
Agent Banking and Sustainable Competitive Advantage for Commercial Banks in Kenya

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ABSTRACT: *Most Kenyan banks with the exception of a few tire one banks have not yet fully exploited agent banking practices. This paper draws upon the Bank Led theory to examine the relationship between agent banking and sustaining competitive advantages for commercial banks in Kenya. The study targets head of departments and branch managers from commercial banks in Nairobi County using a census approach. Questionnaires were used for data collection and a combination of descriptive and inferential statistics for data analysis. As depicted in this paper, Agent banking ($r=.575$, $p=0.000$) has a linear relationship with sustainable competitive advantage. In addition, the regression model indicated that agent banking had coefficients of 0.292 with corresponding $p=0.042 < 0.05$. The positive coefficient implies that agent banking significantly contributed 29.2% of the commercial bank's competitive edge at 5% level of significance. This would however reduce to 20.5% significant at $p = 0.000 < 0.05$ with the intervention of bank regulations which play a part in ensuring that the stability and safety of banks is maintained. Agent banking is positively related with sustainable competitive advantage and can be significantly influenced by bank regulation. The paper recommends that commercial banks ought to explore agent banking as a tool in advancing sustainable competitive advantage. Tier 1 commercial banks should include budgets specifically for agent banking services in order to move with the technology use. Competitive advantage, agent baking, retail agents, commercial banks, bank regulation, strategy.*

KEYWORDS: agent banking, sustainable competitive advantage, commercial banks, Kenya

INTRODUCTION

Agent Banking and Sub-Branch Banking are ground-breaking initiatives in the banking and economic sectors of the country. Through this, people in remote and wide areas of the country come under the banking facility (Khan, 2020). Agent banking is the provision of banking services to customers through the engagement of agents under a valid agency agreement, rather than a teller/ cashier at the banks (Ferdous et al., 2015). Ferdous, Mosharrafa and Farzana observe that in agent banking, the owner of an outlet conducts banking transactions on behalf of the concerned bank. With the expanding Kenya's economic growth over the recent years averaging 5.46 percent from 2004 until 2016 to an all-time high of 12.40 % in quarter four of 2010, it has necessitated

banks decision in seeking developing strategies to reduce congestions in the banking halls. Agent banking is one such strategy.

The innovative capacity of 100-plus countries across the globe is a clear indication of sustainable competitive advantages in these countries. It should also be noted that firms and countries that continuously innovate contribute significantly to economic growth. According to Skinner (2015), Europe leads in banking innovativeness as evidenced by Poland, Spain, Turkey and Germany regularly appearing as finalists in global banking innovation awards. In Kuwait, a rise in innovation across all banking operations, particularly in terms of flexible financial products and greater understanding of individual customer needs has led to cost cutting and increased market share. In addition, in order to reach and expand the customer segment base, banks have leveraged such strategies as agent banking which have been crucial in reaching the unbanked customer segments.

There has been a bank revolution in East Africa. The revolution in the three countries in the region (Tanzania, Uganda, and Kenya) is characterized by innovations in products, services, and delivery channels in the past two decades. The foregoing efforts are incentivized by increased use of technology. Driven by a need to leapfrog outdated technologies, and helped by responsive central banks, East Africa has become a hotbed of innovation in banking sector. Branchless banking and mobile money allow for a much faster inclusion of rural populations into the banking systems, expanding the market potential of Banks (Reynolds et al., 2014). Agent banking users get a certain amount of banking solutions through a bank's agent, and this technique is getting popular like a cost-effective distribution channel for the bank along with a comfortable way for customers to receive financial services (Hasan, 2019)

Initially banking in Kenya has been characterized by crowded banking halls with long queues, liquidity problem, social media rumors, manual processes and a very slow turn-around time which has forced managers of these banks to think (Mwangi et al., 2016). The county of Nairobi is very key as it hosts all the head offices for the 44 banks and 608 branches. Majority of the banks have more branches within the county than in any other county in Kenya with the county of Nairobi leading in the number of branches per county (Bank Supervision Annual Report, 2015).

Additionally, due to high competition pressures, the urge to migrate from traditional banking has been on the rise. Innovations such like agency banking are taking place at an overwhelmingly fast pace (Muiruri & Ngari, 2014).

Statement of the Problem

Banking business has now clearly shifted to the large banks. According to the 2017 half year results 18 smallest (tier 3) banks only contributed to 0.2% of industry profits, compared to 2.3% in 2016. The 12 Tier 2 banks contributed 23% of profitability compared to 26% in 2016. The seven largest banks contributed 77% of profitability compared to 72% in 2016. Innovation adoption has also been skewed to larger banks with 54, 215 bank agents in 2017 only owned by three local banks (Equity, KCB, and Cooperative bank) controlling 87% of the Agents. Today, banks have however

been hit hard especially with the onset of the COVID 19 pandemic which by limiting the number of customers that could be served at one particular time due to the social distancing regulation, large banks have been put on the spotlight (Agur, Peria, and Rochon, 2020). The banks have therefore been forced to turn to digital financial services with the need for agent banking playing key part for those customers who still preferred physical banking. Based on the aforesaid, it is visible that influence of bank innovation practices such as agent banking on sustainable competitive advantage in commercial banks in Kenya needed exploration and explained through an empirical research, which forms the main objective of this study.

Objective of the Study

The study purposed to evaluate the relationship between agent banking and sustainable competitive advantage among commercial banks in Kenya. The hypothesis of the study stated thus:

H₀: Agent banking practices have no significant influence on sustainable competitive advantage of Commercial banks in Kenya.

Purpose and Justification of the Study

While the banking sector in Kenya continue to face heightened competition resulting from the dynamic financial business environment in which banks operate, the unprecedented challenge of digital adoption remain an issue that most banks are yet to overcome. A report by the Price Waterhouse Coopers (PWC) proposed that radical innovations and transformation is a necessary tool for banks to stay competitive in the future other than just executing on today's imperatives (PWC, 2020).

The recent COVID 19 pandemic that has affected financial banking in the world and over has made it even worse for the banking sector (Agur et al., 2020) with the developing countries being worst hit given their low adoption of digital banking. This challenge calls for an expeditious decision by commercial banks in Kenya to device responses that are strategically viable failure to which they risk losing their competitive edge to other more agile banks (Barno & Rotich, 2018). With over 30,000 banking agents in Kenya today that has allowed commercial banks to handle smaller pools of high net-worth clients, the extent to which agent banking has created a competitive edge for banks remains largely unexplored necessitating this study. The paper therefore examines the relationship between agent banking and Sustainable Competitive Advantage Strategy for Commercial Banks in Nairobi County Kenya

LITERATURE REVIEW

Theoretical underpinning

The study employed use of Bank Led theory by Lyman, Ivatury and Staschen (2006). The theory is based on the argument that, a licensed bank delivers services through a retail agent. The theory supports agency banking model by stating that the work of a bank is developing products and services, but distributes them through retail agents who handle all or most customer interaction (Lyman, et al, 2006). Retail agents have face-to-face interaction with customers and perform cash

in/cash-out functions, much as a branch-based teller would take deposits and process withdrawals (Owens, 2006). Under this theory, the bank develops products and services but distributes them through retail agents who handle all or most customer interactions (Lyman et al., 2006).

The bank is the provider of services and is the institution in which customers maintain accounts. Virtually any outlet that handles cash and is located near customers could potentially serve as a retail agent. Retail agents in some countries also handle all account opening procedures and, in some cases, even identify and service loan customers. Under this establishment, each retail agent is outfitted to communicate electronically with the bank for which it is working. The equipment may be a mobile phone or an electronic point-of-sale (POS) terminal that reads cards (Lyman et al., 2006).

This model promises the potential to substantially increase the financial services outreach by using a different delivery channel, a different trade partner (Chain Store) having experience and target market distinct from traditional banks, and may be significantly cheaper than the bank based alternatives. In this model customer account relationship rests with the bank (Tomášková, 2010) but it offers distinct alternative to conventional branch-based banking in that the customer conducts financial transactions at a whole range of retail agents instead of at bank branches or through bank employees (Lyman et al., 2006).

Agents related risks arise from substantial outsourcing of customer contacts to retail agents. These retail agents may operate in hard-to reach or dangerous areas and they lack physical security systems and specially trained personnel. From a typical banking regulator's perspective, entrusting customer contacts to the types of retail agents used in both the bank-led and nonbank-led models would seem riskier than these same functions in the hands of bank tellers in a conventional bank branch. The lack of expert training may seem a particular problem if retail agents' functions range beyond the cash-in/cash-out transactions of typical bank tellers to include a role in credit decisions (State Bank of Pakistan, 2011). The use of retail agents also potentially raises special concerns regarding consumer protection and compliance with rules for combating money laundering and financing of terrorism (Kumar et al., 2006). Banking regulation typically recognizes multiple categories of risk that bank regulators and supervisors seek to mitigate. Five of these risk categories credit risk, operational risk, legal risk, liquidity risk, and reputation risk take on special importance when customers use retail agents rather than bank branches to access banking services. The bank lead theory focuses on how financial institution like banks deliver their financial services through a retail agent, where the bank develops financial products and services, but distributes them through retail agents who handle all or most customer interaction. Family bank of Kenya distributes its financial product through its Pesa-pap agent, in this case the agent has face-to-face interaction with the customers and performs cash-in/cash-out functions, much as a branch-based teller would take deposits and process withdrawals.

Conceptual Framework

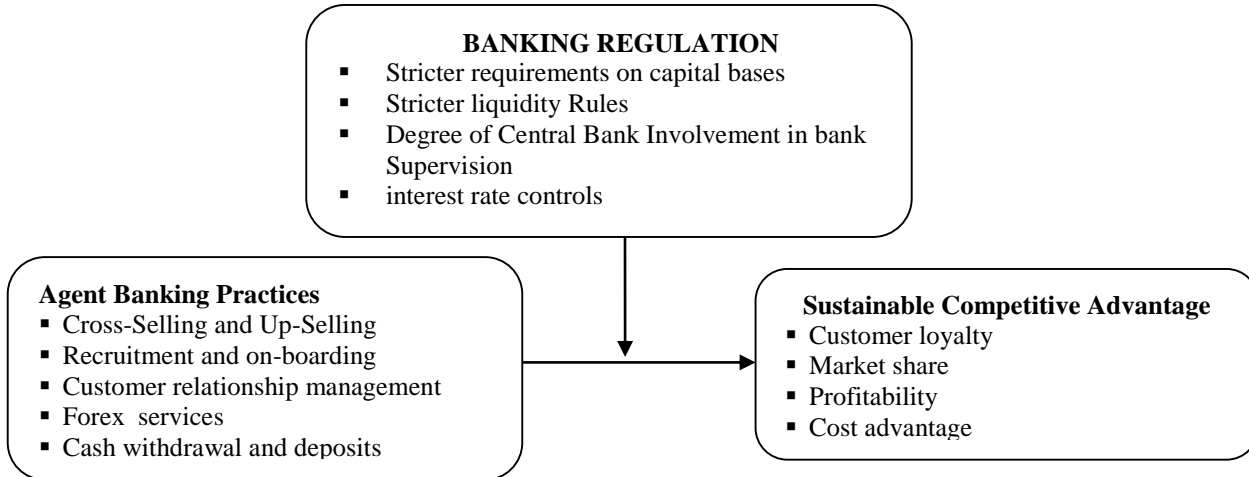


Figure 1. Conceptual Framework

Figure 1 above illustrates the relationship between agent banking sustainable competitive advantage measured by customer/brand loyalty, cost leadership, profitability and market share. Banking regulation on the other hand played an intervening role. To address sustainability we assessed the aforementioned constructs for from selected commercial banks for a period of three years.

Empirical review

Agent banking is an important alternative delivery channel used by banks in Kenya. By hiring an agent, such a post office or retail or retailer, the financial institution is able to reach those without access to an actual branch. A banking agent refers to a postal outlet or retail in contract with a bank or by a mobile network operator to enable clients to perform transactions like cash payments and deposits, online statements, online enquires, on-boarding of clients among others (Khamis, 2016)As opposed to the bank teller who is mandated with carrying out the transaction.

The agency model was developed by the Central Bank of Kenya (CBK) in 2010 to lower costs as well as increase convenience for customers. After just two years 10 commercial banks had been given the approval to hire agents. Together the banks had more than 16000 agents throughout the country. According to the Central Bank, the strategy to increase financial use with agency banking had grown the number of transactions from 8 million transactions in 2011 to 38 million transactions a year later(CBK Supervision Annual Report, 2020)..

By December 2015, seventeen commercial banks and 3 microfinance banks in Kenya had on-boarded 40,592 and 1,154 agents, respectively, spread across the country. In comparison with December 2014, the number of agents contracted increased by 4,745 banks’ agents and 1,096 microfinance agents. This was mainly due to increased confidence and acceptability of the agency

banking model as an efficient and effective delivery channel. Further, in July 2014, a ruling by the Competition Authority of Kenya (CA) contributed to limiting agent exclusivity clauses in Kenya, allowing individual agents to serve more than one Mobile Financial Services (MFS) provider (CBK Supervision Annual Report, 2020).

Over 90% of the agents are only from three banks with the huge physical branch presence specifically; Equity Bank with a total of 16,734 agents, Kenya Commercial Bank with 11,948 and Co-operative Bank with 7,956. The bank agents are generally associated with the nearby bank branch with their liquidity also being managed by the bank branch. This answers why the banks with the biggest number of physical branch presence are leaders in agency banking expansion. The number of transactions by agents increased by 37.8% from 57,955,472 transactions recorded in 2014 to 79,889,383 in December 2015 (CBK Supervision Annual Report, 2020). Though commercial banks continue to invest in rolling physical branches that are supported by various delivery channels, the challenge of access to formal financial services remains a big impediment to financial performance. Customers (especially in remote areas) are forced to travel long distances and spend huge amounts of money on transport in order to access a branch. In addition to the cost of transport is the time spent commuting to and fro that could have been spent more productively.

To curb these challenges, a number of central banks around the world have released legislation that allows commercial banks to contract third party retail networks as agents (Ivatury & Lyman, 2006). Agents can therefore serve as a good complement to the formal sector in providing rural citizens with the services that they provide. Although the uptake on many of these branchless banking services has been surprisingly high it remains to be unsaid if the goal of reaching the financially excluded has been achieved. The reason being that many of these customers were previous customers and it is therefore important to look at the number of additional customers gained with a specific product.

A study by Mutie, Bichanga and Mosoti (2015) assessed the role of agency banking in increasing accessibility to banking services and helping in decongesting the banking halls in Kitui, Kenya through an analysis of the costs and benefits raised by agency banking and how these are distributed among the stakeholders. The study results were agency banking is efficient in terms of transaction cost and time saving and most of the respondents were impressed by their performance. The study also found that agency banking had availed banking services closer to the customers leading to more accessibility hence saving the customers the transport cost.

Akighir, Tyagher, and Ateata (2020) conducted a study on agent banking and poverty reduction in Benue State of Nigeria. The study focused on agent banking activities of the first bank Nigeria Ltd. Using the descriptive statistics and paired-t test as well as the Foster, Greer and Thornbecke (FGT) index and the logit regression model, the study concluded that agent banking has the likelihood of poverty of reduction in Benue State.

Another study by Achugamonu, Uzoma, Ikpefan, Ochei, Ourinola, and Okorie (2016) examined the contribution of agent banking to financial inclusion in Nigeria. Using a multivariate regression

model, the study found that the agent banking geographical spread, agent banking services, and the promotion of financial awareness by the agents are positively related with financial inclusion; while the agent banking barriers are negatively related with financial inclusion growth in Nigeria.

Lotto (2016) investigated the role of agency banking in promoting financial inclusion in Tanzania. The study used descriptive and inferential statistical tools and found that agency banking has enhanced financial inclusion through the geographical coverage of agent banking, and the low cost associated with the delivery of financial services by the agents. A study on the role agency banking serves in enhancing the deepening of financial sector in upcoming markets by Barasa and Mwirigi (2013) established that agency banking has played a key role in enhancing the penetration of banking services in unbanked markets hence, enhancing financial sector deepening in Kenya. Ndungu and Wako (2015) note that agency banking was seen to have given an alternative revenue generating avenue to the banks through cash deposits and withdrawals by customers. This has ultimately increased the profitability of banks.

Another study by Khamis (2016) on the effect that agency banking strategies on customer services in commercial banks, where he referred on such aspects as personalized banking services, reduced time in the bank hall queues and reduced service costs as aspects affecting services rendered to customers. The study reckons that good agency banking together with customer service improvement relate strongly. In addition, the study found that bank agents significantly improve the customer service quality and overall efficiency in commercial banks

Mimano (2014) also studied agency banking in Kenya with a view to determining its effect on the Kenya's commercial banks' profits growth. This study concluded that agency banking has resulted in greater uptake of financial services, which has resulted in more revenues for the banks.

MATERIALS AND METHODS

Research design and methods

This paper adopts the use of descriptive and explanatory research designs as Sekaran and Bougie (2009) reiterate that there is no single perfect research design. The two research designs therefore were handy in explaining the relationship between agency banking and sustainable competitive advantage on commercial banks. This is in line with recommendation by Saunders et al. (2007) who notes that combining different designs in one study enables triangulation and increases validity of the findings.

Further the study adopted both the qualitative and quantitative data gathering techniques including the questionnaire survey method and secondary data inform of desktop research. The target population constituted all heads of departments and branch managers drawn from commercial banks within the county of Nairobi, currently, within the county of Nairobi. At the time of this study, there are 44 licensed commercial banks all headquartered in Nairobi. The accessible population of the study therefore included 165 branch managers and 91 heads of departments restricted to the study scope.

A census approach to determination of the sample size was adopted. Notably this method is preferred where the population is small and manageable. Further, census method enhances validity of the collected data by eliminating errors associated with sampling (Saunders et al., 2009). The size of the population of 256 suggests that a census survey is feasible and given the diversity of the population with all the 80 or so representatives per bank being so diverse that accurate sampling is difficult and any resulting values we calculate from the sample would be incorrect estimates of the population values (Cooper & Schindler, 2014). Similarly prior studies with similar target group have had very low response rate (Fourie, 2007; Serfontein, 2010) and it was therefore strategic to enhance the chances of the data being of sufficient quantity and quality by carrying out a census as opposed to a sample population.

#Analysis of the collected data was further conducted using both descriptive and inferential statistic extraction of significant variables, detecting any anomalies and testing assumptions (Kombo & Tromp, 2006). Data preparation included data cleaning (to remove incomplete, erroneous & irrelevant responses) which were followed by coding and entry into the SPSS software application. Data preparation was aimed at ensuring the accuracy, consistency and completeness of data in order to make it more appropriate for statistical analysis as argued by Saunders et al. (2007). The analysis procedure included descriptive statistics in form of frequencies, percentages, means and standard deviation was generated and represented using tables, correlation analysis and linear regression to generate coefficients of agency banking against sustainable competitive advantage.

Diagnostic Tests

Normality Test

Multiple regressions presuppose that variables have normal distributions. This means that errors are normally distributed, and that a plot of the values of the residuals will approximate a normal curve. This assumption is based on the shape of normal distribution and accords the researcher knowledge about what values to expect. This test can best be checked with a histogram and a fitted curve or a Q-Q plot. Normality can be checked with a goodness of fit test using the kolmogorov-Smirnoff Test.

Linearity test

Linearity is one of the key assumptions of the regression model, as it directly relates to the bias of the results of the whole analysis. Linearity elucidates the dependent variable as a linear function of the predictor (independent) variables. The linearity assumption is best be tested by use of scatter plots.

Independence of Errors

This refers to the assumption that errors are independent of one another, implying that subjects are responding independently. When independence of errors is infringed standard scores and significance tests will not be correct and there is increased risk of Type I error. This assumption can be tested by use of The Durbin-Watson statistic.

Homoscedasticity Test

Homoscedasticity is when the researchers assume that errors are spread out consistently between the variables. This is observable when the variance around the regression line is the same for all values of the predictor variable. The scatter plot is a good way to check whether homoscedasticity (that is the error terms along the regression line are equal) is given. The Goldfield –Quandt test will also be used to test for homoscedasticity.

Multicollinearity Test

Collinearity alludes to the assumption that the independent variables are uncorrelated. This means that we can make inferences about the causes and effects of variables reliably. Variance Inflation Factor (VIF) will be used to test for multicollinearity

Pilot Test Results

The pilot test sample was within the recommended range as the rule of the thumb suggests that 5% to 10% of the accessible population should constitute the pilot test (Cooper & Schilder, 2011). The proportionate sample size of 256 respondents was used for the study. Therefore 26 questionnaires were administered in pilot testing to test the degree of accuracy of the instrument used to collect data in locations in which the pilot survey took place.

Validity Test

With the help of experts, the author ensured content validity of the instruments by ensuring that the questions conformed to the study objective. Construct validity was achieved by ensuring that the relationship between the operationalized variables is in accordance with the represented theoretical constructs as acquired in the literature review.

Reliability Test

The reliability test for this paper was performed obtaining a cronbach's reliability coefficient of 0.720 for the five question items that measured agent banking.

RESULTS

Response Rate

The total number of questionnaires that were issued for this study was 256 out of which 215 were received back. This translated to 83.98% response rate which is considered by Saunders et al., (2009) as very good. Therefore, the response rate of 83.01% achieved was adequate for drawing conclusions on the study objectives.

Descriptive Statistics

Descriptive statistics for agent banking practices is shown in Table 1 below.

Table 4. 1: Descriptive Statistics for Agent Banking Practices

Statements	SD	D	N	A	SA	Min	Max	Mean	Std. Dev
	%	%	%	%	%				
Our agents are able to cross sell and up sell to our customers	1.9	6.5	6.5	28.4	56.7	1	5	4.32	0.982
Our agents are able to recruit and on board clients on our product and service offering.	8.8	18.1	13.5	31.6	27.9	1	5	3.52	1.307
Agent banking has led to enhanced customer relationship management for my bank	5.6	18.1	17.2	22.8	36.3	1	5	3.66	1.287
Agent banking has led to increased forex sales for my bank	9.3	14.9	33.5	24.2	18.1	1	5	3.27	1.193
Our customers can deposit and withdraw cash from any of our agents countrywide	4.7	13.0	14.0	18.6	49.8	1	5	3.96	1.258
Aggregate Score								3.746	1.2054
Valid N (Listwise) = 215									

The results showed responses on statements regarding the influence of Agent Banking practices on sustainable competitive advantage. The findings reveal that the respondents were in agreement (Mean =4.33; StdDev =0.7982) that their agents are able to cross sell and up sell to customers. The respondents also concurred (Mean =3.99; StdDev =1.258) that their customers can deposit and withdraw cash from any of their agents countrywide. Further the respondents agreed (Mean =3.66; StdDev =1.287) with the statement that agent banking has led to enhanced customer relationship management for their bank. The respondents also concurred (Mean =3.52; StdDev =1.307) that their agents are able to recruit and on board clients on their product and service offering. Finally, majority of the respondents had a neutral stand (Mean =3.66; StdDev =1.193) on the statement that the agent banking has led to increased forex sales for their bank. In establishing the relationship between agent banking and sustainable competitive advantage, a correlations analysis was performed. Results of the correlation analysis are further presented in Table 2.

Table no. 2: Pearson's Correlation Coefficients

	SCA (Y)	AB (X ₂)
SCA (Y)	1	
AB (X ₂)	0.246*	1

A regression analysis was also conducted to draw attention to the strength and direction of relationship between the two study variables. To analyse the relationship between agent banking practices and sustainable competitive advantages, model specification was carried out and the results indicated in Table 3.

Table no. 3: Model Specification for Agency Banking Practices

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.870	1	12.870	104.942	.000 ^b
	Residual	26.000	212	.123		
	Total	38.870	213			

a. Dependent Variable: Sustainable Competitive Advantages

b. Predictors: (Constant), Agent banking practices

The overall model was statistically significant ($F(1, 213) = 104.942$, $p\text{-value} = .000$). Based on the regression results, the results showed that the model fitted the data very well as shown by $p = 0.000 < 0.05$. Table 4 shows model 1 and model 2 summary for agent banking practices without the intervener and with effect of the intervener respectively.

Table 4: Model Summary for Agent Banking Services

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.575 ^a	.331	.328	.350
2	.630 ^b	.397	.391	.333

a. Predictor (Constant), Agent banking practices

b. Predictor (Constant), Agent banking practices * bank regulations

Model 1 showed a positive relationship between agent banking practices (ABP) and Sustainable competitive advantages (SCA) { $R = 0.575$, $R^2 = 0.331$ }. R^2 of 0.331 indicated that 33.1% of the variations in sustainable competitive advantage could be attributed to agent banking practices, while the remaining could be attributed to other factors not included in the model.

Model 2 showed the results after the interaction of the intervener was introduced in the model (Agent banking practices*bank regulations). The results showed that there was a positive relationship between agent banking practices and sustainable competitive advantage among commercial banks in the county of Nairobi with ($R=.630$ and $R^2=.397$). An R^2 of 0.397 indicated that 39.7% of the variations in the sustainable competitive advantage could be accounted by Agent banking practices*Bank regulations. The adjusted R-squared increased only if the new term improved the new model and it was always lower than the R-squared. Table 4.14 showed that the R-square of 0.331 for model 1 and 0.397 for model 2 which was a clear evident that the intervener improved our model. The inclusion of the interaction term resulted in a R^2 change of .066 which indicated that the intervening effect explained 6.6% of the variation in the sustainable competitive advantage above and beyond the variation explained by agent banking practices.

Table 5 presents significance test results for agent banking practices.

Table 5: Significance Test Results for Agent Banking Practices

Model		Unstandardized		Standardized	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.243	.204		10.986	.000
	Agent banking practices	.507	.050	.575	10.196	.000
2	(Constant)	1.664	.229		7.270	.000
	Agent banking practices	.409	.052	.464	7.934	.000
	Bank regulations	.239	.050	.280	4.787	.000

The regression equation with the inclusion of the intervener is depicted in equation 4.3 and 4.4.

OLS Model 1 : $SCA = 2.243 + 0.507ABP$ 4.3

MMR Model: $SCA = 1.664 + 0.409ABP + 0.239BR$ 4.4

Model 1 indicated that relationship between agent banking practices (ABP) and sustainable competitive advantage (SCA) was positive and significant (p = 0.000). The results indicated that for every unit increase in agent banking practices; sustainable competitive advantage was predicted to increase by 0.507.

Model 2 showed that the intervening effect of influence of bank regulations (BR) on the relationship between agent banking practices and sustainable competitive advantage was significant (p = .000). The regression equation with the inclusion of the intervener is depicted in equation 4.4. The equation implies that for every unit increase in agent banking practices, sustainable competitive advantages was predicted to have an increase of 0.409 on condition that bank regulations was kept constant.

The null hypothesis stated that agent banking practices has no significant influence on sustainable competitive advantage of Commercial banks in Kenya. The findings however, led to the rejection of this null hypothesis since the coefficient of agent banking practices was 0.292 with the corresponding $p = 0.000 < 0.05$. Hence the study concluded that agent banking practices ha a significant influence on sustainable competitive advantage of Commercial banks. This implied that the coefficient of agent banking practices was positive and statistically significant at 5 percent level. The findings were consistent with those of Ivatury and Lyman (2006) where they observed that agency banking enabled clients to change cash into electronic money and vice versa particularly in remote and rural localities, where cash is still the key mode of transaction a mobile banking service is dependent on banking agents to allow clients to effectively use the services.

The findings was also in agreement with those of Barasa and Mwirigi (2013) who carried out a study on the role agency banking serves in enhancing the deepening of financial sector in upcoming markets. They established that agency banking has played a key role in enhancing the penetration of banking services in unbanked markets hence, enhancing financial sector deepening in Kenya.

Implication to Research and Practice

The use of agent banking has significantly presented an opportunity in reduction of costs of transaction including travel for customers by bringing financial services to geographically dispersed and hard-to-reach areas. This is especially true in Kenya where some regions are sparsely populated, remote with fairly low literacy levels besides the long distances between the customer and the bank. Nevertheless, most often banks do not have sufficient incentive to establish formal branches in such areas. This study is therefore aimed at creating awareness of the need for commercial banks to exploit the use of agency banking in such areas as it is a less costly and more flexible strategy. Besides creating a body of knowledge for the topic on agent and sustainable competitiveness, the study is generally significant as it informs how financial inclusion can be hastened through the use of agent banking.

CONCLUSION

Agent banking services have a positive relationship with sustainable competitive advantage of Commercial banks in Kenya. The findings of the study have shed light to draw pertinent conclusions about agent banking practices. The control policies and procedures, technological advancement, and regulations put in place both by the agents and commercial banks have made agent banking operations viable. However the challenges faced by commercial banks in operating agent banking operations such as reputational risk, anti-money laundering, consumer protection and legal risk. The agents on the other hand encounter challenges such as liquidity risk, operational risk, and credit risk. The commercial banks should put in place mechanisms when planning and implementing agent banking practices.

Recommendation

This paper recommends that banks should adopt more agency banking practices and increase the roles the agents play in order to grow transactions volumes. This should be coupled with increased trainings and financial literacy programs so as to equip agents with the necessary skills and knowledge. Banks should also encourage the agents to rebrand with their theme colors in order to improve on the visibility and for easier brand recognition

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