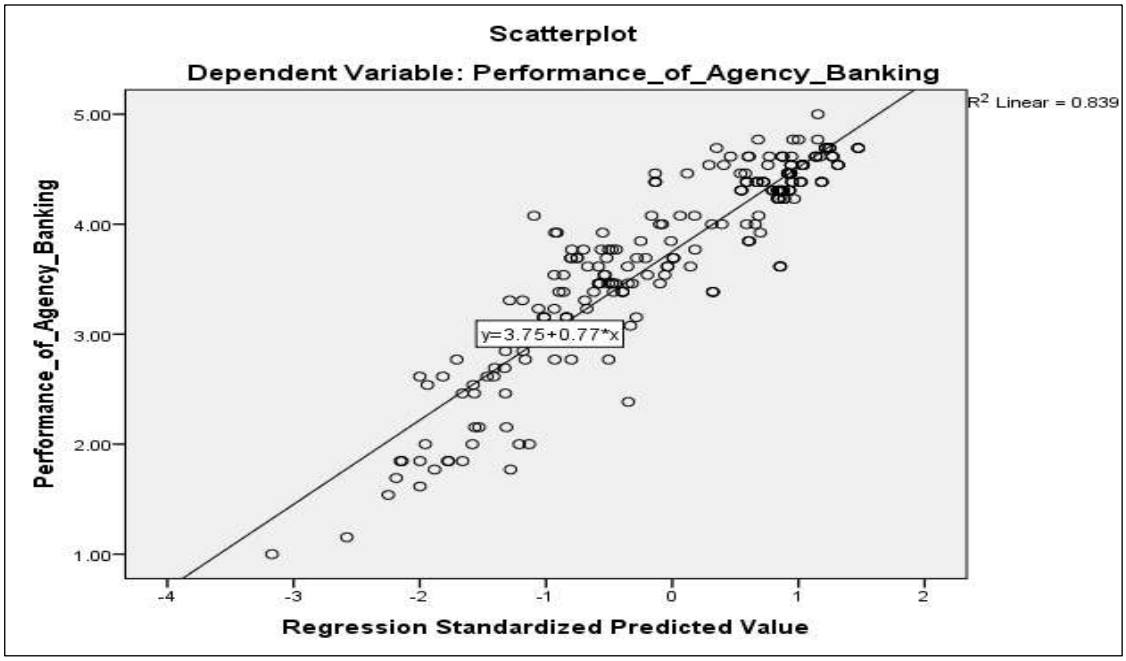

Figure 4.18: A Scatterplot for the Overall Model

4.9.6 Moderating Effect of Firm size

Firm size has no significant moderating effect on the relationship between strategic drivers and performance of agency banking in commercial banks in Kenya.

The results indicated that the inclusion of the interaction term (firm size) resulted into increase in R^2 from 0.837 to 0.910, showing presence of significant moderating effect of frim characteristics. This implied that the moderating effect of firm size gained 91% variance in the performance of agency banking among commercial banks in Kenya.

Table 4.65: Model Summary (Moderated)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.954[a]	.910	.909	170.23622

a. Predictors: (Constant), Financial Resources * Firm size, Information Technology * Firm size, Product Innovation * Firm size, Human Capital * Firm size

Table 4.65 shows the ANOVA results for the moderated model. The results show that the F-statistic value increased from 316.736 under the unmoderated overall model to 622.184 under the moderated model. This is an implication that the moderated model could significantly predict the moderating effect of firm size on the relationship between strategic drivers and the performance of agency banking among commercial banks in Kenya.

Table 4.66: ANOVA Test (Moderated)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	72124505.395	4	18031126.349	622.184	.000[b]
	Residual	7129171.537	246	28980.372		
	Total	79253676.932	250			

a. Dependent Variable: Performance of Agency Banking
b. Predictors: (Constant), Financial Resources * Firm size, Information Technology * Firm size, Product Innovation * Firm size, Human Capital * Firm size

Table 4.66 shows the regression model coefficient after introduction of the moderated through the interaction effect. As the results indicate, when product innovation is interacted with firm size, it enhances performance by 49%. When information technology is interacted with firm size, it enhances performance by 22.3% while when human capital is moderated by firm size, it enhances performance by 27.9%. Finally, when financial resources are interacted with firm characteristics, it enhances performance by 31.1%.

Table 4.67: Regression Coefficients (Moderated)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-37.049	30.149		-1.229	.220
	Product Innovation * Firm size	.490	.246	.325	4.950	.000
	Information Technology * Firm size	.223	.228	.227	5.082	.000
	Human Capital * Firm size	.279	.368	.197	2.350	.020
	Financial Resources *Firm size	.311	.118	.235	3.017	.003

a. Dependent Variable: Performance of Agency Banking

4.10 Optimal Model

An optimal model has been drawn from the overall model. This shows the flow of variables based on their strength as shown by the regression model. For the flow of the independent variables, the overall moderated model has been used where product innovation has the strongest influence on the performance of agency banking followed by financial resources, human capital and lastly information technology. The following models have been drawn from the overall unmoderated model and the overall moderated model.

$Y= 0.227+0.246X_1 +0.228X_2 + 0.368X_3 + 0.118X_4$ ……(Unmoderated)

$Y= -37.049+0.490X_1*Z +0.223X_2*Z+ 0.279X_3*Z + 0.311X_4*Z$ ……(Moderated)

From the two models, it is evident that when the moderator (firm size 'Z') is introduced, the strategic drivers still have positive and significant effect on the performance of agency banking. The influence of product innovation on performance of agency banking increases after the introduction of moderator; firm size was positive at 49.0%, while the influence of information technology on performance of agency banking when interacted with firm size was positive at 22.3%. The interaction effect of human capital and firm size had a

positive influence on the performance of agency banking at 27.9%, and the interaction effect of financial resources influenced performance of agency banking by 31.1%. From the moderated model, the following revised conceptual framework has been obtained.

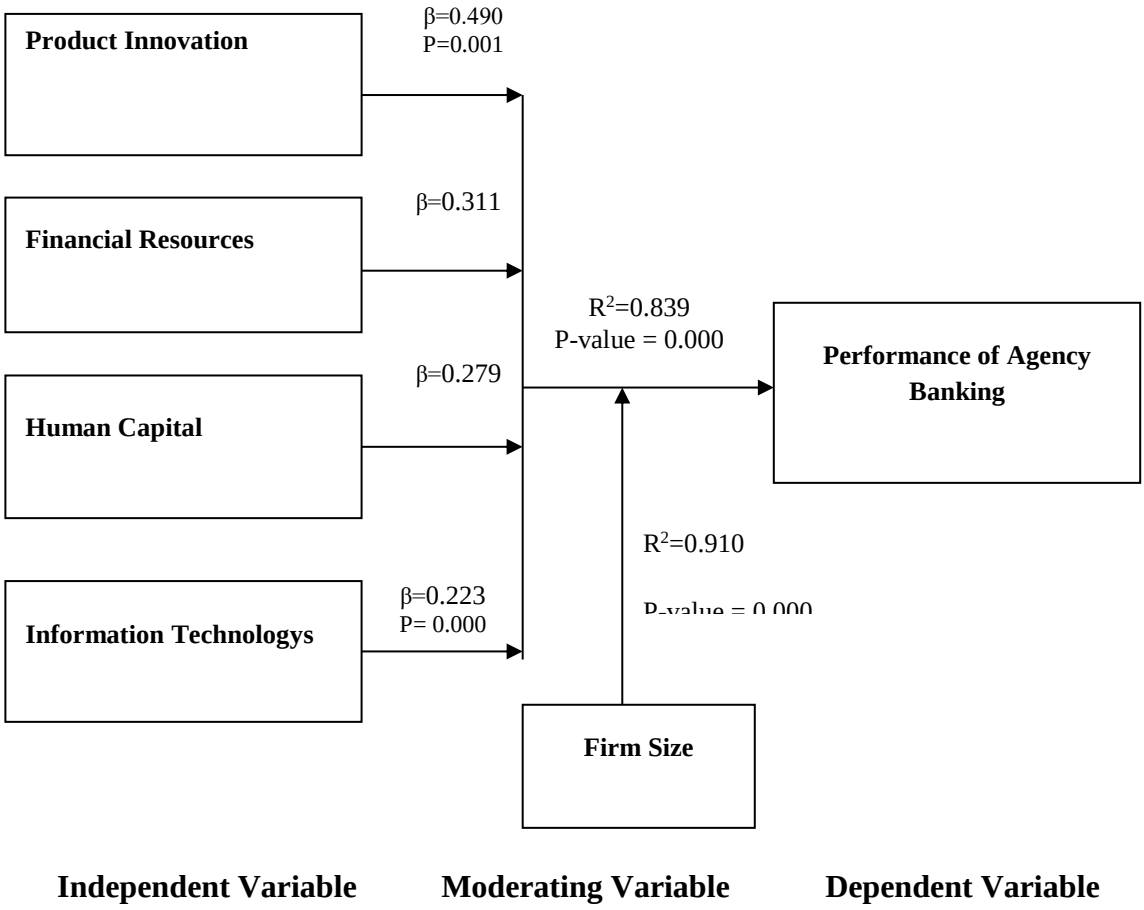

Figure 4.19: Revised Conceptual Framework for the Optimal Model

4.10.1 Summary of Hypotheses Testing

The study tested the five hypotheses using linear and multiple regression models. As shown in Table 4.67, all the five hypotheses were rejected. For the first hypothesis; which was that Product Innovation has no significant influence on performance of agency banking in commercial banks in Kenya; the linear regression model analysis revealed that the P-value was 0.000<0.05, thus the null hypothesis was rejected. The conclusion is

therefore drawn that product innovation has a significant effect on the performance of agency banking in commercial banks in Kenya. According to Sinaga *et al.* (2021), product innovation as a strategic driver enables the management to enhance the features of the product in order to suit the needs of the customers for better performance.

Table 4.68: Summary of Hypotheses Testing

H_o	**Hypothesis**	**Regression Model Equation**	**P-Value**	**Decision**
H_{o1}	Product Innovation has no significant influence on performance of agency banking in commercial banks in Kenya	$Y = 0.831 + 0.780X_{1.}$	P=0.000<0.05	Reject the null hypothesis
H_{o2}	Information technology has no significant influence on performance of agency banking in commercial banks in Kenya;	$Y = 1.694 + 0.540X_{2}.$	P=0.000<0.05	Reject the null hypothesis
H_{o3}	There is no significant influence of human capital on performance of in commercial banks in Kenya	$Y = 0.449 + 0.902X_{3}$	P=0.000<0.05	Reject the null hypothesis
H_{o4}	There is no significant influence of financial resources on performance of agency banking in commercial banks in Kenya.	$Y = 1.010 + 0.786X_{4}.$	P=0.000<0.05	Reject the null hypothesis
H_{o5}	Firm size has no significant moderating effect on the relationship between strategic drivers and performance of agency banking in commercial banks in Kenya.	$Y=-37.049+0.490X_{1}*Z +0.223X_{2}*Z+ 0.279X_{3}*Z + 0.311X_{4}*Z$	P=0.000<0.05	Reject the null hypothesis

The second hypothesis which was that Information technology has no significant influence on performance of agency banking in commercial banks in Kenya, the model results revealed that the P-value was 0.000<0.05, thus the null hypothesis was rejected. A conclusion was therefore drawn that information technology has a significant influence on the performance of agency banking in commercial banks in Kenya. The findings compare with those by Talha, Wang, Maia, and Marra (2022) who established that through continued emphasis on adoption of technology as one of the strategic drivers, organizations are able to effectively enhance the efficiency of the process in which the strategies are implemented thus contributing positively to the organizational performance.

The third hypothesis was that human capital has no significant influence on the performance of agency banking in commercial banks in Kenya. From the linear regression model results, it was established that the P-value for the model was 0.000<0.05 implying that human capital significantly predicted the performance of agency banking. This led to the rejection of the null hypothesis and a conclusion drawn that human capital has a significant influence on the performance of agency banking in Kenya. The findings concur with those by Cunha, Nielsen, and Williams (2021) who established that for strategies introduced by organizations in the modern era to thrive and contribute positively to organizational performance, they ought to be implemented by a competent, committed and knowledgeable workforce. Such a workforce as described by Deming (2022) requires proper rewarding, adequate training and developing of their skills and competencies.

The fourth hypothesis was that financial resources have not significant influence on the performance of agency banking in commercial banks in Kenya. From the linear regression model results, it was revealed that the P-value for the model was 0.000<0.05. This implies that the null hypothesis is rejected and a conclusion drawn that financial resources significantly influences the performance of agency banking in commercial banks in Kenya. According to Arzubiaga *et al.* (2022), financial resources are essential in stimulating other investments that are meant to support the strategy such as agency banking for better performance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The main purpose of the study was to assess the influence of strategic management drivers on the performance of agency banking in commercial banks in Kenya. This chapter covers the summary of findings of the study. The chapter also focuses on the conclusion of the study and the recommendations based on the findings. These have been systematically captured as per the objectives of the study which were to assess the influence of product innovation, information technology, human capital and financial resources on the performance of agency banking.

5.2 Summary of Findings

The study sought to determine the influence of strategic management drivers on the performance of agency banking in commercial banks. The study targeted the 21 commercial banks in Kenya that operated agency banking as at 2021, and had a sample of 303 respondents drawn from these banks' branches. The study obtained a response rate of 82.8% where 251 questionnaires were given back for analysis. This was considered appropriate for analysis and making conclusions and recommendations of the study. The pilot study results revealed that the research instrument met the reliability test where all the variables had their items tally to more than 0.70 Cronbach's alpha coefficient. The instrument also met the validity threshold. The demographic results revealed that majority (74.5%) had worked in their respective banks for less than 6 years while held the positions of branch managers, operation managers, customer relations and heads of agency banking. Most of the banks had operated agency banking for more than 5 years an indication that they had been in operation for a significant time to understand the operation needs of agency banking. Most of the banks were privately owned and majority had been in operation for more than 15 years and categorized as tier one commercial banks which are

the biggest in the country. The results from the demographic results revealed that there was diversity in the characteristics of the banks and the respondents hence the main findings would also be diverse.

5.2.1 Product Innovation and Performance of Agency Banking

The first objective of the study was to examine the influence of product innovation on the performance of agency banking in the commercial banks in Kenya. The results from the descriptive analysis revealed that product line differentiation and improvement of the existing products were the main aspects of product innovation adopted by the commercial banks. The indicated that their respective banks had adequate budget for development of new products and new products on agency banking were effectively communicated to the agents. Most of the banks were found to have limited finances to support the existing agency banking products an aspect that could negatively affect the effectiveness of agency banking. Most of the banks however were committed towards enhancing the differentiation of their products and trained the agents on the best ways to offer the product differently to appeal to the customers. The inferential analysis results revealed that product innovation had a significant and positive influence on the performance of agency banking in the commercial banks.

5.2.2 Information Technology and Performance of Agency Banking

The second objective of the study was to assess the influence of information technology on the performance of agency banking in the commercial banks in Kenya. The descriptive analysis of the study variables revealed that mobile banking, Point of Sale and ATM banking were the main IT based banking methods adopted by the commercial banks. Most of the banks however did not uphold training their agents on the ICT skills to enhance their ability to use information technology in their operations. Most of the respondents however noted that their respective banks had adequate ICT skills internally to support the agency banking. This however could limit the effectiveness of the ICT in the effectiveness and efficiency of agency banking since only the banks' employees were

trained on the use of ICT but the agency operators left out. Most of the banks embraced new emerging ICT skills internally and integrated the appropriate ICT software to support their ICT activities. While most of the surveyed banks had the appropriate ICT hardware to support agency banking, the continued budgeting for the enhancement of the available hardware was not upheld and this could likely affect the effectiveness of the ICT adopted by the banks towards steering the success of the agency banking. The inferential statistics revealed that information technology had a positive and significant influence on the performance of agency banking among the commercial banks in Kenya.

5.3.3 Human Capital and Performance of Agency Banking

The third objective of the study was to examine the influence of human capital on the performance of agency banking in the commercial banks in Kenya. The findings revealed that the employee level of education, the number of employees and the level of experience among the employees was significantly upheld among the commercial banks as far as agency banking was concerned. The respondents however indicated that level of education of operators of agency banking outlets is emphasized in the banks before authorization was no effectively upheld. Again, this means that while the commercial banks uphold human capital aspects such as education, level of expertise and training among their internal employees, this is not the case when it comes to the agency banking operators and this could increasingly affect the effect operation of the agency banking. The findings further portrayed that the banks did the initial training of the operators of agency banking which I done before the individuals can start operating the agents. Most of the banks had adequate internal employees to deal with the agency banking issues and concerns as a way of enhancing the effectiveness of the agents. There were also field employees in most of the banks mandated to oversee the progress of the agencies in their jurisdiction. The inferential analysis of the regression model of the study revealed that human capital had a significant and positive influence on the performance of agency banking in commercial banks in Kenya.

5.2.4 Financial Resources and Performance of Agency Banking

The fourth objective of the study was to establish the influence of financial resources on the performance of agency banking in the commercial banks in Kenya. The descriptive analysis of the study findings revealed that most of the respondents were in agreement that liquidity ratio and value of assets were the key aspects of financial resources influencing the efficiency and effectiveness of the banks towards investing in the agency banking. The respondents agreed that the size of the shareholders' fund was significant in supporting operations of agency banking and that most of the shareholders preferred internal funding to equity or other sources of external funding to support the operations of agency banking. Most of the respondents indicated that agency banking had enabled their respective banks to meet the CBK's mandatory liquidity requirement of 20%. The value of assets in most of the banks had improved as a result of agency banking which steered the total customer deposits. Through increased assets value, the bank is able to attract more revenue from investors through which they are able to invest more in the agency banking to enhance its performance. The inferential analysis of the study model revealed that financial resources had a significant and positive influence on the performance of agency banking in the commercial banks in Kenya.

5.2.5 Moderating Effect of Bank Size

The study sought to examine the moderating effect of bank size on the relationship between strategic drivers and performance of agency banking among commercial banks in Kenya. The findings revealed that the size of the bank had a significant moderating effect on the relationship between strategic drivers and performance of agency banking. The respondents indicated that through the size of their respective banks, the banks were able to effectively support their agency banking thus the strategy performance better. Further, ut was established that product innovation as one of the strategic drivers strongly influenced the performance of agency banking when moderated by firm size. This is an implication that a bigger bank has the ability to support product innovation than a smaller bank, thus enhancing the performance of agency banking. Information technology also

had a stronger influence on performance of agency banking when moderated by bank size. This insinuated that the size of the bank mattered as far as integration of appropriate technology towards supporting agency banking was concerned. Human capital and financial resources also had stronger influence on performance of agency banking when moderated by bank size. The findings imply that the influence of strategic drivers on the performance of a strategy such as the agency banking strategy can differ based on the size of the organization.

5.3 Conclusions of the Study

The study concluded that product innovation had a positive significant influence on the performance of agency banking in the commercial banks in Kenya. The introduction of new products in the agency banking and improving the existing products as well as differentiating the product were key aspects of product innovation upheld by the banks. Product innovation is a type of innovation that ensures the products are maximised to meet the expectations and the needs of the customers. Through product innovation, the agency banking by the commercial banks is able to distinguish itself from the others thus steering its preference among the customers.

The study concluded that information technology had a positive significant effect on the performance of agency banking among the commercial banks in Kenya. Through adoption of ICT, the monitoring of the agency banking agents is made easier while creating a more convenient platform for enhancing information sharing with the agents through which more learning and coordination is enhanced. Although training was not found to be highly upheld on the use of ICT among the agents, the study concluded that training on use of ICT created a more ICT-based culture of operation while enhancing its adaptability among the employees.

Human capital played a positive significant role in enhancing the performance of agency banking among the commercial banks. Through upholding education, training and experience, the skills to deal with the emerging issues on the agency banking are enhanced

and this ensures the effective running of the mode of banking towards success. The study concluded that the training on those operating agency banking is essential in steering the effective service deliver and customer service in order to enhance the performance of agency banking.

The study concluded that financial resources were positively significant in enhancing the performance of agency banking in commercial banks in Kenya. The sources of financial resources that are more reliable and cheap contribute significantly to the performance of agency banking. Through adequate financing, the banks are able to come up with better means of enhancing the effectiveness of agency banking hence enhancing its overall performance. Firm size on the other hand significantly moderates the relationship between financial resources and the performance of agency banking. The more reputable the bank is the more it is likely to obtain financing from investors and shareholders thus enhancing its viability in the agency banking.

5.4 Recommendations of the Study

The following are the recommendations for this study;

To the management: there is need to embrace strategic drivers (Product innovation, Human capital, Information technology and financial resources) in supporting agency banking as one of the strategies for continued performance of agency banking.

To Policy /Government: The government through CBK should come up with policies that strengthen use of strategic drivers towards enhancing the success and growth of agency banking in Kenya.

To Theory: The study has shown the fundamentals of strategic drivers in performance of agency banking, it should therefore be upheld that strategic drivers can be assessed through Product innovation, Human capital, Information technology and financial resources.

Based on the findings from the study, the following recommendations are herein drawn:

The management of the commercial banks ought to embrace product innovation that encompasses on the effectiveness of agency banking and met the customer needs and expectations. Through product innovation, commercial banks are able to differentiate their agency banking products from those of the competitors thus ensuring performance of the banking method. While most customers are willing to embrace agency banking, there is need to be more innovative in terms of providing what is actually required and trying to go beyond the expectations of the customers. This could be achieved through product innovation by frequently redesigning the product, differentiating it from the competitors and coming up with new products that are in line with the main one – agency banking.

Information technology stands to be a critical driver of any strategy in the modern business era. The commercial banks are also obliged to maximize their use of technology and particularly in the agency banking. The banks ought to ensure that the agents are well trained and ready to embrace information technology through which information sharing between the bank and the agent or between the agent and the customers or between the agent and another agent is enhanced to steer learning, customer service and efficient service delivery. The banks should uphold provision of ICT platforms and infrastructure to both the employees and the agents as way of enhancing the use of ICT to steer effectiveness of agency banking.

It is recommended that human capital be upheld among the commercial banks in the agency banking. If the commercial banks are to record their best performance in terms of agency banking, they ought to put across key measures to ensure effective training of not only the internal employees but also the operators of agency banking. The level of experience of the personnel as well as level of education should be put as key measures to identify the agency banking operators. This coupled with continuous training would lead to enhanced customer services and transfer of professionalism to the agents as well.

Financial resources are the backbone to the performance and success of every organization especially in the modern era characterized by increased dynamism and competition. For the commercial banks, financial resources are also key to their performance and more so to propelling the success of their new products as it is the case of agency banking. The management of the banks are obliged to ensure that the agency banking wing is properly and adequately funded in order to enhance its performance. The sources of financial resources should be those that are easily accessible and with minimal costs through which the banks enhance the performance of the agency banking.

5.5 Contribution of the Study to the Existing Knowledge

While performance in the banking sector has mainly been focused on the overall performance of the banks, this study has provided a more specific approach to address the performance where specific banking strategies (Agency banking, internet banking, ATM and mobile banking) as a way of singling out key strategies that may have more contributions to the overall banks performance than others. Despite strategies such as agency banking having been previously found to contribute to bank's performance, the study has revealed that these strategies have to perform first before they contribute to the overall performance. Moreover, for these strategies to perform, they require key enablers (strategic drivers) such as human capital, technology and financial resources.

5.6 Recommendations of Areas for Further Study

This study focused on the performance of agency banking among the commercial banks. It is recommended that a study be carried out to assess the performance of other forms of banking such as internet banking, ATM banking, and mobile banking. These are crucial forms of banking that also require extensive focus in order to steer their effectiveness and the overall performance of the commercial banks.

The study assessed the strategic drivers and how they influence the performance of agency banking. It is suggested that a similar study be carried out to establish other aspects apart

from the product innovation, information technology, human capital and financial resources that could influence the performance of agency banking among the commercial banks in Kenya.

The study focused on the commercial banks in Kenya. It is suggested that a study be carried to assess the influence of strategic drivers on other industries such as the manufacturing sector, the hotel and hospitality industry and the public sector such as the state corporations. These also face similar performance issues and studying them would bring a more inferable impact of strategic drivers on the country's economy.

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APPENDICES

Appendix I: Introduction Letter

To Whom It May Concern

Dear Sir/Madam**,**

REF: DATA COLLECTION FOR ACADEMIC RESEARCH

I am a student at Jomo Kenyatta University of Agriculture and Technology (JKUAT) pursuing a DOCTOR OF PHILOSOPHY IN BUSINESS ADMINISTRATION (STRATEGIC OPTION) degree.

Pursuant to the pre-requisite course work, I would like to conduct a research to examine **Strategic drivers on performance of Agency Banking in Commercial Banks in Kenya**. The focus of my research will be all licensed commercial banks operating agency banking in Kenya. I intend to collect data using questionnaires.

I kindly seek your authority to conduct the research at your organization. Your assistance will be highly valued.

Thank you in advance.

Yours faithfully,

Martin Mbugua

Appendix II: Questionnaire

This questionnaire should be filled by the branch managers/ their representatives. Please answer the questions by ticking the appropriate box or writing a brief statement. All information availed will be held in confidence and identity of the respondents will not be mentioned in this research.

SECTION A: GENERAL INFORMATION

1) How long have you served in this bank?

Less than five years [ ] 6-10 years [ ] More than 10 years [ ]

2) What is your current position in this bank?

Branch manager [ ] Operations manager [ ]

Customer Relations manager [ ] Head of Agency Banking [ ]

3) For how long has this bank operated agency banking?

Less than 1 year [ ] 1 -5 years [ ] More than5 years [ ]

4) Please indicate the ownership of your bank?

Privately owned [ ] Public owned [ ] Foreign owned [ ]

5) How long has your bank been operational in Kenyan market?

Less than 1 year [ ] 1-5 Yrs [ ] 6-10 Yrs [ ]

10-15 Yrs [ ] Over 15 Yrs [ ]

6) Which tire (size) does your bank belong to?

Tier one (large sized) [ ] Tier two (medium sized) [ ]

Tier three (small sized) [ ]

SECTION B: PRODUCT INNOVATION

4) Based on your opinion, how do you assess the level of importance of the following aspects of product innovation in your bank on the performance of agency banking?

Use 1 as the lowest and 5 as the highest.

Year	**1**	**2**	**3**	**4**	**5**
Introduction of new products					
Improvement of existing products					
Differentiation into product lines					

5) What is your level of agreement on the following statements on product innovation? Use a scale of 1-5 (1= Strongly disagree, 2= disagree, 3= Uncertain, 4= Agree, 5= Strongly Agree)

Assessment Aspects	**1**	**2**	**3**	**4**	**5**
New products					
The bank has adequate budget to support development of new products					
Bank staff at the branches contribute new ideas on the development of new products in the bank					
The bank's new products in agency banking are well communicated to the agents					
Improvement of existing products					
The bank has adequate budget to support improvement of existing agency banking products					

The staff at my bank are well informed and educated on new improvements of existing agency banking products					
The bank communicates adequately to agents operating agency banking of any new improvements of existing products.					
Product differentiation					
My bank has committed adequate resource to differentiating the agency products and services from other banks?					
Our agency banking product and services are properly differentiated in the market?					
My bank trains adequately our agents on the unique features of our agency banking products to differentiate from other banks?					

6)What would you suggest the bank to improve on product innovation to enhance performance of agency banking in your bank?

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SECTION C: INFORMATION TECHNOLOGY

7) Based on your opinion how do you assess the level of importance on the following aspects of Information technology in your bank on performance of agency banking?

Use 1 as the lowest and 5 as the highest.

Assessment Aspect	**1**	**2**	**3**	**4**	**5**
Training on ICT Skills					
ICT Software					
ICT Hardware					

8) In your opinion how do you feel the following technological banking interventions impact on the performance of agency banking in your bank?

Use Likert's scale of 1-5 with 1 as strongly disagree and 5 as strongly agree.

Aspect	**1**	**2**	**3**	**4**	**5**
ATM banking					
Internet banking					
POS banking					
Mobile banking					

9) What is your level of agreement on the following statements on information technology?

(1= Strongly disagree, 2= disagree, 3= Uncertain, 4= Agree, 5= Strongly Agree)

Statement	**1**	**2**	**3**	**4**	**5**
ICT Skills					
The bank has an adequate training budget for its staff on ICT Skills to support agency banking					
The bank has adequate ICT Skills to support and enhance performance of agency banking operations.					
The bank embraces new emerging ICT skills					
ICT software					
My bank recognizes ICT software as a key driver to enhance performance					
My bank has embraced ICT software integration as a performance and strategic driver in agency banking					
The bank has an adequate budget for emerging ICT software needs to support agency banking					
ICT Hardware					
My bank recognizes ICT hardware as a key driver to enhance performance					

My bank has embraced ICT hardware integration as a performance and strategic driver					
The bank has an adequate budget for emerging ICT hardware needs to support agency banking					

10) What would you suggest the bank to improve on Information Technology to enhance performance of agency banking in your bank?

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SECTION F: HUMAN CAPITAL

Based on your opinion how do you assess the following aspects of Human Capital in your bank on performance of agency banking.

11) How important are the following aspects of human capital in your bank on the performance of agency banking? Use 1 as the lowest and 5 as the highest.

Assessment Aspect	**1**	**2**	**3**	**4**	**5**
Level of Education					
Number of personnel					
Level of experience					

12) What is your level of agreement on the following statements Human Capital and its influence on performance of agency banking? Use a scale of 1-5 (1= Strongly disagree, 2= disagree, 3= Uncertain, 4= Agree, 5= Strongly Agree)

Assessment Aspect	**1**	**2**	**3**	**4**	**5**
Level of education					
The level of education of operators of agency banking outlets is highly emphasized in our bank before authorization					
My bank continues to invest in training and educating the operators of our agency banking outlets.					
My bank provides adequate learning and education materials on our agency banking products to operators running our agency outlets					
Number of Personnel					
The bank has adequate staff to manage and handle agency banking operations at the branches					
The bank has distributed adequate staff at the branches to support agency banking					
The bank has adequate staff to supervise, audit and monitor performance of agency banking in the field					
Level of experience					
The level of experience is emphasized during recruitment of agency banking operators					
The staff operating and managing agency banking at the branches are experienced					
The bank has employed and deployed experience staff in the field to supervise, audit and monitor performance of agency banking outlets					

13) What would you suggest to the bank to improve on Human Capital to enhance performance of agency banking in your bank?

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SECTION E: FINANCIAL RESOURCES

Based on your opinion assess the following aspects of Financial Resources in your bank on performance of agency banking.

14) How important are the following aspects of Financial Resources? Use 1 as the lowest and 5 as the highest.

Assessment Aspect	**1**	**2**	**3**	**4**	**5**
Shareholder's Fund					
Liquidity Ratio					
Value of Assets					

15) What is your level of agreement on the following statements on financial resources? Use a scale of 1-5 (1= strongly disagree, 2= disagree, 3= Uncertain, 4= Agree, 5= Strongly Agree)

Statement	**1**	**2**	**3**	**4**	**5**
Shareholder's fund					
The size of the Shareholder's is adequate to support the operations of agency banking?					
The shareholders prefer internal funding to equity to support operations of agency banking					
The bank's management is empowered to allocate resources from shareholders fund to support operations of agency banking					
Liquidity ratio					
The bank has put appropriate measures to maintain its liquidity ratio for better financing of its projects and operations					
Agency banking operations has improved liquidity ratio of the bank in the past					

Through agency banking, the bank has managed to meet the mandatory CBK 20% liquidity requirement.					
Value of Assets					
The bank has invested adequately in government securities, stocks and bonds to support long term performance of the bank					
The bank, through agency banking has improved its value of assets					
Increase in value of assets has significantly improved performance of agency banking					

16) What would you suggest to the bank to improve on financial resources to enhance performance of agency banking in your bank?

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SECTION E: FIRM SIZE

Based on your opinion how do you assess the following aspects of Firm's Characteristics in your bank on performance of agency banking?

17) How important are the following aspects of Bank's Characteristics. Use 1 as the lowest and 5 as the highest.

Assessment Aspect	**1**	**2**	**3**	**4**	**5**
Sales Revenues					
Total Assets					
Market Size index					

19) What is your level of agreement on the following statements on financial resources? Use a scale of 1-5 (1= Strongly disagree, 2= disagree, 3= Uncertain, 4= Agree, 5= Strongly Agree)

Statement	1	2	3	4	5
Sales Revenue					
The level of sales revenue for the bank is significant to the performance of agency banking					
The sales revenues made by the bank have enabled the agency banking to perform more efficiently					
Total Assets					
The assets accumulated by the bank has been instrumental in the effectiveness of the agency banking					
The bank has adequate branch network to support the agencies across the country					
Market Size Index					
The effectiveness of the agency banking in our bank has been due to its market size index					
The market size index of the bank has seen a growth in its agency banking due to the widespread demand for the bank's products					
The market capitalization of the bank has more customers demanding our services thus leading to the success of agency banking					
The size of the bank is significant to the performance of agency banking					

20) What would you suggest to the bank to improve on banks' size to enhance performance of agency banking in your bank?

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SECTION H: PERFORMANCE OF AGENCY BANKING

Based on your opinion how do you assess the following aspects of agency banking in your bank?

21) Kindly indicates information regarding performance of agency banking for your bank in the last 5 years

Assessment Aspect	**2017**	**2018**	**2019**	**2020**	**2021**
Number of agency transactions					
Value of agency transaction					
Number of agents					

22) In your opinion, to what extent do you think agree with the following statements? Use a Likert's scale of 1-5

Assessment Aspect	**1**	**2**	**3**	**4**	**5**
Number of transactions					
The annual number of transactions through agency banking has been significantly increase over the past five years in our bank					
The number of agency banking transactions in our bank has surpassed other banking methods					
Value of transactions					
The annual value of transactions through agency banking has been significantly increasing over the past five years in our bank					
The value of transactions through agency banking in our bank takes a significant portion of the total bank's value of transactions					
Number of agents					
The number of registered agents in our bank has significantly increased over the past five years					

The agents licensed to undertake agency banking in our bank are now spread across the country					

23) From your experience, what do you think should be done to promote the performance of agency banking amongst commercial banks in Kenya?

……

……

Thank you for your time and participation in this study.

Appendix III: Secondary Data Collection Sheet

Bank name:						
Branch:						
Independent Variable	**Assessment Aspect**	**2017**	**2018**	**2019**	**2020**	**2021**
Product Innovation	Number of New Products introduced					
	Number of Existing products improved					
	Number of Differentiated product lines					
Information Technology	Amount of Training Budget on ICT Skills					
	Amount of Software budget					
	Amount Hardware budget					
Human Capital	Number of personnel in the Bank supporting agency banking					
Financial Resource	Shareholder's Fund					
	Liquidity Ratio					
	Value of Assets					
Moderating Variable	**Assessment Aspect**	**2017**	**2018**	**2019**	**2020**	**2021**
Firms Size	Sales Revenues					
	Total Assets					
	Market Size index					
Dependent Variable	**Assessment Aspect**	**2017**	**2018**	**2019**	**2020**	**2021**
Performance	Number of agency transactions					

of Agency Banking						
	Value of agency transaction					
	Number of agents					

Appendix IV: Commercial banks in Kenya with agency banking and their branches countrywide

BANK NAME	Number of Countrywide Branches	Branches in Nairobi
Tier One (A)		
1. Barclays Bank of Kenya Limited	119	29
2. Co-operative Bank of Kenya Limited	151	37
3. Standard Chartered Bank Kenya Limited	41	10
4. Diamond Trust Bank Limited	63	15
5. Equity Bank Limited	180	44
6. KCB	202	49
7. NCBA	109	28
Tier Two(B)		
8. ECO Bank Limited	19	5
9. I&M Bank Limited	39	9
10. National Bank of Kenya Limited	149	36
11. Prime Bank Limited	20	5
12. SBM Bank	28	10
Tier Three (C)		
13. Sidian Bank Limited	38	9
14. Kingdom Bank	30	7
15. Family Bank Ltd	93	23
16. First Community Bank	21	5
17. Credit Bank Limited	18	4
TOTAL	**1244**	**303**

Source: CBK (2021)

Appendix V: List of All Commercial banks in Kenya

CBK (2021)

	Market Share (%)
Large Peer Group >5%	
KCB Bank Kenya Ltd	13.81
Equity Bank Kenya Ltd	13.57
NCBA Bank Kenya PLC	9.72
Co-operative Bank of Kenya Ltd	9.42
Absa Bank Kenya Plc	6.37
Standard Chartered Bank (K) Ltd	5.70
Diamond Trust Bank Kenya Limited	5.64
I M Bank Limited	5.31
Stanbic Bank Kenya Ltd	5.22
Sub-Total	**74.76**
Medium Peer Group (1-5%)	
Bank of Baroda (Kenya) Limited	3.14
Prime Bank Ltd	2.43
National Bank of Kenya Ltd	2.31
Citibank N.A. Kenya	2.30
Family Bank Ltd.	1.81
Bank of India	1.72
Ecobank Kenya Ltd	1.49
SBM Bank Kenya Ltd	1.21
Sub-Total	**16.41**
Small Peer Group < 1%	
HFC Ltd	0.86
Victoria Commercial Bank Limited	0.74
Guaranty Trust Bank	0.71
Bank of Africa Ltd	0.65
Gulf African Bank	0.62
Sidian Bank Ltd	0.60
African Banking Corporation Ltd	0.57
Habib Bank AG Zurich	0.46
Credit Bank Ltd	0.41
First Community Bank Ltd	0.38
Guardian Bank Limited	0.31
Development Bank of Kenya Ltd	0.30
Mayfair CIB Bank Limited	0.29
Kingdom Bank Limited	0.29

DIB Bank Kenya Ltd	0.29
M-Oriental Commercial Bank	0.26
Consolidated Bank of Kenya Limited	0.22
Paramount Bank Ltd	0.22
Access Bank (Kenya) PLC	0.21
UBA Kenya Bank Ltd	0.19
Middle East Bank (K) Ltd	0.18
Spire Bank Limited	0.05
Sub-Total	**8.82**
Grand-Total	**100**