

Effect of Agency Banking on Growth of Commercial Banks in Bungoma County, Kenya

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Abstract

The extent to which agency banking can be used as a tool for growth of commercial banks remains largely unstudied. The purpose of this study was therefore to establish the effect of agency banking on growth of commercial banks in Bungoma County. This study was therefore be guided by the following research objectives: to determine effect of technological advancement in agency banking on the growth of commercial banks, examine the effect of security in agency banking on growth of commercial banks, assess the effect of liquidity in agency banking on growth of commercial banks and lastly, to determine the effect of bank support in agency banking on the growth of commercial banks. The research adopted Agency Theory and conceptual framework. This research adopted a descriptive survey and correlational research designs. The population of the study comprised of seven commercial banks operating agency banking in Bungoma County. The study adopted census method since the population was sufficiently small. Data was collected using questionnaires. Reliability and validity of the research instruments was determined through test and retest techniques on the piloted sample, which yielded an alpha of 0.797. The study used both the descriptive and inferential statistical tools to analyse collected data. Analysed data analysis was presented in form of frequency tables. Results revealed statistically significant and positive effects advancement in technology, security, liquidity and bank support and growth of commercial banks. The effect of agency banking was highest in bank support but weak in liquidity. The study concluded that investments in technology will result in more growth of commercial banks; increase in security would lead to more growth of commercial banks; a unit increase in bank support would lead to the growth of commercial banks and increase in liquidity would lead to increase in the growth of commercial banks. The following were the recommendations: commercial bank management should more in technology to make transactions more efficient and effective. Security should be enhanced in commercial banks by ensuring enough security measures being put in place to safeguard the customers' and agents funds. Banks should invest more in reliable security systems that are easily compromised. The banks should ensure that the agent has sufficient cash available to satisfy the need of the system through the settlement of funds and the provision of credit to customers, provide 24 hour access to funds and facilities to save/invest with safety. Banks should support agency banking through continual upgrade of their technologies, products and services; lending to businesses and individuals using sophisticated credit scoring systems and provision of 24 hour access to funds. The study intends to help commercial bank policy makers in identifying the key challenges involved in agent banking operations and come up with strategies that will lead to improve the growth of the commercial banks in Kenya.