AN INVESTIGATION OF THE EFFECTS OF THE ALTERNATIVE BUSINESS CHANNEL DIVERSIFICATION STRATEGIES ON THE PERFORMANCE OF EQUITY BANK BRANCHES IN NYERI COUNTY

BY

NYINGI DANIEL KARANJA

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DECLARATION

This project is my original work and has not been presented for a degree in any other university or for any other award

Signature:____________________ Date: 23/5/12

NYINGI DANIEL KARANJA

(D53/NYI/PT/21330/2010)

This project has been submitted with our authority as Kenyatta University Supervisors:

Signature: ____________________ Date: 24/5/12.

Ms. Anne Muchemi.

Lecturer: Department of Business Administration

Kenyatta University

Signature: ____________________ Date:__________

Mr. Wambua, P.

Lecturer: Department of Business Administration

Kenyatta University

The submission of this project is authorized by the Chairman, Department of Business Administration of Kenyatta University

Signature: ____________________ Date:__________

Mr. Shadrack Bett.

Lecturer: Department of Business Administration

Kenyatta University

DEDICATION

This project is dedicated to my parents Johnson and Martha to whom I owe so much. I highly cherish your love, encouragement, support, and guidance throughout all these years. Above all, thank you so much for training me to believe in myself.

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ACRONYMS AND ABBREVIATIONS

ABC: Alternative Business Channels

ATMs: Automated Teller Machines.

FSD: Financial Sector Deepening

POS: Points of Sale

ROA: Return on Assets

SBUs: Strategic Business Units.

SMS: Short Message Services

SWOT: Strengths, Weaknesses, Opportunities and Threats.

DEFINITION OF TERMS

EAZZY 24/7: Mobile phone service offered by Equity Bank Limited

Mission: It is the purpose for which or why an organization exists.

Objectives: These are targets towards which the organization directs its efforts.

organization mission and objectives.

Plan: Methods or procedures of doing something in this case of training.

Strategic plan: Is a document outlining the guidelines and strategies of achieving the organization objectives.

Strategic: Activities or resources or materials geared towards promoting strategy

Strategy: Refers to top management plans to attain outcomes consistent with

Vision: A vision is a long-term frame of horizon developed to set forth the organization's mission and goals or long term plan/policy

ABSTRACT

Use of technology and keeping track with updated technology enables an organization to compete favorably in the competitive market. Alternate business channels can give financial institutions superior competitive advantage. The study investigated the effects of the Alternative Business Channel diversification strategies on the performance of Equity Bank branches in Nyeri County. The study aimed at providing solution to problems that would prevent the use of Alternative Business Channels for the gain of superior market share. Literature review was obtained from previous relevant research studies, scholarly journals, and academic books by several authors, existing theories and other relevant sources. The study adopted a census research design. The census population under study included twenty five (25) management staff and thirty (30) active Equity Bank agents making a total census population of 55. This study was carried out with the administration of questionnaires to the 55 respondents on a drop and later pick basis. Quantitative data was analyzed using measures of central tendency such as mean, mode and median. While qualitative data was analyzed using content analysis. Data was presented using tables, charts and graphs. The findings of this study indicated that all the channels under study affected the performance of Equity Bank in a positives manner. The findings indicated that ATMs to a very great extent, reduced congestion in the banking halls, enhanced convenience levels of the customers by offering 24/7 service and reduced operational cost of the bank. Another significant proportion of the respondents indicated that ATM's increased revenue generation base and also enhanced the image of the bank. In regard to Eazzy 24/7 it was also found that Eazzy 24/7 encouraged many customers to make their own financial transactions instead of visiting the bank. This in turn enables the bank to gain competitive advantage in the market. The service was found to have created an additional income generating activity for the bank as well as expanding the banking platform to the current and potential customers of the bank. The study also found out that the role of agency banking was regarded highly by the customers as well as by the Equity Bank. It was found from the respondents that agency banking influenced the growth of Equity business by expanding its marketing base, enhanced service delivery, promoted customer outreach program and enhanced capacity utilization at Equity Bank branches. The findings from the study indicated that points of sale have contributed to generation of extra revenues to the bank. This adoption of technology in the banking sector was contributing to enhanced overall performance of the bank. The study therefore recommended that Equity Bank should continue to invest significantly in technology in order to reap from these numerous advantages. New software's, new processes, new products and bench marketing practices will continue to be of critical to the banking industry.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

According to Nachum, (2004) diversified strategy could be used to enhance firm performance. Diversified strategy is identified if firms have operations in more than one industry (Santalo and Becerra, 2008). Three reasons have been mentioned by Amit and Livnat (1988) on why firms pursue diversified strategy: agency cost, cash flow and transaction cost. Agency cost arises from conflict of interest between managers and owners of firms. Nevertheless, Aggarwal and Samwick (2003) argue that managers could not get involved in an industry that is totally different from existing operations without the owners' permission.

The second reason is associated with surplus funds available to firms. Extra money means firms are not tied to debt obligations; therefore, they could diversify their business with the expectation of improving performance (Hitt, Hitt and Hoskisson, 1992). Finally, the third reason is linked to transaction cost where certain assets could not be rented or sold, hence, diversified strategy becomes an option to efficient use of those assets (Amit and Livnat, 1988). Diversification helps a bank in eliminating the unevenness of geographical reach, product-process innovation, exploit economies of scale and scope, reap benefit of advanced technology, and diversify risk along with mobilization of additional capital. Diversification has opened the door for commercial banks to earn fee income from investment banking, merchant banking, insurance agency, securities brokerage, and other nontraditional financial services, (Arora & Kaur, 2009).

The last two decades, the world over have witnessed a phenomenal transformation in the operations and objectives of financial sector in general and banking sector in particular. The deregulation, disintermediation, emergence of advanced technologies, along with the consolidation wave in the banking sector have been instrumental in making banks to diversify their operations (Arora & Kaur, 2009). Experts on financial institutions generally argue that banks – which are typically highly leveraged – should diversify to reduce their risks of suffering a costly bank failure (Hayden et al, 2006). In addition, several models of intermediation theory suggest that diversification makes it cheaper for institutions to achieve credibility in their role as screeners or monitors of borrowers (Boyd and Prescott (1986).

Diversification helps a bank in eliminating the unevenness of geographical reach, product-process innovation, exploit economies of scale and scope, reap benefit of advanced technology, and diversify risk along with mobilization of additional capital. Diversification has opened the door for commercial banks to earn fee income from investment banking, merchant banking, insurance agency, securities brokerage, and other nontraditional financial services (Arora & Kaur, 2009). Ali-Yrkko (2002), classifies the banks' motive to diversify as synergy (or economic) motive, managerial motive, value maximization motive, increased market power motive, capital strength and risk diversification motives. Determinants of diversification can be categorized into two categories: external determinants such as economies of scale and scope, dynamics of bank competition, global presence of financial conglomerates and disintermediation in banking activities. While the internal determinants include risk reduction motive, decline in interest margin, cost of production, low cost of capital, technology up- gradation. These motives are not exclusive of but inclusive of banks all over the globe and Equity Bank is not an exception.

1.1.1 Equity Bank Limited

Equity Bank was started in 1984, as a building society in Murang'a, with a focus the mortgage sector. Its expansion necessitated the conversion to a bank in December 2004. Equity Bank is one of the biggest indigenous local banks, a status it has managed to achieve in just a space of 25 years. It initial target market was Muranga's tea zone. The tea zones were an easy target, as they had no powerful cooperatives offering banking services.

The bank has been focusing on small-scale farmers, individual customers and small and medium scale businesses. The bank has now moved to other segments like corporate banking, mortgages, and investment banking.

The bank has continued to consolidate its position in Kenya, as at the end of year 2010, the bank had 5.7 million customers and 116 branches. Chiou, (2009) provides empirical evidence
that building a branch network enables a firm to favorably compete due to increased proximity and resulting convenience. Equity branch expansion has been duplicated by other banks like Barclays, Cooperative Bank, Ecobank, Bank of Africa and Family Bank. The bank has also aggressively expanded to the Great Lakes region, where it intends to replicate its Kenyan model. Equity bank also aims at further grow its market share by raising its stake at Housing Finance and acquiring the government's 23% stake in National Bank. If successful, Kenya's banking industry will be lead by two indigenous banks, Equity Bank and Kenya Commercial Bank.

The Board of Directors is the soul of a company. Sound corporate governance has a lot to do with a board's structure, decision-making style, and efficiency (Barton, Wang, and Ye 2009)." While Minichilli, Zattoni, and Zona (2009) notes the six main tasks of an effective board as service (advice, networking and strategic participation) and control (behavioral, output and strategic control). With respect to advice and counsel, the board of directors should actively evaluate and select strategic alternatives developed by top managers and supply suggestions to improve the quality of strategic decision making. Equity Banks' highly experienced board is well positioned to perform all the above tasks. The Bank has 7 Board committees that guide and govern its management. These committees are Audit, Credit, Risk management, Strategy and investment, Tendering and procurement, Governance, board nomination and staff remuneration, and board executive. The Chief Executive oversees the day-to-day running of the bank and is assisted by several whole time executive directors.

Equity Bank has grown strategically by successfully making the following acquisitions purchase of the retail business arm of Industrial Development Bank (IDB) in 2005, 20% of Housing Finance in July 2007, and 100% acquisition of Uganda Micro Finance Ltd. In June 2008 Equity Bank increased its stake in Housing Finance to 24.9% through a rights issue. Equity bank has advanced plans to expand to Southern Sudan. Equity Bank and Kenya Commercial Bank have used a "first mover" strategy to expand into Southern Sudan. Tu and Sullivan, 2009 uses the case Carrefour in China to pin point the challenges of this strategy. They recommended that for a firm to succeed it should exploit its external and internal environmental factors that are usually firm-specific. However "first mover" strategy has its own benefit considering people always remember the first timers like Columbus, Armstrong, and Speke. Eisenmann, (2006) notes that for "first mover" strategy to be beneficial the firm must be able to create entry barriers and enjoy "winner take all" benefits. He warns that if such barriers are lacking intense rivalry will follow leading to erosion of supernormal profits if any.

Equity bank has expanded its initial products like personal savings and loan accounts offered by the building society to include trade finance, treasury services, personal banking, corporate e-banking, cash back services, short message services banking, retail Internet banking, swift codes, business loans, mobile banking, automatic teller machines, insurance, investment banking, and custodial services. Loan products include overdrafts, hire purchase, premium financing, asset financing, bills discounting and financing, trade finance and collateral management, cheques discounting, and "fanikisha" loans for women.

Despite the growing competition in the financial services sector the bank has continued to record impressive performance on several parameters. The banks five-year financial summary shows that the bank profits before tax grew from KES 218 M in 2004 to KES 5,022 M in 2008 or 2304%. The banking sector's profit before tax increased by 34.6 percent from KES 20.4 billion in July 2007 to KES 27.4 billion in July 2008 while Equity bank's grew by KES 2.643 Billion(111.10%). This growth was the highest among the listed banks in 2008. Equity Bank Group total assets grew from KES 6.7 Billion to KES 78.8 Billion. The growth from 2007 to 2008 was KES 25.7 Billion (48.39%), this better than the industry that expanded by KES 288.9 billion (33.8%) from KES 853.7 billion as at July 2007 to KES 1,142.6 billion as at July 2008 (CBK 2008a). It also has the lowest nonperforming loans to total loans ratio in the industry.

Equity Bank can be classified as an international business by the fact that it has invested in other countries like Sudan and Uganda, it is involved in foreign exchange and trade credit services and has several international shareholders like British America Insurance (BAICL), Helios Capital and AfriCap. AfriCap is a consortium of international investors led by International Finance Corporation and European Investment Bank. This active participation of foreign investors is believed to be an expression of the highest level of optimism on the bank's future both in the short and long term as well as a confirmation of the bank's position as an attractive investment.

1.2 Statement of the Problem

In principle, a business diversification may contribute to an improvement of the corporate performance. In fact, under given conditions, strategic management studies (Ansoff, 1957; Chandler, 1962; Penrose, 1973; Rumelt, 1974) qualify the diversification strategy as a likely tool for reducing specific business risks and stabilizing corporate results. However, corporate finance theory suggests that firms should, if anything, focus in order to avoid value-reducing diversification effects due to agency problems as pointed out by Denis et al (1997) or in order to avoid inefficient allocation of resources due to internal power struggles between divisions as discussed by Rajan et al (2000) or in order to protect themselves from significant losses in the firm value associated with corporate diversification strategies as documented by Berger and Ofek (1995). Although the issue of focus versus diversification has a long history in corporate finance literature, it has not been addressed thoroughly in an empirical context for financial institutions and banks.

The existing literature focuses mainly on geographical diversification and US data, and also provides mixed results. Hughes et al (1996) and Berger and DeYoung (2001), for example, use more aggregated measures of bank diversification to examine geographical diversification for US banks, while Caprio and Wilson (1997) consider cross-country evidence of a relationship between concentration and bank insolvency. In addition, Dahl and Logan (2003) and Buch at al (2004) suggest that international diversification offers benefits while, according to Klein and Saidenberg (1998) and Morgan and Samolyk (2003), the geographical diversification of US banks is not necessarily associated with an increase in profitability. DeLong (2001) finds that geographically-focused bank mergers in the US result in superior performance, while Stiroh and Rumble (2003) and Stiroh (2004) show that a shift towards non-interest income does not offer large diversification benefits.

Similarly there is little evidence of such a diversification- performance effects study on an African context. Many scholars have focused their interest on US, European and Asian countries, Stiroh (2002) on American banks, Hayden, Porath and Westernhagen (2006) on German banks and Arora and Kaur (2009) on Indian banks. Therefore, there is clearly a need for more empirical evidence on the effects of diversification on banks' performance based on individual bank-level data from African countries and Kenya in particular. It is in this regard that this study sets out to re-investigate the effect of diversification strategies on the performance of commercial banks in the Kenyan context. This will help to take a wide view of the previous findings and will be useful in comparing the diversification-performance relationships in a developing African economy using alternative business channels of Equity Bank Limited. Equity Bank Limited has invested a lot of resources in Alternative Business Channels and it is important to investigate the effect of this investment on the performance of the bank and that of the other commercial banks.

1.3 Purpose of the Study

The purpose of this study was to investigate the effects of the alternative business channel strategies on the performance of Equity Bank Branches in Nyeri County.

1.4 Specific objectives of the Study

Specifically, the study set out to achieve the following objectives:

(i) To determine the effects of Agency Banking on the performance of Equity Bank branches in Nyeri County.

(ii) To establish the influence of ATMs on the performance of Equity Bank branches in Nyeri County.

(iii) To determine the effects of Point of Sale on the performance of Equity Bank branches in Nyeri County.

(iv) To find out whether Mobile Banking (EAZZY 24/7) influences the performance of Equity Bank branches in Nyeri County.

1.5 Research Questions

The study was guided by the following research questions:

(i) How does Agency Banking improve the performance the performance of Equity Bank branches in Nyeri County?

(ii) What is the effect of ATMs on the performance of Equity Bank branches in Nyeri County?

(iii)How does use of Point of Sale influence the performance of Equity Bank branches in Nyeri County?

(iv)How does Mobile Banking (EAZZY 24/7) have effect on the performance of Equity Bank branches in Nyeri County?

1.6 Significance of the Study

This study would be of great significance to a number of stakeholders among them bank managers, existing literature, other financial institutions and future researchers. The research would offer interesting results for managers as it offers some of the strategic dimensions which may help to improve the organizations that they lead. The managers will be able to understand that effective application of channel differentiation strategies can be handy in enhancing organizational performance.

This study would also impact on Equity Bank Limited and other financial institutions as it will highlight the importance of employing channel diversification strategies and how they can impact on their performance in order to survive in the ever increasing competitive business environment. Further this study would be instrumental to future researchers as it will form a basis for further analysis of the effect of diversification strategies on organizational performance. They will be able to further analyze the findings, mostly the inconclusive pieces of existing literature and carry it to the next level.

1.7 Limitations of the Study

The researcher anticipated a number of limitations which included time, Finances, and accessibility to information. Time limitation was anticipated because the researcher is formally employed and the study required adequate time for data collection and analysis. The researcher therefore had to apply for an annual leave. The study also required some substantial amount of money for data collection, analysis and presentation. To overcome this limitation, the researcher applied for an education loan. Difficulty in accessing information was also anticipated as many institutions are not openly willing to give information freely to anybody but this being an academic research the managers, agents and merchants were expected to give information freely.

1.8 Scope of the Study

This study was limited to an investigation of the effects of the alternative business channel diversification strategies on the performance of Equity Bank branches in Nyeri County. The Branches included Nyeri, Nyeri Kimathi Way, Mukurweini, Othaya and Karatina.

CHAPTER TWO

LITERATURE REVIEW

2.1 The Concept of Strategy

Mintzberg and Quinn (1996) define a strategy as the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole. A well-formulated strategy helps to marshal and allocate an organization's resources into a unique and
viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponent. Thompson and Strickland (1993) define strategy as the pattern of organizational moves and managerial approaches used to achieve organizational objectives and to pursue the organization's mission. Porter (1996) states that the essence of strategy is choosing to perform activities differently than rivals do. While D'Aveni (1994) takes the view that strategy is not only the creation of advantage but
also the creative destruction of the opponent's advantage.

According to Andrews (1980) corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities. Andrew's definition obviously anticipates Mintzberg's attention to pattern, plan,
and perspective. Andrews also draws a distinction between "corporate strategy," which determines the businesses in which a company will compete, and "business strategy," which defines the basis of competition for a given business. Thus, he also anticipated "position" as a form of strategy.

Porter (1986) on the other hand argues that competitive strategy is about being different. He adds that it means deliberately choosing a different set of activities to deliver a unique mix of value. In short, Porter argues that strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. In his earlier book, Porter defines competitive strategy as a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there. Thus, Porter seems to embrace strategy as both plan and position.

Steiner and Meiner (1977) on their part state that strategy is the forging of company missions,
setting objectives for the organization in light of external and internal forces, formulating specific policies and strategies to achieve objectives, and ensuring their proper implementation so that the basic purposes and objectives of the organization will be achieved. While Chaffee (1985) calls the interpretive model strategy is defined as orienting 'metaphases' or frames of reference that allow the organization and its environment to be understood by organizational stakeholders. On this basis, stakeholders are motivated to believe and to act in ways that are expected to produce favorable results for the organization.

2.2 Historical Development of Strategy

The use of strategy has literally changed the map of the world and caused the rise and fall of many a nation and its people. The unique combination of wisdom, science and craft have made strategy creation and its application a universally sought after skill. A look back at where it all began and how it developed from its military origins provides the foundation for a more thorough grasp of what often seems ungraspable (Rich Horwath, 2006)

According to Horwath (2006) strategy sprung from the need for people to defeat their enemies. The first treatises that discuss strategy are from the Chinese during the period of 400 – 200 B.C. Sun Tzu's The Art of War, written in 400 B.C. has received critical

acclaim as the best work on military strategy, including those that have followed it centuries later. However, unlike the theoretical treatises that followed, the Chinese works took the form of narratives, including poems and prose accounts. According to him the term "strategy" is derived indirectly from the Classic and Byzantine (330 A.D.). Greek strategos, which means general. While the term is credited to the Greeks, no Greek ever used the word. The Greek equivalent for the modern word strategy would have been strategike episteme or (general's knowledge) strategon sophia (general's wisdom).
One of the most famous Latin works in the area of military strategy is written by Frontius and

has the Greek title of Strategemata. Strategemata describes a compilation of strategema, or strategems, which are literally tricks of war. The Roman historians also introduced the term strategia to refer to territories under control of a strategus, a military commander in ancient Athens and a member of the Council of War. The word retained this narrow, geographic meaning until Count Guibert, a French military thinker, introduced the term "La Strategique" in 1799, in the sense that is understood today. Consequently, neither the military community before Count Guibert nor the business community before Ansoff (1965) could see the strategic element in their domains clearly enough to give it a name.

The word strategy has been in use since Sun Tzu wrote the Art of War in the fourth century B.C. (Sun Tzu 1971). Sun Tzu wrote, of course, about military strategy. The literature on corporate strategy, which emerged in the 1950s and 1960s (Chandler 1962) is vast and continues to grow at an astonishing rate. In essence, strategy has to do with understanding where an organization will go in the future and how it will get there. Most academicians and corporate managers believe strategy affects the overall welfare of the corporation, and strategy making is an important activity, though a few believe firms are better off without a strategy (Inkpen and Choudhury, 1995).

2.3 Levels of Strategy

Strategy is developed at different levels:-

2.3.1 Corporate-level Strategies

According to the Thomas (2011) corporate-level strategies address the entire strategic scope of the enterprise. This is the big picture view of the organization and includes deciding in which product or service markets to compete and in which geographic regions to operate. For multi-business firms, the resource allocation process- how cash, staffing, equipment and other resources are distributed- is typically established at the corporate level. In addition, because market definition is the domain of corporate-level strategists, the responsibility for diversification, or the addition of new products or services to the existing product/service line-up, also falls within the realm of corporate-level strategy. Similarly, whether to compete directly with other firms or to selectively establish cooperative relationships- strategic alliances- falls within the purview corporate-level strategy. He further adds that corporate strategies represent the long-term direction for the organization. Issues addressed as part of corporate strategy include those concerning diversification, acquisition, divestment, strategic alliances, and formulation of new business ventures. Corporate strategies deal with plans for the entire organization and change as industry and specific market conditions warrant.

2.3.2 Business-level Strategies

Thomas, (2011) sees business-level strategies as being similar to corporate-strategies in that they focus on overall performance. In contrast to corporate-level strategy, however, they focus on only one rather than a portfolio of businesses. Business units represent individual entities oriented toward a particular industry, product, or market. In large multi-product or multi-industry organizations, individual business units may be combined to form strategic business units (SBUs). An SBU represents a group of related business divisions, each responsible to corporate head-quarter for its own profits and losses. Each strategic business unit will likely have its' own competitors and its own unique strategy.

A common focus of business-level strategies are sometimes on a particular product or service line and business-level strategies commonly involve decisions regarding individual products within this product or service line.

Thomas further asserts that there are also strategies regarding relationships between products. One product may contribute to corporate-level strategy by generating a large positive cash flow for new product development, while another product uses the cash to increase sales and expand market share of existing businesses. Given this potential for business-level strategies to impact other business-level strategies, business-level managers must provide ongoing, intensive information to corporate-level managers. Without such crucial information, corporate-level managers are prevented from best managing overall organizational direction. Business-level strategies are thus primarily concerned with: coordinating and integrating unit activities so they conform to organizational strategies (achieving synergy), developing distinctive competencies and competitive advantage in each unit, identifying product or service-market niches and developing strategies for competing in each and monitoring product or service markets so that strategies conform to the needs of the markets at the current stage of evolution.

Thomas (2011) in addition says that business-level strategies thus support corporate-level strategies. Corporate-level strategies attempt to maximize the wealth of shareholders through profitability of the overall corporate portfolio, but business-level strategies are concerned with matching their activities with the overall goals of corporate-level strategy while simultaneously navigating the markets in which they compete in such a way that they have a financial or market edge-a competitive advantage-relative to the other businesses in their industry.

2.3.3 Functional-level Strategies

Functional-level strategies according to Thomas (2011) are concerned with coordinating the functional areas of the organization (marketing, finance, human resources, production, research and development, etc.) so that each functional area upholds and contributes to individual business-level strategies and the overall corporate-level strategy.

This involves coordinating the various functions and operations needed to design, manufacturer, deliver, and support the product or service of each business within the corporate portfolio. Functional strategies are primarily concerned with: efficiently utilizing specialists within the functional area, integrating activities within the functional area and assuring that functional strategies mesh with business-level strategies and the overall corporate-level strategy.

2.4.0 The Concept of Diversification

The concept of diversification is yet to be clearly defined and there is no consensus on its precise

definition among researchers. Definitions of diversification are many. What is needed, therefore, is a comprehensive definition, which is both theoretically valid and managerially meaningful.

Reed and Luffman (1986) pointed out that the term "diversification" has different meanings when research interest varied. Earlier definitions of diversification, such as Gort (1962) and Berry (1975), approached the subject from products or services across industry or market boundaries. Later definition extended to the means, particularly investment or partnership that enables a focal organization to achieve growth or reduce overall risk (Remanunam & Varadarajan 1989). Diversification was frequently deployed as an important grand strategy for firm growth (Ansoff, 1965). While non-diversified firms take the advantage of the economies of scale, firms adopting a diversification strategy enjoy the economies of scope and the synergy is created by sharing strategic resources among business units (Hoskisson & Hitt, 1990).

In general, diversification refers to a firm's entry into a new market. It means increase in the types of business a firm operates. That is diversification relates to products, geographical markets or knowledge (Penrose, 1995). The grand strategy involving diversification represent distinctive departure from the firm's existing base of operations, basically from acquisition and internal generation (spin-off) of a separate business with possibilities counter balancing the strengths and weaknesses of the two business. However, diversifications occasionally are undertaken as unrelated investments, because of the high profit potential and their minimal resource demands (St. John & Harrison, 1999). Diversification can help reduce portfolio risk by eliminating non-systematic risk for which investors are not rewarded. Investors are rewarded for taking market risk. Because diversification averages the returns of the assets within the portfolio, it attenuates the potential highs (and lows). Diversification among companies, industries and asset classes affords the investor the greatest protection against business risk, financial risk and volatility.

There are three general types of diversification strategies. These include concentric or related diversification which Ojo (2011) defines as growth into a new non-competing product/market which is related to the firm's technological and marketing skills, horizontal diversification which is seen by Ojo as growth into a new product that will appeal to current customers and conglomerate diversification which he defines as growth into a new product/market which is unrelated to the firm's present technological or marketing skills. According to Ojo each of these diversification strategies has its own set of issues, benefits, and drawbacks. This study focuses on concentric diversification since Alternative business channels are related to what banks do.

2.4.1 Diversification and the Firms Performance.

In the past, the industrial organization economics employed years of research relying on the conjecture that diversification and performance are linearly and positively related (Gort, 1962). This assumption mainly derives from market power theory and internal market efficiency arguments (Grant, 1998). In the beginning, the literature on diversification was based on the premise that diversified firms can employ market power advantages, which are largely inaccessible to their more focused counterparts (Scherer, 1980). Additionally, due to internal market efficiencies, multi-segment firms can benefit from the advantage to access easily to external funds to finance growth, and can also transfer capital between businesses within its portfolio (Meyer, Milgrom and Roberts, 1992). As a result, diversification is a source of different efficiencies that are difficult to achieve by single business firms (Scharfstein and Stein, 2000). Overall, these arguments indicate that diversification is positively associated with performance.

To go further on the question as to why a firm diversifies, we should take into account that the benefits of diversification could arise from many sources. In fact, gains from this strategy may come from managerial economies of scale, as proposed by Chandler (1997) and from increased debt capacity, as argued by Lewellen (1971). For instance, a risk reduction may bode well for debt capacity and cost of capital, in part because it allows the firm to further exploit the tax advantages from increased borrowing. Additionally the increment of the market power is determined by the predatory pricing, future higher prices, and sustained losses that can be founded through cross-subsidization whereby the firm taps additional revenues from one product to support another (Tirole, 1995).

Williamson (1975) argue that managers have in their hands monitoring and information advantages over external capital markets. Thus multi-segment firm has much greater flexibility in capital formation since it can access external sources as well as internally generated resources. Then, the diversification itself creates internal capital markets that permit a more competent allocation of resources across businesses. Hence, multi-segment firms can generate efficiencies that are unavailable to the single-business firm. In addition multi-segment firms gain considerable financial interests from using internal market for capital and resources (Rumelt, 1982). The finance research also relies on the tax and financial benefits associated with diversification (Servaes, 1996).

Two seemingly irreconcilable facts motivate this study: one, diversification continues to be an important strategy for corporate growth; and two, while Management and Marketing disciplines favor related diversification, Finance makes a strong case against corporate diversification. With the help of a large sample, this interdisciplinary study tries to address this contradiction in the associative relationship between diversification and firm performance. Diversification is a means by which a firm expands from its core business into other product markets (Aaker, 1980).

Research shows corporate management to be actively engaged in diversifying activities. Many researchers note a rise in diversified firms (Hoskisson and Hitt, 1990). European corporate managers according to a survey not only favor it but actively pursue diversification (Kerin, Mahajan and Varadarajan, 1990). Firms spend considerable sums acquiring other firms or bet heavily on internal R&D to diversify away from their core product/markets. Of late U. S. firms are beginning to moderate their zeal for diversification and are consolidating around their core businesses. But this trend has not affected large Asian corporations which continue to remain highly diversified.

As in any economic activity there are costs and benefits associated with diversification, and ultimately, a firm's performance must depend on how managers achieve a balance between costs and benefits in each concrete case. Moreover, these benefits and costs may not fall equally on managers and investors. Management researchers argue that diversification prolongs the life of a firm. Researchers in finance argue diversification benefits managers because it buys them insurance, and shareholders usually bear all the costs of such insurance. Diversification can improve debt capacity, reduce the chances of bankruptcy by going into new product/ markets (Higgins and Schall, 1975), and improve asset deployment and profitability (Teece, 1982). Skills developed in one business transferred to other businesses, can increase labor and capital productivity. A diversified firm can transfer funds from a cash surplus unit to a cash deficit unit without taxes or transaction costs (Bhide, 1993).

Some studies claim diversifying into related product-markets produces higher returns than diversifying into unrelated product-markets and less diversified firms perform better than highly diversified firms (Keats, 1990). Some claim that the economies in integrating operations and core skills obtained in related diversification outweigh the costs of internal capital markets and the smaller variances in sales revenues generated by unrelated diversification (Datta, Rajagopalan & Rasheed, 1991). While agreeing that related strategy is better than unrelated. Prahalad and Bettis (1986), clarify that it is the insight and the vision of the top managers in choosing the right strategy (how much and what kind of relatedness), rather than diversification per se, which is the key to successful diversification. Accordingly, it is not product-market diversity but the strategic logic that managers use that links firm diversification to performance; which implies that diversified firms without such logic may not perform as well. Markides and Williamson (1994) show that strategic relatedness is superior to market relatedness in predicting when diversifiers related outperform unrelated ones. Others however argue, it is not management conduct so much, but industry structure that governs firm performance (Montgomery, 1985).

2.5 Alternative Business Channels

Channels play an important role in the ever changing banking environment especially, now when every bank around the world is searching for solutions that can reduce costs without impacting customer service. It is important that banks efficiently manage vendors for different service delivery channels along with the versions of software. Although alternate channels are not the most effective at generating new sales, they improve customer satisfaction and retention. With the help of technology, the banking industry can develop or expand into new channels to survive in the current competitive environment. The channels employed by banks include Automated Teller Machines (ATMs), mobile banking, agency banking, point of sale (POS) and e- banking. This study will focus on ATMs, mobile banking, agency banking and point of sale.

2.5.1 Automated Teller Machines (ATMs)

Automated teller machines (ATMs) were the first well-known machines to provide electronic access to customers. With advent of Automatic Teller Machines (ATM), banks are able to serve customers outside the banking hall. ATM is designed to perform the most important function of bank. It is operated by plastic card with its special features. The plastic card is replacing cheque, personal attendance of the customer, banking hour's restrictions and paper based verification. ATMs have made hard cash just seconds away all throughout the day at every corner of the globe (Singh & Komal, 2009). According to them ATMs allow you to do a number of banking functions such as withdrawing cash from one's account, making balance inquiries and transferring money from one account to another, using a plastic, magnetic-strip card and personal identification number issued by the financial institution. According to Singh and Komal ATM means neither "avoids traveling with money" nor "any time money," but certainly implies both. They further argue that slim ATM cards are fast replacing confounding withdrawal forms as a convenient way of getting your money from banks. In a way, they are rewriting the rules of financial transaction. A smart person to them no longer needs to carry a wallet-full of paper money on his person. All he needs to do is fish out an ATM (automated teller machine) card, insert it in the slot, punch in a few details and go home with hard cash.

The ATMs of a bank are connected to the accounting platform of the bank through ATM switches. Inter-bank ATM networks are created by setting up apex level switches to communicate between the ATM switches of different banks. The inter-bank ATM networks facilitate the use of ATM cards of one bank at the ATM(s) of other banks for basic services like cash withdrawal and balance enquiry. Banks owning the ATMs charge a fee for providing the ATM facility to the customers of other banks. The ATM deploying bank from the card issuing banks recovers this fee referred to as 'interchange fee'. However the interchange fee is not fixed across banks and depends on the terms of bilateral / multilateral arrangements. Banks with larger ATM network treat interchange fee as an important stream of revenue (Singh & Komal, 2009). Therefore ATMs are a major revenue stream apart from for bank not only in Kenya but across the globe.

Use of ATM has become extremely popular among customers as convenient mode of transactions. The technological innovation has transformed the banking business. Banks are aggressively adopting this mode (Khan, 2010). The advantages of using ATM have given new impetus in dimensions of service quality and banks are offering new choices to customers. Cabas (2001) noted investment opportunities, reduction in costs, satisfaction of customers and competitiveness as motives to install and add new ATM to the existing network. Moutinho (1992) established that ATM facility resulted in speed of transactions and saved time for customers.

2.5.2 Mobile Banking (Eazzy 24/7)

Mobile banking (also known as m-banking m-banking, SMS banking etc.) is a term used for performing balance checks, account transactions, payment, etc via mobile device such as mobile phones (Anyasi & Otubu, 2009). According to them mobile banking today is most often perform via SMS or mobile Internet, but can also be used by special programs called clients downloaded to the mobile device. Bangens and Soderberg (2008) define mobile banking or M-banking, as a term we use to describe financial services delivered via mobile networks using mobile phones. Normally, such services include depositing, withdrawing, sending and saving money, as well as making payments. Equity Bank refers to this service as Eazzy 24/7.

According to Anyisi and Otubu (2009) mobile banking can offer service such as account information which include nini- statement and checking of account history, alerts on account activity or passing of set thresholds, monitoring of term deposits, access to loan statements, access to card statements, mutual funds/equity statement, insurance policy management, pension plan management, status on cheque, stop, and payment on cheque. It also offers payment and transfers which involves domestic and international fund transfers, micro-payment handling, mobile recharging, commercial payment processing, bill payment processing and peer to peer payment. It as well offers investment information which includes portfolio management service, real-time stock quotes and personalized alerts and notification on security prices among other services.

The spread of mobile phone across the world is one of the most remarkable technology stones of the past decade. Buoyed by prepay cards and inexpensive handsets, hundreds of millions of first time telephone owners have made voice calls and text messages part of their daily lives. However, many of these same new mobile users live in informal and/or cash economics, without access to financial services that others take for granted indeed, across the developing world, there are probably more people with mobile handsets than bank accounts. Various initiatives use mobile phones to provide financial services to "the unbanked". These services take a variety of forms-including long distance remittances, micro payments and informal airtime bartering schemes and by various names including mobile banking, mobile transfers and mobile payments. Taken together, they are no longer merely pilots, in the Philippines, South Africa, Kenya, and elsewhere, these services are badly available and increasingly popular (Anyisi & Otubu, 2009). They further assert that Financial institutions, which have had difficulty providing profitable services through traditional channels to poor clients, see m-banking/m-payments as a form of "branches banking", which lowers the costs of serving low-income customers.

In Kenya particularly, electronic money transfer is common where business transactions are done through mobile phones like in the case of M-Pesa, Airtel Zap and Orange money, Eazzy 247 money transfer for Equity Bank, Agency Banking, e-banking (Internet Banking) , Point of Sale, ATMs. From a different perspective Sako, (1992), states that electronic exchange transfer money from one accounts to another either within the same institution or across multiple institutions through computer based system. The term EFT is used for a number of different concepts, this includes direct deposits payroll payment for a business to use employees, electronic bill payment, and direct debit and wire transfer via an international banking network.

2.5.3 Agency Banking

By using retail points as cash merchants (defined here as agent banking), banks, telecom companies, and other providers can offer saving services in a commercially viable way by reducing fixed costs and encouraging customers to use the service more often, thereby providing access to additional revenue sources (Veniard, 2010). She further asserts that agent banking does improve the economics for these institutions compared with branches, especially for high-transaction, low-balance accounts that are common among poor users.

According to Veniard, agent banking delivery channels include POS-enabled bank agent which is an agent managed by a bank that uses a payment card to identify customers, mobile phone-enabled agent which is an agent managed by a bank that uses a cell phone to identify customers, mobile wallet which is an agent that is often managed by a telecom, uses a cell phone to identify customers, and provides store-of-value accounts called mobile wallets that are backed by bank deposits. Customers can use mobile wallets to send, receive, and store electronic monetary value. and Bank-provided account linked to a mobile wallet which is a bank account that is linked to a mobile wallet. The bank does not manage the agent and pays a fee to the telecom for deposits and withdrawals.

2.5.4 Point of Sale (POS)

POS is the newest channel deployed by banks in Kenya. It is currently one of the lowest-cost channels that can be deployed by banks. International benchmarks indicate that the cost to a bank of POS can be as low as Ksh5 per transaction. The relatively lower capital cost of the machine (as low as $250) and lower running costs in comparison to ATMs make POSs ideal channels in low transaction environments FSD, (2007). According to FSD POS machines can theoretically be used for cash withdrawals. A "cash-back" transaction allows customers to draw cash while paying for goods in a retail environment. Because the merchant is credited into his/her account by the customer to the value of the cash withdrawn, electronic funds in the bank remain within the bank and are not withdrawn from the bank in the form of cash.

The dominant POS business model is based on the credit card model in which the retailer is charged a merchant discount (a percentage of the transaction value) for processing a purchase transaction electronically. By charging the merchant for the transaction, the transaction cost is not carried by the customer. Historically this played a key role in growing the credit card market and overcoming customer resistance to using credit cards. FSD,(2007). According to FSD the reasons for charging the merchant are twofold: merchants benefit most from a customer making a POS purchase. Merchants reduce cash-management costs as funds are credited directly into the merchants account. The automated reporting process also facilitates in reconciliations and accounting and fewer "missed purchases" occur when a customer wishes to make a transaction, lacks the cash, but has funds in an account.

2.6 The Concept of Performance and its Measurement

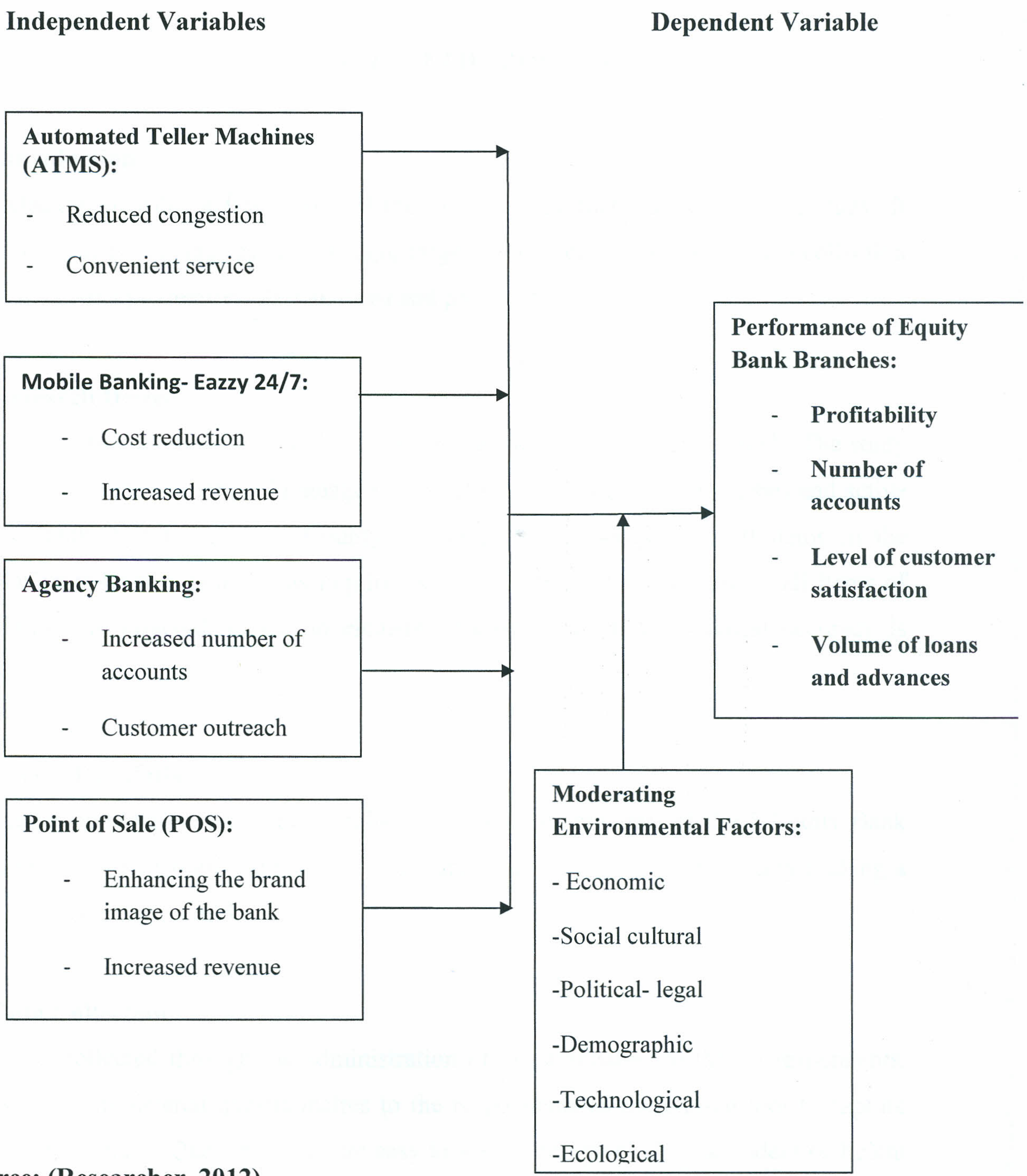
Market competition for customers, inputs, and capital make organizational performance essential to the survival and success of the modern business. Measuring it is essential in allowing researchers and managers to evaluate the specific actions of firms and managers, where firms stand against their rivals, and how firms evolve and perform over time (Sabina, 2009). ROA is a common measure used in numerous studies of strategic decision processes and TMT characteristics (Kim, Hwang and Burgers, 1989), and it has been shown to be highly correlated with other performance measures such as Return on Equity and Return on Investment. Other commonly used methods of measuring organizational performance in the top management include assets growth, market share, share price earnings per share and sales revenue.

Armstrong (1999) categorizes performance measures into five major headings: finance, output, impact, reaction and time. He conceives finance to involve measures such as income, economic value added, shareholder value, added value, rates of return and costs. To him outcome involves units produced or processed, throughput, new accounts. Impact involves attainment of a standard, changes in behavior, completion of work or project and levels of take-up of a service or innovation. To Armstrong, reaction entails judgment by others, colleagues, internal and external customers while time involves speed of response or turnaround, achievements compared with timetables, amount f backlog, time to market and delivery time.

2.7 Conceptual Framework

This study focuses on concentric diversification since Alternative business channels are related to what banks do. Banks in their desire to generate more income streams, they have diversified into non-interest income especially alternative business channels. Alternative business channels are assumed to have a positive effect on the performance of banks which in this paper is measured in terms of profitability, number of accounts, the level of customer satisfaction and volume of loans and advances. The dependent variable thus is the performance of commercial banks while the independent variables are ATMs, Mobile banking, Points of sale and Agency banks which make up alternative business channels. The moderating variables are the environmental factors such as the economic, social-cultural, political-legal, demographic, technological and ecological factors. (See Figure 2.1)

Figure 2.1 Conceptual Framework.



Source: (Researcher, 2012)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a framework of the methodology that was used in the study. It gives an insight into the research design, target population, sample size, data collection instruments and procedures, data analysis and presentation.

3.2 Research Design

Considering the nature of this study, a descriptive survey approach was used. The study adopted a census involving all management staff within Equity Bank branches and active Equity Bank Agents in Nyeri County. A complete enumeration of all items in the population is known as a census inquiry (Kothari,2008).In such an inquiry all items of population are covered, hence no element of chance is left and highest accuracy is obtained.

3.3 Target Population

The target population under study included 25 management staff of the 5 Equity Bank branches in Nyeri County and 30 active Equity Bank agents in Nyeri County making a total target population of 55.

3.4 Data Collection

Data was collected through the administration of questionnaires to the 55 respondents. The study administered questionnaires to the respondents as the chosen tool to capture the required details. Questionnaires are easy to administer, gives the respondent sufficient time to arrive at a well thought response and are free from the researcher's bias. The drop and later pick method was used. This method enables the researcher to collect data that would be difficult to get.

3.5 Data Analysis

Data collected was both quantitative and qualitative. Quantitative data was analyzed using measures of central tendency such mean, mode and median. While qualitative data was analyzed using content analysis.

3.6 Data Presentation

Since both quantitative and qualitative data was collected and analyzed, quantitative data was presented using tables, charts, and bar graphs while qualitative data was presented using written narratives.

CHAPTER FOUR

DATA INTERPRETATION AND PRESENTATION

4.1 Introduction

In this chapter, the results and data obtained from the respondents is summarized and presented. The chapter is presented in two sections where the first part highlights both personal and organisational details while the second section depicts the research details based on the output from the questionnaires. The use of tables and charts was chosen to enhance presentation, interpretation and understandability of the research output.

4.2 Quantitative Data Analysis and Results

4.2.1 Response Rate

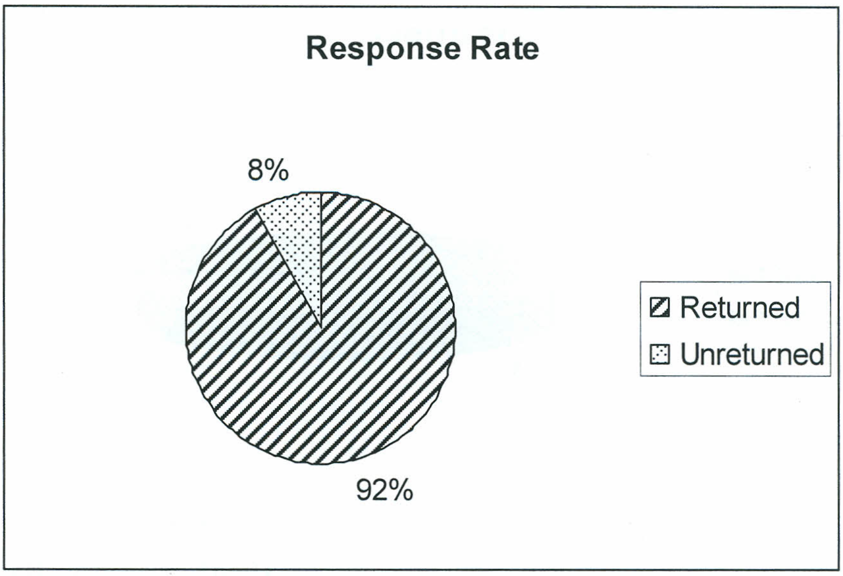
Out of the 25 questionnaires administered, 23 out of 25 were filled and returned. Thus the response rate was 92%.

Table 4.1 Response Rate for Management

Response	Frequency	Percentage
Returned	23	92
Unreturned	2	8
Total	**25**	**100**

Source: (Researcher, 2012)

Fig. 4.1 Response Rate



Source: (Researcher, 2012)

4.2.2 Gender of the Respondents

The researcher sought to establish the gender of the respondents.

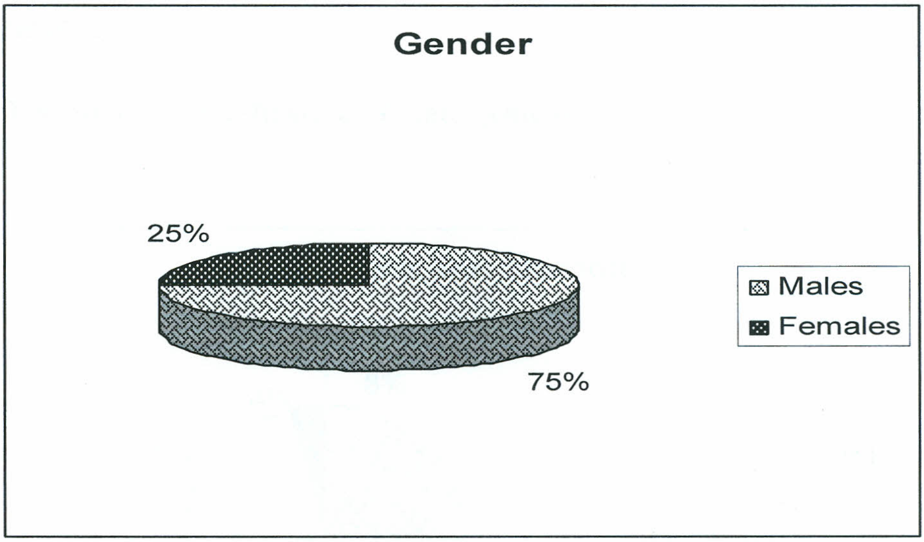
Table 4.2 Gender

Response	Frequency	Percentage
Males	23	75
Females	2	25
Total	**25**	**100**

Source; (Researcher, 2012)

From the table 4.2 above, 75% of the management respondents were male while 25% were female. Thus most of the respondents were male.

Fig. 4.2 Gender of Management



Source: (Researcher, 2012)

4.2.3 Academic Qualifications of the Management Respondents

The study sought to establish the academic qualifications of those involved in the study. The outcome was as shown in the table below:

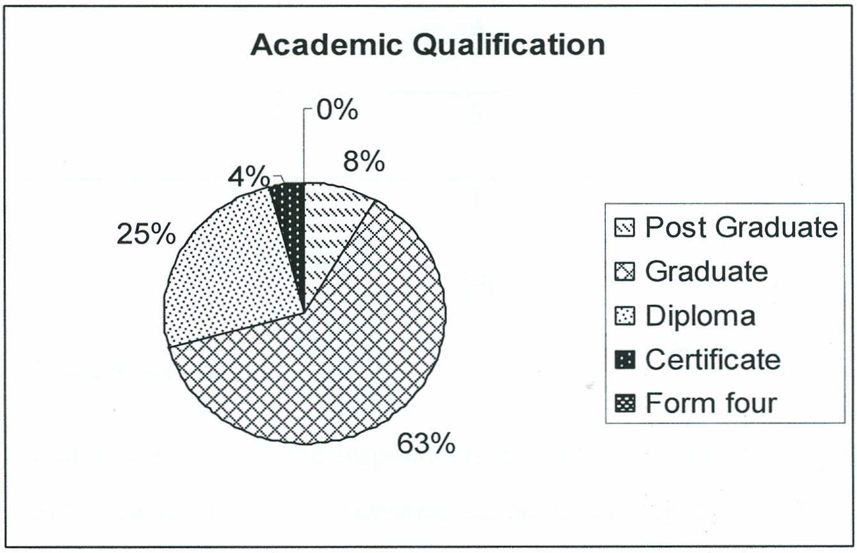
Table 4.3 Academic Qualifications management

Level	Frequency	Percentage
Post Graduate	3	8
Graduate	15	60
Diploma	6	24
Certificate	1	4
Form four	0	0
Total	**25**	**100**

Source: (Researcher, 2012)

From the table above, 8% had post graduate qualifications, 60% had degrees, and 24% had diploma level while 4% had only a certificate. No respondents had form four level of qualifications.

Fig. 4.3 Academic Qualification of management



Source: (Researcher, 2012)

4.2.4 Length of Service of management

It was considered prudent to find out for how many years the respondents had remained with the Equity Bank, as a preferred employer of choice.

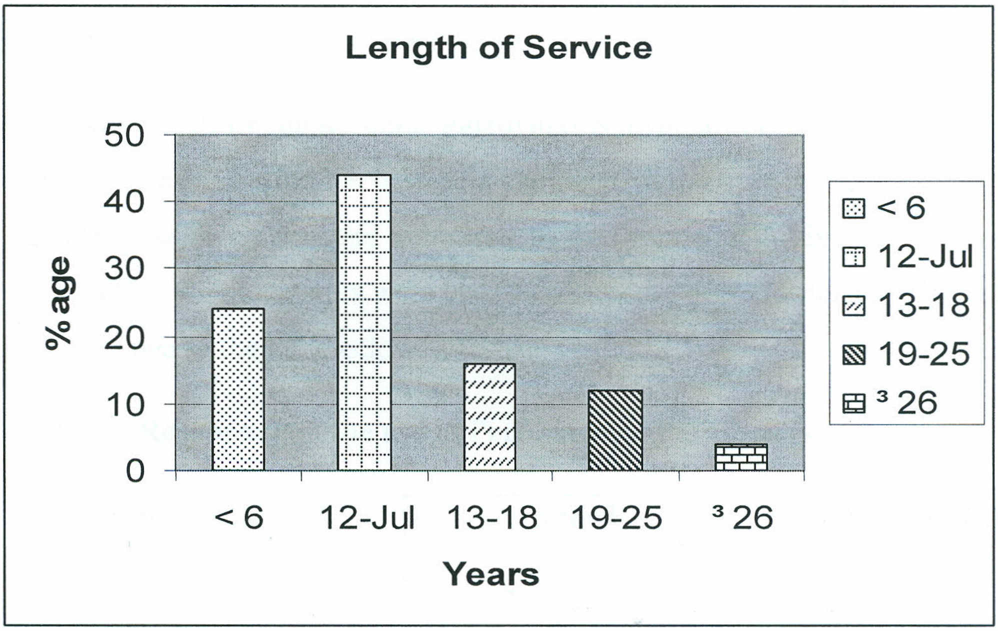
Table 4.4 Length of Service of management

Years	Frequency	Percentage
< 6	6	24
7-12	11	44
13-18	4	16
19-25	3	12
≥ 26	1	4
Total	**25**	**100**

Source: (Researcher, 2012)

From the data above, 24% of the respondents had remained with Equity Bank for the last six years and below, 44% had between seven to twelve years of loyalty, 16% had between thirteen and eighteen years of service, 12% had between nineteen and twenty five years of services while 4% had over twenty six years of working with the bank.

Fig. 4.4 Length of Service management



Source: (Researcher, 2012)

4.2.5 Branch Adoption to Various Alternative Business Channels

Various branches of Equity Bank have been adopting alternative business channels to gain competitive edge in the banking market. The extent to which adoption was made and examined where the results were as illustrated below:

Table 4.5 Adoption of Alternative Business Channels

Business Channels	Yes	No
ATM's	25 (100%)	0 (0%)
Point of Sales	25 (100%)	0 (0%)
M-Banking	25 (100%)	0 (0%)
Agency Banking	25 (100%)	0 (0%)
Average	**25 (100%)**	**0 (0%)**

From the table above, all the bank branches had opened and operated alternative business channels i.e ATM, point of sales, Mobile banking and agency banking. This was aimed at gaining competitive advantage in the Market.

4.2.6 Equity Bank Branches main Performance Indicators

Performance of a bank's branch may be a challenge to measure and evaluate. However, five parameter were chosen and subjected to the respondents give their comments in terms of whether the parameters were used as a measure of performance. Their responses were consolidated in the table below:

Table 4.6 Responses on the use of Performance Parameters

Measuring Parameter	Applied	Not applied
Profitability	25 (100%	0 (0%)
Number of Accounts opened	12 (48%)	13 (52%)
Volume of Loans and Advances	5 (20%)	20 (80%)
Carded Customers	0 (0%)	25 (100%)
Eazzy 24/7 Registration	0(0%)	25 (100%)

From the table above, all the branches used included the use of number of accounts opened. However, 5% used volume of loans and advances as an indicator while none used carded customers and Eazzy 24/7 parameters.

4.2.7 Percentages of Up-time for ATM Facilities

The introduction and use of Automated Teller Machines (ATMs) revolutionized the banking industry across the world. They are supposed to be utilized by customers for 24-hours and this aspect was examined in this study. However, the aspect of security at night was expected to impact on the up-time of the ATM services across the studied branches. The results were as shown below:

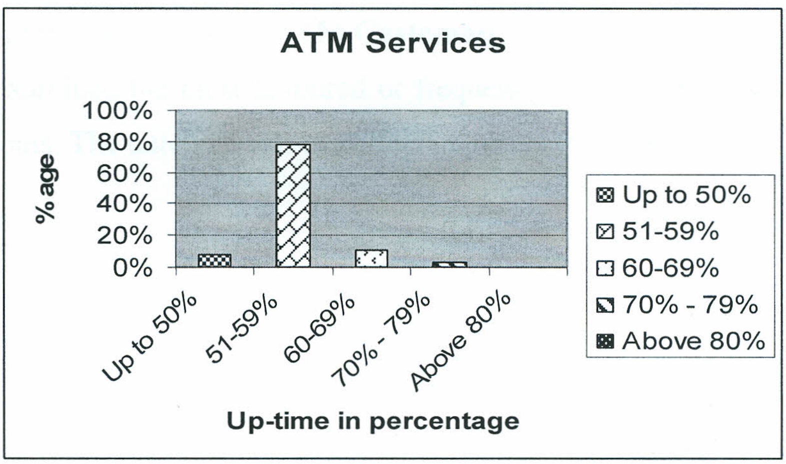
Table 4.7 Percentage up-time of ATM services

Up-time in Percent	Response for Each Bracket
Up to 50%	8%
51-59%	78%
60-69%	11%
70% - 79%	3%
Above 80%	0%
Total	**100**

Source: (Researcher, 2012)

From the data above, 8% of the respondents indicated that ATMs up-time was up-to 50% of the time, 78% was between 51% - 59%, 11% indicated it was between 60%-69% and 3% indicated it was between 70% -79% of the day's time. No respondent indicated over 80% uptime which could have meant 19hours out of 24 hour up-time for certain ATM branches. Thus majority of customers use ATMs during the day as opposed to the night time.

Fig. 4.5 Up-time of ATM Services



Source: (Researcher, 2012)

4.2.8 Services Offered by ATM facility

The study sought to find out the major ATM services frequently used by the customers, in the opinion of the respondents. It is worth noting that ATMs provide these services to the customers.

Table 4.8 Comments on the Use of ATM facilities offered by Branches

Measuring Parameter	Applied	Not applied
Cash Withdrawal	25 (100%)	0 (0%)
Cash/Cheque Deposits	25 (100%)	0(0%)
Balance Enquiries	25 (100%)	0(0%)
Cheque Books requisition	25 (2%)	0(98%)
Share Purchase /Sale	1(4%)	24 (96%)

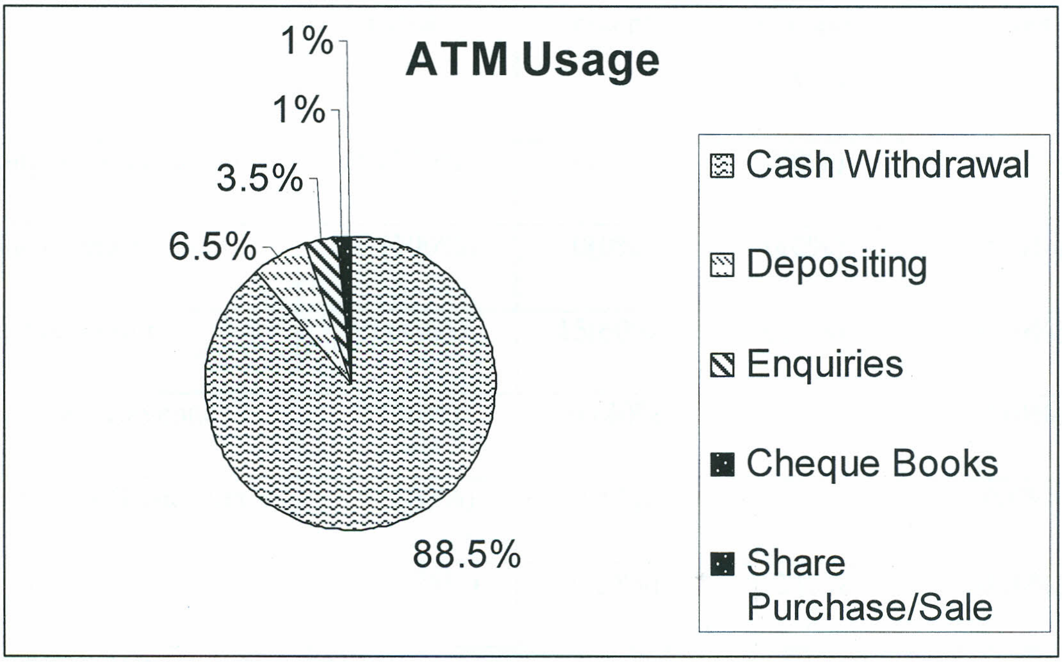
Source: (Researcher, 2012)

From the table above, all (100%) of the respondents maintained that all branches offered cash withdrawal services through ATM facilities. Similarly, all the branches indicated that ATM facilities responding to balance enquiries from the customers. It was noted that in all branches, ATM was used for cheque book requisition but only 4% of the ATM services was used for sale and purchase of shares.

4.2.9 Frequency of Usage by ATM Customers

The study examined the most favoured or frequently used ATM service as indicated by the respondents. The outcome was as shown in the chart below:-

Fig. 4.6 ATM Usage



Source: (Researcher, 2012)

4.2.10 Opinion regarding extent of gaining competitive advantage

The study sought to establish the opinion of the respondents in regard to gaining competitive advantage from the ATM facilities. The advantages from which opinion were to be drawn from include reducing congestion in banking halls, provision of 24/7 service, cost reduction, increased revenues and enhanced brand image of the bank.

Table 4.9 Extent to which respondents agreed with the advantage

ATM Advantage	Very Great extent	Great extent	To a certain extent	Very small extent	No extent at all
Congested reduction	25 (100%)	0(0%)	0(0%)	0 (0%)	0(0%)
Convenience (24/7)	25 (100%)	0(0%)	0(0%)	0 (0%)	0(0%)
Cost reduction	10 (40%)	15(60%)	0(0%)	0 (0%)	0(0%)
Increased Revenue	9 (36%)	10 (40%)	6 (24%)	0 (0%)	0(0%)
Enhanced Brand Image	25 (100%)	0(0%)	0(0%)	0(0%)	0(0%)
Average	18.8 (75%)	5(20%)	1.2 (5%)	0 (0%)	0(0%)

(Source: Researcher, 2012)

From the table above, on average, 75% of the respondents indicated that to a very great extent, the five ATM advantages contributed to Equity competitive advantage position in the market. Likewise, 20% to a great extent supported the same, 5% to a certain extent but only 2% who maintained to a very small extent.

4.2.11 Savings of Time for Business Transaction

The study examined the extent to which respondents agreed or disagreed with the aspect of time saving when undertaking transactions using the Eazzy 24/7 service.

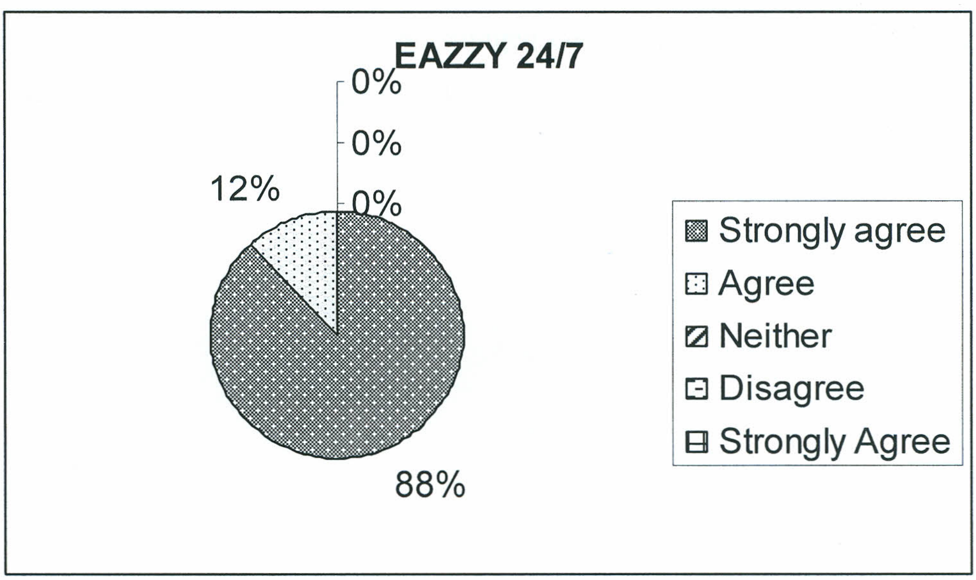
Table 4.10 To what extent do you agree that Eazzy 24/7 saves time

Comment	Frequency	Percentage
Strongly agree	20	88
Agree	5	12
Neither	0	0
Disagree	0	0
Strongly Agree	0	0
Total	**25**	**100**

Source: (Researcher, 2012)

From the table above, 88% of the respondents strongly agreed that Eazzy 24/7 saved time for the users. The remaining 12% also agreed with the proposition.

Fig. 4.7 Mobile Banking (Eazzy 24/7)



Source: (Researcher, 2012)

4.2.12 Eazzy 24/7 Encouraging Customers to make Transactions on their Own

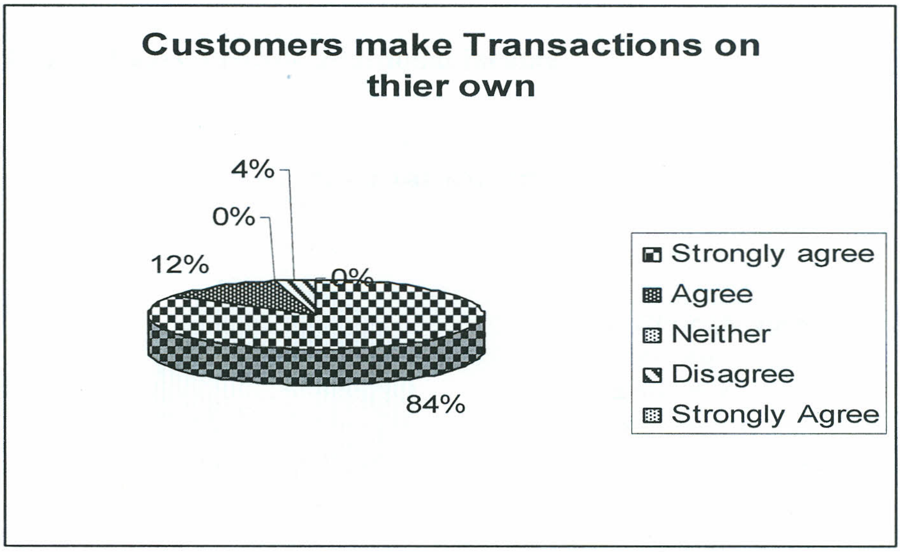
The study sought to find out the extent to which the users Eazzy 24/7 affected many transactions on their own, without facilitation from the banks' Staff.

Table 4.11 Customers initiate many Transactions on their Own

Comment	**Frequency**	**Percentage**
Strongly agree	21	84
Agree	3	12
Neither	0	0
Disagree	1	4
Strongly Agree	0	0
Total	**25**	**100**

From the table above, 84% and 12% of the respondents strongly agreed and agreed, respectively, that Eazzy 24/7 encouraged customers to make many transactions on their own. However, only 4% disagreed.

Fig. 4.8 Customers Initiate Transactions on their own



Source: (Researcher, 2012)

4.2.13 Eazzy 24/7 as a provider of Additional Income.

The study examined if Eazzy 24/7 was viewed as a provider of additional income to the bank.

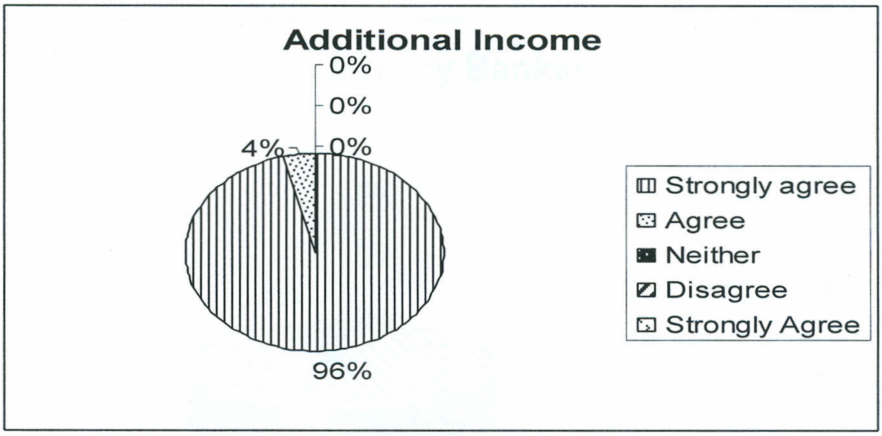
Table 4.12 Eazzy 24/7Provides Additional Income stream to the Bank

Comment	Frequency	Percentage
Strongly agree	24	96
Agree	1	4
Neither	0	0
Disagree	0	0
Strongly Agree	0	0
Total	**25**	**100**

Source: (Researcher, 2012)

From the table above, 96% of the respondents strongly agreed that Eazzy 24/7 provided additional income stream to the bank. This was agreed by another 4%.

Fig. 4.9 Does Eazzy Provide additional income



Source: (Researcher, 2012)

4.2.14 Eazzy 24/7 as a Platform for Agency Banking

Eazzy 24/7 was introduced to enhance service delivery to the customers and provides a platform for agency banking. This aspect was examined in this study.

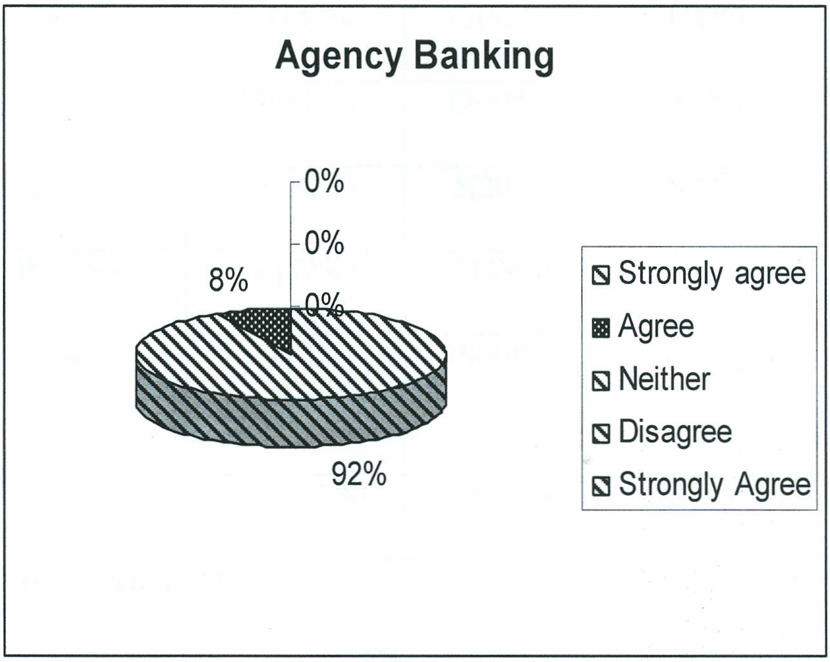
Table 4.13 Eazzy 24/7 is a Platform for Agency banking Business

Comment	Frequency	Percentage
Strongly agree	23	92
Agree	2	8
Neither	0	0
Disagree	0	0
Strongly Agree	0	0
Total	**25**	**100**

Source: (Researcher, 2012)

From the table above, 92% and 8% of the respondents, strongly agreed and agreed respectively, that Eazzy 24/7 is a platform for agency banking transactions.

Fig. 4.10 Agency Banking Business



Source: (Researcher, 2012)

4.2.15 Extent to which Agency Banking contribute to Competitive Advantage

Agency banking is recent Equity Bank initiative to enhance customer satisfaction level, retain customer's base and reach the unbanked members of the society among other reasons. The opinion of the respondents in relation to this aspect was examined.

Table 4.14 Extent to which Agency Banking Contribute to Competitive Advantage

ATM Advantage	Very Great extent	Great extent	To a certain extent	Very small extent	No extent at all
Congested reduction	11 (144%)	13(52%)	1(4%)	0 (0%)	0(0%)
Convenience (24/7)	13 (52%)	12(48%)	0(0%)	0 (0%)	0(0%)
Cost reduction	20 (80%)	5(20%)	0(0%)	0 (0%)	0(0%)
Increased Revenue	18 (72%)	7 (28%)	0 (0%)	0 (0%)	0(0%)
Increased No. of accounts	15(60%)	10(40%)	0(0%)	0(0%)	0(0%)
Average	15.4 (62%)	9.4(37%)	0.2 (1%)	0 (0%)	0(0%)

Source: (Researcher, 2012)

From the table above, on average, 62% of the respondents indicated that to a very great extent, agency banking contributed to competitive advantage of Equity Bank. Similarly, 37% said to a great extent while 1% only to a certain extent. In particular, 44% and 13% of the respondents maintained that agency banking reduced congestion in banking halls to very great extent and to a great extent respectively. The aspect of convenience was to a very great extent praised by 52% of the respondents while 48% it was to a great extent. On the other hand, 80% and 20% of the respondents indicated that agency banking reduced cost to a very great extent and to a great extent respectively.

4.2.16 Influence of Agency Banking on Marketing Approach by Equity Bank

This study wanted to find out the extent to which agency banking influenced the marketing approach undertaken by the Equity Bank.

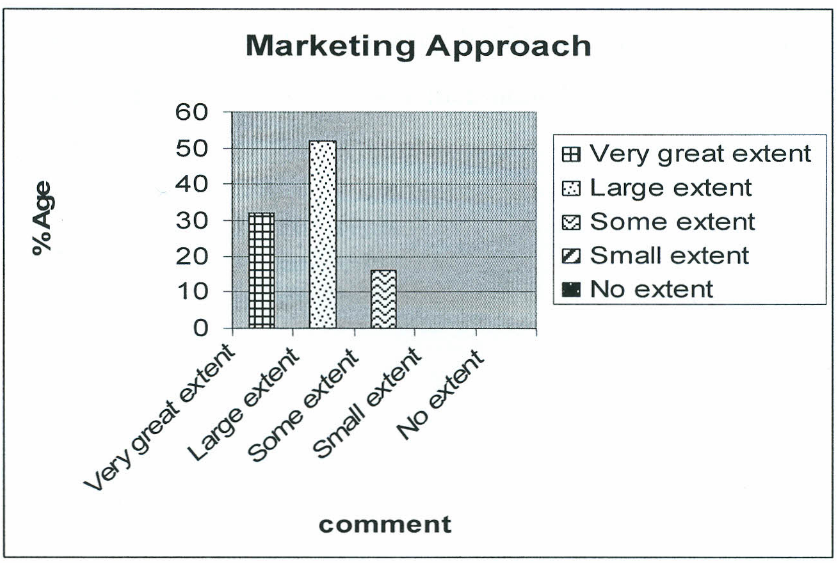
Table 4.15 Extent to which Agency Banking influenced Marketing Approach

Comment	Frequency	Percentage
Very great extent	8	32
Large extent	13	52
Some extent	4	16
Small extent	0	0
No extent	0	0
Total	**25**	**100**

Source: (Researcher, 2012)

From the table above, 32% of the respondents indicated that to a very large extent, agency banking influenced Equity bank's marketing approach. Similarly, 52% stated to a large extent and 16% to some extent.

Fig. 4.11 Equity Banking Approach



Source: (Researcher, 2012)

4.2.17 Influence of Agency Banking on Service Delivery

Equity bank always aims at enhancing it service delivery consistently. The use of agency banking was expected to contribute to these goals. The outcome from the respondents was as shown below:

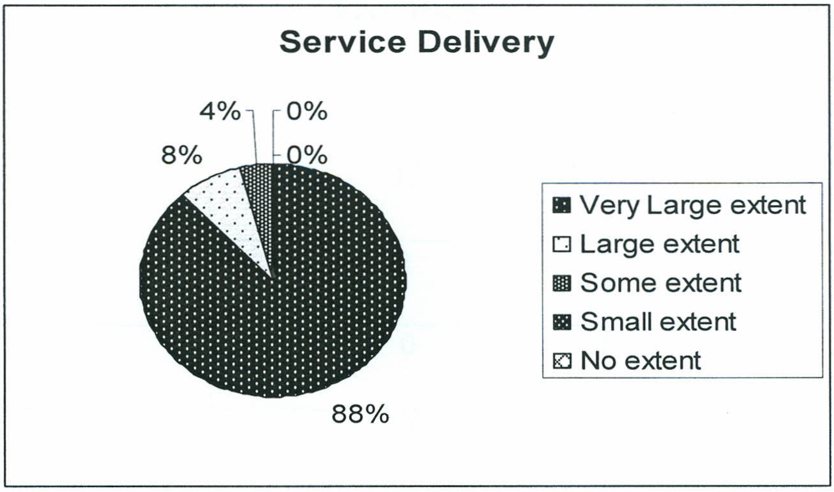
Table 4.16 Extent to which Agency Banking influenced Service Delivery

Comment	Frequency	Percentage
Very Large extent	22	88
Large extent	2	8
Some extent	1	4
Small extent	0	0
No extent	0	0
Total	**25**	**100**

Source: (Researcher, 2012)

From the above data, 88% and 8% of the respondents, to a very large extent and to a large extent, respectively, indicated that agency banking influenced positively service delivery at Equity Bank branches. Another 4% maintained to some extent that service delivery was enhanced.

Fig.4. 12 Agency Banking influence Service Delivery



Source: (Researcher, 2012)

4.18 Influence of Agency banking on Customer Outreach

The Equity Bank considers customer outreach programs as critical in enhancing its customer base. The agency banking was facilitated to enhance customer outreach efforts across the country.

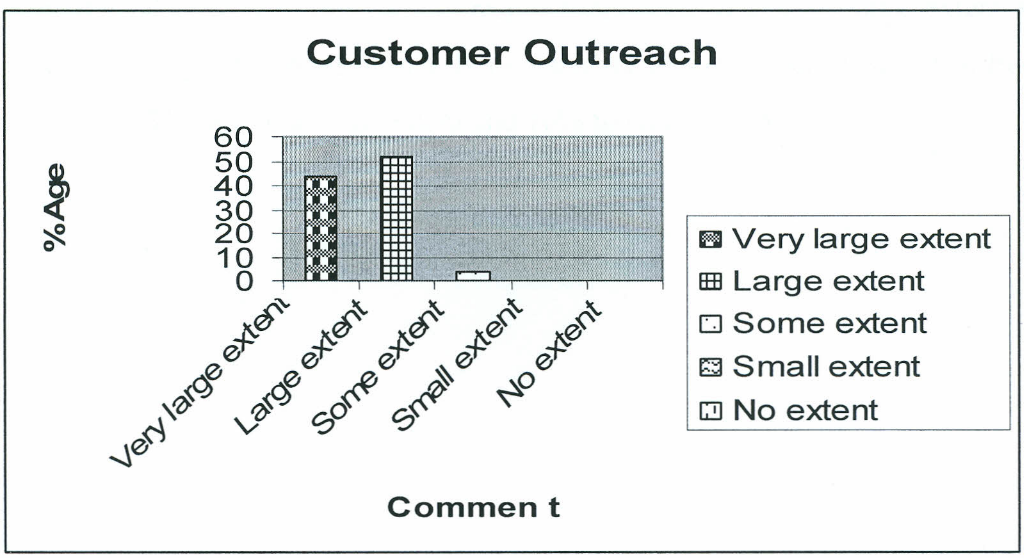
Table 4.17 Extent to which Agency Banking influenced Customer Outreach

Comment	Frequency	Percentage
Very large extent	11	44
Large extent	13	52
Some extent	1	4
Small extent	0	0
No extent	0	0
Total	**25**	**100**

Source: (Researcher, 2012)

From the table above, 44% and 52% of the respondents maintained, to a very large extent and to a large extent, respectively, that agency banking positively influenced customer outreach programs likewise, 4% some extent with the same proposition.

Fig. 4.13 Agency Banking Influence Customer Outreach



Source: (Researcher, 2012)

4.2.19 Influence of Agency Banking on Capacity Utilisation of Resources

Efficient utilisation of banks resource translates into higher profit levels and reflects prudent management. A business should focus on its core function and maximize returns from the available resources at its disposal.

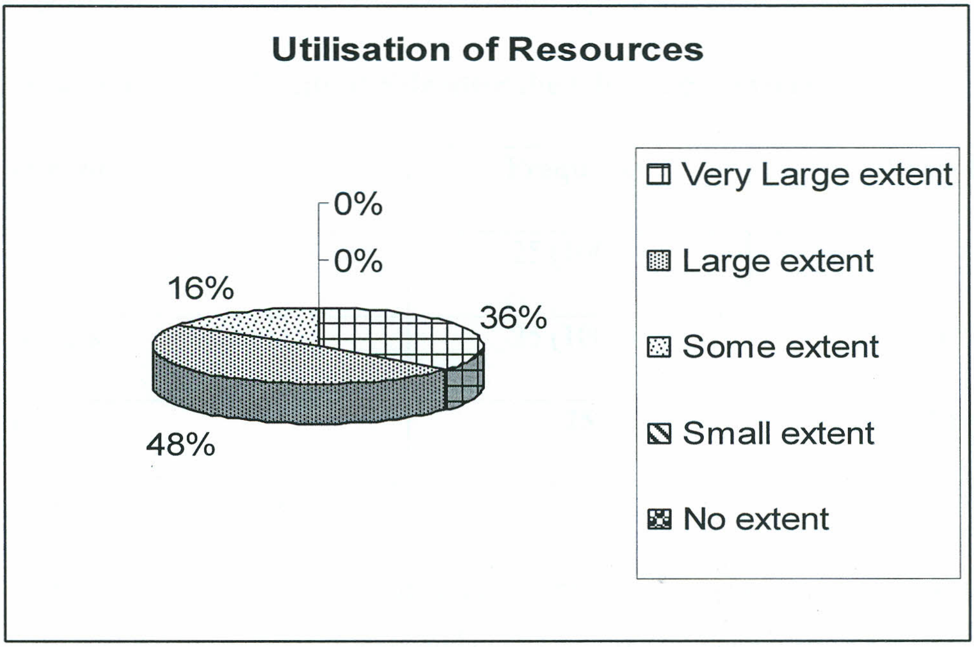
Table 4.18 Extent to which Agency Banking influence Utilisation of Resources

Comment	Frequency	Percentage
Very Large extent	9	36
Large extent	12	48
Some extent	4	16
Small extent	0	0
No extent	0	0
Total	**25**	**100**

Source: (Researcher, 2012)

From the table above, 36% of the respondents, said to a very large extent stated that agency banking influenced positively on capacity utilization of resources at Equity bank. Similarly, 48% said to a large extent and 16% to some extent.

Fig. 4.14 Agency banking influence Utilisation of Resources



Source: (Researcher, 2012)

4.2.20 Value Addition by points of Sale at Equity Bank

Value addition is of paramount importance in Service Delivery. This translates into revenue generation and in enhancement customer satisfaction level.

Table 4.19 In your Opinion, does Points of Sale add Business Value?

Comment	**Frequency**	**Percentage**
Yes	25	100
No	0	0
Total	**25**	**100**

Source: (Researcher, 2012)

From the data above, All the respondents 25 (100%) said that points of sales is very important in service delivery and add business value

4.2.21 Service Offered by Point of Sale Machines

The machines used at points of sale are expected to enhance service delivery and boost the performance of the bank as a whole. This aspect was examined.

Table 4.20 Does the Points of Sale offer the following Services

Comment	**Frequency**	**Percentage**
Payment of goods and services	25 (100%)	0(0%)
Cash back	25 (100%)	0 (0%)
Total	**25**	**100**

Source: (Researcher, 2012)

From the table above, 100% of the respondents indicated that Equity Bank points of sale offered both services of payments and cash back to the customers.

4.2.22 Points of Sales as another Income Generator

Points of sales benefit both the service provider and the customers at the same time. The opinion of the respondents was sought on this aspect.

Table 4.21 Points of Sale contributes to Revenue Generation

Comment	**Frequency**	**Percentage**
Yes	25	100
No	0	0
Total	**25**	**100**

Source: (Researcher, 2012)

From the above figures, all the respondents, 100%, maintained that points of sale was an alternative income or revenue generator for the Equity Bank. Hence the service contributed to the general profitability of the Bank.

4.3 Data Analysis and Interpretation for the Agents

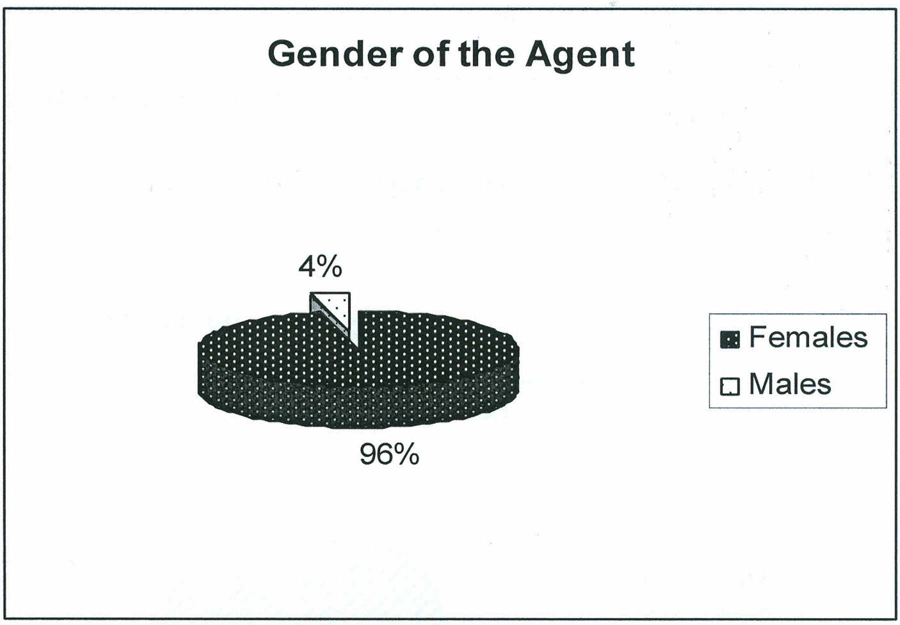
4.3.1 Response Rate for the Agents

The study evaluated the response rate of the agents which the administration of 30 questionnaires. The researcher consistently followed all the agents until the questionnaires were fully received duly completed. Therefore the response rate for agents was 100%.

4.3.1 Gender of the Agents

The study sought to establish the gender balance of the agents to identify if is in favour of one or not.

Fig. 4.15 Gender of the Agents



Source: (Researcher, 2012)

From the figures above, females constituted 96% of the agents who operated branch authorized services while males accounted for only 4%. Thus the number of female agents surpassed that of male counterparts.

4.3.2 Age of Distribution of the Agents

It was considered appropriate to find out the age distribution of the agents to establish which bracket constituted the majority of those who qualified as Equity Agents.

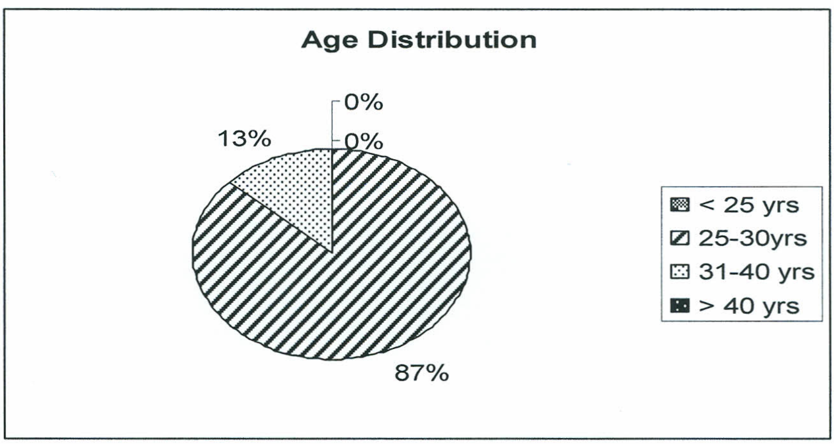
Table 4.22 Age Distribution

Age Bracket	Frequency	Percentage
< 25 yrs	0	0
25-30yrs	26	87
31-40 yrs	4	13
> 40 yrs	0	0
Total	**30**	**100**

Source: (Researcher, 2012)

From the data above, 87% of the agents were between the ages from 25-30 years while 13% were between 31to 40 yrs age bracket.

Fig. 4.16 Age Distribution of Agents



Source: (Researcher, 2012)

4.3.3. Length of Service of the Agents

The length of time, in years, which the agents operated their business was examined. Agency banking is a relatively new frontier in the banking sector.

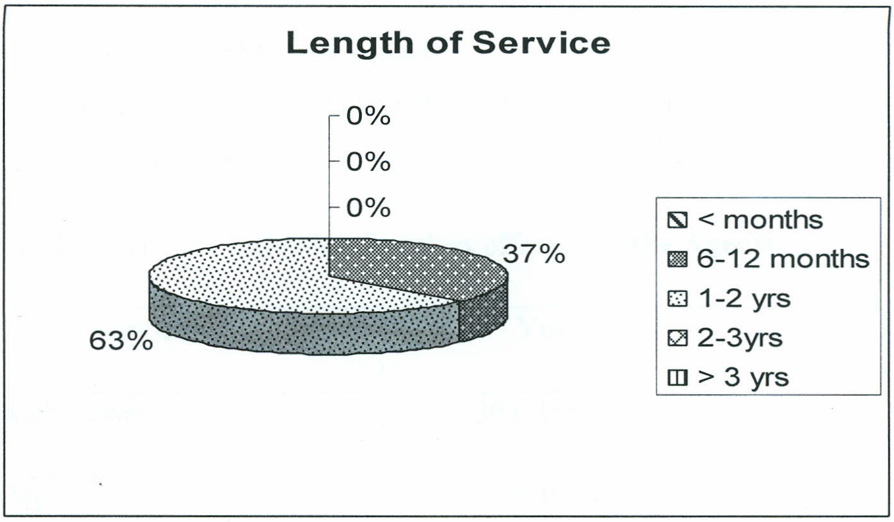
Table 4.23 Length of Service

Duration	**Frequency**	**Percentage**
< months	0	0
6-12 months	11	37
1-2 yrs	19	63
2-3yrs	0	0
> 3 yrs	**0**	**0**
Total	**30**	**100**

Source: (Researcher, 2012)

From the table above, 37% of the agents had operated the agency service for between 6to 12 months while 63% had been in business between 1-2 years.

Fig. 4.17 Length of Service

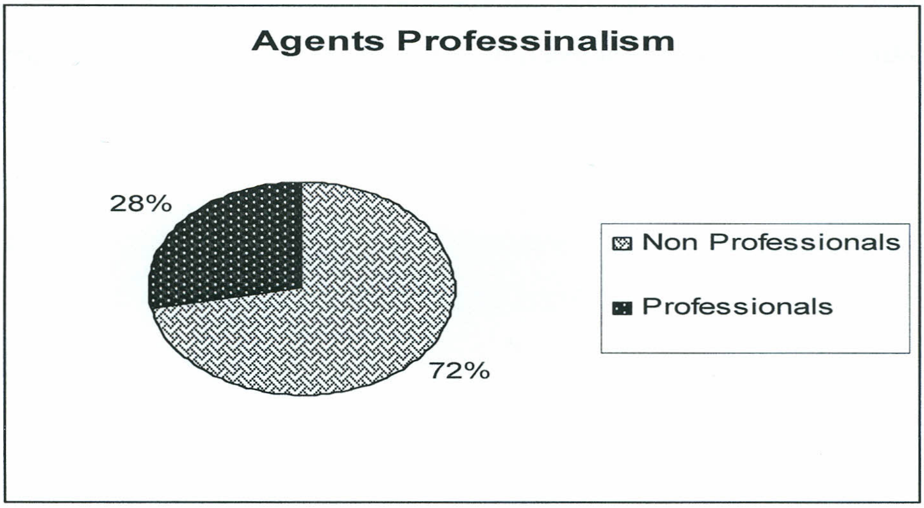


Source: (Researcher, 2012)

4.3.4 Professionalism of the Agents

Professionals include those with specific trained skills that add value to the provision of services or in the production of goods. This aspect was examined.

Fig. 4.18 Professionalism of the Agents



Source: (Researcher, 2012)

From the figure above, 72% of the agents were not members of any professional body. However, 28% were members mostly in business and accountancy field.

4.3.5 Services Offered by the Agents

The Equity bank agents complement the services of the main bank by offering essential services as illustrated below:

Table 4.24 Are the following Services offered by the Agents

Services	Yes	No
Cash Withdrawal	30 (100%)	0 (0%)
Cash Deposits	30 (100%)	0(0%)
Account Opening	30 (100%)	0(0%)
Dormant reactivation	30 (100%)	0(98%)
Loan Process initiation	12(40%)	18 (60%)

(Source: Researcher, 2012)

From the data above, all the agents, 100% offered essential services to customers that include cash withdrawals, cash depositing, opening customer's accounts and reactivating dormant accounts. However, only 40% initiated loan process for the customers.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, details of summary of major findings, conclusions and recommendations are presented. These three research outcomes are based on the specific objectives of the study. They constitute the end results and action areas under the heading of recommendations.

5.2 Summary of Major Findings

The study found that most of the respondents were within the age bracket of 26-30 years and males dominated the staff category at Equity Bank branch. It was also fund that most for the staff had graduate level of education and had been with the bank of less than 10 years, on average.

From the respondents it was evident that Equity bank provided four key alternative business channels to its customers with the aim of attaining a competitive advantage in the market. These channels included ATMs, Point of Sales, Mobile-Banking and Agency Baking Services. In terms of measuring success of performance, all the branch considered profitability aspect as the most performance indicator used by the management. A significant number of branches went further to include number of accounts opened during the year as another indicator of performance.

Research question one: To what extent does ATMs influence the performance of Equity bank branches? The study found that all branches of Equity bank operated ATM services which were found to be busy most of the working hours. Almost all the respondents indicated that the up-time of each branch ATM was high throughout the daytime i.e above 80%. The study further established that in almost all ATM's services, cash withdrawals, funds depositing, balance enquiries requests and requisition of cheque books were the most common services sought by the customers. Very few customers used ATM services to purchase or sale shares that are traded in the stock markets.

In terms of rating the most favoured ATM services, the study found that cash withdrawals and depositing were on the top of the list. The study, in addition found that ATM services created numerous advantages to the bank. Majority of the respondents indicated that ATMs to a very great extent, reduced congestion in the banking halls, enhanced convenience levels of the customers by offering 24/7 service and reduced operational cost of the bank. Another significant proportion of the respondents indicated that ATM's increased revenue generation base and also enhanced the image of the bank.

Research Question Two: To what extent does Eazzy 24/7 service affect the performance of Equity bank branches in Nyeri County? It was found that the facility was gaining popularity and usage because both the service provider and the customers saved precious time by operationalising the service. It was also found that Eazzy 24/7 encouraged many customers to make their own financial transactions instead of visiting the bank. This in turn enables the bank to gain competitive advantage in the market. The service was found to have created an additional income generating activity for the bank as well as expanding the banking platform to the current and potential customers of the bank.

Research question three: To what extent does agency banking influence the performance of Equity bank branches? The study found out that Equity Bank gained a competitive advantage by engaging the services of agency banking. Majority of the respondents, to a great extent maintained that agency banking contributed to reduction of congestion in its banks, enhanced customer's convenience by operating many working hours and attracted more customers into the banking system. The study found that the role of agency banking was regarded highly by the customers as well as by the Equity Bank. It was found from the respondents that agency banking influenced the growth of Equity business by expanding its marketing base, enhanced service delivery, promoted customer outreach program and enhanced capacity utilization at Equity Bank branches.

Research Question Four: To what extent does points of sale affect the performance of Equity bank branches in Nyeri County? In relation to the points of sales services, the study found all branches offered these services to its customers. Of great importance was that point of service machines offered services like payments for goods as requested by the customers. The facility was also found to have contributed to generation of extra revenues to the bank. This adoption of technology in the banking sector was contributing to enhanced overall performance of the bank.

5.3 Summary of the Findings from the Agents

The study found that most of the agents were females although it was not clear whether they were the owners or not. Most of them were relatively young, that is, below 30 years of age and had operated their business for a period of less than two years. The study further found that majority of them had professional qualifications; either in technical field or in management.

Almost all the equity bank agents offered the common agency services such as cash withdrawals by the customers, cash depositing, opening new accounts for the customers and reactivating dormant accounts. There was no indication that the agents facilitated loan processing for the customers.

5.4 Conclusions

Conclusions were drawn from the research findings obtained from the respondents. The study examined the effects of implementing alternative business channels on the performance of Equity Bank branches operating in Nyeri County. The study concludes that Equity Bank adopted some strategic alternative channels to reach out to its customers, besides its traditional banking hall transactions. The use of ATM facilities, points of sale, mobile banking and agency banking were pointed out as instrumental business channels which contributed to attainment of competitive advantage to the Equity bank.

In terms of which indicators were used by various branches as profit centers to measure performance, the study concludes that profitability was the most common indicator used in all the branches. A significant number of branches included the use of number of newly opened accounts as an indicator of the branch performance.

It was found that ATM services, as an alternative business channel, was busy most of the daytime hours where majority of the respondents indicated that they operated over 80% of day time period. Majority of the customers, the study concluded, used ATM facilities largely for cash withdrawals and funds depositing. Likewise, ATM's were frequently used by customers to provide balance statements. However, very few customers used it to requisite for cheque books and transact in shares trade. The use of ATM facility in the Equity Bank branches, the study concludes, resulted into reduction of congestion, offered convenience to customers, reduced banks operational costs and consequently increased revenue generation for the bank. To a significant extent, ATMs contributed to enhancing the image of the bank.

Mobile banking services were found to have brought numerous advantages to the bank. The services saved time compared to the traditional banking transactions. The study concludes that Eazzy 24/7 encouraged customers to make banking transactions on their own without engaging the bank staff as well as using papers to effect transactions. Above all, the M-Banking services created a platform for agency banking transactions and in turn contributed additional income stream to the bank.

Agency banking facilitated the bank to make some extra gains in several fronts. It was credited with reducing congestion in the banking hall, enhanced convenience to all players, resulted into cost reductions and made it easy for many customers to open accounts with Equity Bank. The study further concludes that agency banking complemented marketing activities, enhanced service delivery, expanded customer outreach exercise and broadened base for capacity utilisation.

The study went further to conclude that point of sale machines were pivotal in enhancing quality and efficiency of service delivery. Customers enjoyed the services of point of sale facilities especially when paying for the goods and services purchased. It was also concluded that point of sale facilities added a new income generating stream to Equity.

Generally, the study concludes that Equity Bank enhanced its overall performance by adopting and implementing key alternative business channels in all its branch network. The use of ATM facility, use of mobile banking technology, adoption of agency banking system and use of point of sales machines were found to have enhanced Equity's performance in terms of profitability, revenue growth, expansion of operations and attracting new customers.

The agents were found to be active players in supporting the bank's efforts to reach out to the unbanked, provided key services previously found in the banking halls and created convenience and accessibility to the citizens.

5.5 Recommendations

From the study findings and conclusions, a number of recommendations have been formulated. The management is advised to support its staff to pursue their academic and professional studies through sponsorships, study leave and use of moral support. Such capacity building measures will boost the skills and competencies of the staff which translate into enhanced productivity and efficiency. Mechanisms should be developed to enhance staff loyalty levels and minimize possible staff turnover issues. It was evident that majority of the staff had less than ten years of service with the bank.

Equity Bank should continue to invest significantly in technology in order to reap from these numerous advantages. New software's, new processes, new products and bench marketing practices will continue to be of critical importance to the banking industry. Management will be expected to increase support to the research and development department to enable the bank open up to new frontiers, remain innovative, enhance service delivery and respond in good time to ever changing market environment.

The management should sustain the program of popularizing the mobile banking system because both the bank and the customers gain more from its services. Most people in the rural areas are not aware of this service which is important in commercial and domestic transactions.

Agency banking is gaining popularity to the general members of the public. Surveys should be undertaken to find out if potential risks and obstacles exist as the service is extended into the rural areas where majority of the citizens reside. There is a need to sensitize all those intending to partner with the bank to establish agency facilities to be aware of customer's expectations and their role in complementing banks efforts to serve Kenyans better.

5.6 Areas for Further Research

It is proposed that a similar study should be conducted involving other banks in Kenya to establish the influence of Alternative Business Channels on their performance.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

This study aims at investigating the effects of alternative business channel diversification strategies on the performance of Equity Bank Branches in Nyeri County. It is in partial fulfillment for a degree of masters of business administration, Kenyatta University. All responses will be treated in strict confidence and will not be used for any other purpose apart from that stated.

Thank you.

SECTION A: PERSONAL AND ORGANISATIONAL DETAILS

1 Please indicate the name branch____

2 What is your position in the branch?

Position	Branch Manager	Operations Manager	Credit Manager	Agents Supervisor	Account Opening Supervisor
Please tick (□)					

3 Kindly indicate the age bracket in which you fall in.

Age	0 – 25	26 - 30	31 - 50	51 - 70
Please tick(□)				

4 What is your gender? Please tick. □ Male □ Female

5 What is your highest level of education? Please tick (□)

□ Masters Holder □ Degree holder □ Diploma □A-Level □ Form Four

6 How many years have you worked in the Bank?

Years of Service	1 – 5	6 - 10	11 - 30	Over 31
Please tick (□)				

7 How long have you served with this Branch?

Years of Service	1 – 5	6 – 10	11 - 15	Over 15
Please tick (□)				

8 Has your branch adopted any of the following Alternative Business Channels to gain competitive advantage for business growth?

	Yes	No
ATMs	[ ]	[ ]
Point of Sales	[ ]	[ ]
Mobile Banking	[ ]	[ ]
Agency Baking	[ ]	[ ]

9 What is your Branch's main performance indicator?

Profitability [ ]

Number of Accounts opened [ ]

Volume of loans and advances [ ]

Carded customers [ ]

Eazzy 24/7 Registration [ ]

SECTION B: ATMs

10 Kindly indicate the number of ATMs in your Branch ---------------

11 What is the percentage Up-time of your ATMs in your branch?

Up to 50%	[ ]
51%-59%	[ ]
60%-69%	[ ]
70%-79%	[ ]
Above 80%	[ ]

12 Do your ATMs offer the following Services? Kindly tick Yes or No

Cash Withdrawal	[Yes]	[No]
Cash/Cheque Deposits	[Yes]	[No]
Balance Enquiries/Mini statements requests	[Yes]	[No]
Cheque Books requisition	[Yes]	[No]
Share Purchase /Sale	[Yes]	[No]

13 In a scale of 1-5, with 1 being the most favorable and 5 being the least, which service is mostly used by your customers?

Cash Withdrawal	[ ]
Cash/Cheque Deposits	[ ]
Balance Enquiries/Mini statements requests	[ ]
Cheque Books requisition	[ ]
Share Purchase /Sale	[ ]

14. The table below shows the advantages of ATMs in gaining competitive advantage and growth of business. Tick how each of the following advantages contribute to gaining competitive advantage and value addition in your business. Use **No extent, Very small extent, Small extent, Great extent, Very great extent.**

	No Extent	**Very small extent**	**Small Extent**	**Great extent**	**Very great extent**
Congestion reduction in banking hall					
Convenience (24/7 service)					
Cost Reduction					
Increased Revenue					
Enhancing the brand image of the bank					

SECTION C: MOBILE BANKING (EAZZY 24/7)

15 The following statements are related to the mobile banking (Eazzy 24/7). Indicate to what extent you agree or disagree with the statement.

1. Strongly disagree 2. Disagree 3.Neutral 4.Agree 5.Strongly agree

Eazzy 24/7 mobile services save time for a business transaction.

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

Eazzy 24/7 encourage customers to make many transactions on their own.

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

Eazzy 24/7 is an additional income stream for your branch

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

Eazzy 24/7 is a platform for agency banking business.

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

SECTION D: AGENCY BANKING

16. The table below shows the contribution of Agency Banking to business growth. Tick how each contribute to gaining competitive advantage and value addition in your business. Use **No extent, Very small extent, Small extent, Great extent, Very great extent.**

	No Extent	**Very small extent**	**Small Extent**	**Great extent**	**Very great extent**
Congestion reduction in banking hall					
Convenience (24/7 service)					
Cost Reduction					
Increased Revenue					
Increase in the no. of accounts opened or reactivated					

17. To what extent do you think Agency Banking has influenced the growth of business in your branch in respect to the following?

Please tick (☐)

Marketing Approach

☐ No extent ☐ To a small extent ☐ To some extent ☐ To a large extent ☐ To a very large extent

Service Delivery

☐ No extent ☐ To a small extent ☐ To some extent ☐ To a large extent ☐ To a very large extent

Customer Outreach

☐ No extent ☐ To a small extent ☐ To some extent ☐ To a large extent ☐ To a very large extent

Capacity utilization of resources

☐ No extent ☐ To a small extent ☐ To some extent ☐ To a large extent ☐ To a very large extent

SECTION E: POINTS OF SALE (POS)

18. Does the points of sale business add value to your branch?

Yes ☐

No ☐

19. Does your POS machines offer the following Services? Kindly tick Yes or No

Payment of goods/services [Yes] [No]

Cash back [Yes] [No]

Please indicate any other____

20. In your own view, is the Points of Sale business an income stream for your branch?

Yes ☐

No ☐

21.(a) If your answer in question 22 above is **Yes**, explain the ways POS contribute to the overall performance of your branch______________________________________

____

(b)If your answer in question 22 above is **No**, explain why you think it is not an income stream to your branch ____

____

SECTION F: PERSONAL DETAILS AND QUESTIONAIRE FOR THE AGENTS

The research collects data for the purpose of completion of a master degree in business administration. The information collected as for the above mention purpose will not be used for any other purpose whatever. It will be treated in absolute confidentiality.

1. Please indicate the name of branch your agent is attached to ____________________

2. Your Gender (please tick)

Male ☐ Female ☐

3. What is your age bracket?

21 – 24 years ☐ 2 5 – 30 years ☐ 31 – 40 years ☐ Over 40 years ☐

4. For how long have you been an Equity Agent?

Less than 6 months ☐

6 – 12 Months. ☐

1 – 2 years ☐

2 – 3 years. ☐

Over 3 years. ☐

5. Are you a member of any professional body?

Yes ☐

No ☐

6. If the answer is yes, which body?

____

____

____

7. What is your professional qualification? Please tick

Technical [ ]

Education [ ]

Management [ ]

Any other specify____

8. Do you offer the following Services at your agent location? Kindly tick Yes or No

Cash Withdrawal	[Yes]	[No]
Cash Deposits	[Yes]	[No]
Account Opening	[Yes]	[No]
Dormant Reactivation	[Yes]	[No]
Loan Process initiation	[Yes]	[No]

APPENDIX 2: INTRODUCTION LETTER TO THE QUESTIONNAIRE

Date.......................

Dear All,

My name is Daniel Karanja Nyingi a post graduate student of Kenyatta University. I am carrying out a study on **the effects of alternative business channel diversification strategies on the performance of Equity Bank Branches in Nyeri County** . I kindly request for your participation in this study by responding to all questions on this questionnaire as guided. Please be as truthful as possible. The information required is confidential and you need not to identify yourself in any way. The information you give will be treated with utmost confidentiality and used strictly for the purpose of this research study only.

Thank you all for your consideration of this request.

Yours Sincerely,

Karanja Nyingi.