STRATEGIC BANKING CHANNELS AND PERFORMANCE OF COMMERCIAL BANKS IN KENYA

JOHN MUTINDA KIOKO

D53/CTY/PT/37717/2016

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS, ECONOMICS AND TOURISM IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT OPTION) OF KENYATTA UNIVERSITY

NOVEMBER 2024

DECLARATION

I declare that this research project is my original work, and it has not been submitted for the award of any degree in any other institution. No part of the project should be reproduced without the authority of the author and/or Kenyatta University.

John Mutinda Kioko Date: 11/11/2024

D53/CTY/PT/37717/2016

This research project is submitted for oral defense with my approval as the appointed university supervisor.

Signature________________________________Date __________________________

Dr. Mary Ragui

Department of Business Administration

School of Business

Kenyatta University

DEDICATION

I take this opportunity to dedicate this research project to my mother Florence, my spouse Naomi, my son Cedric and my daughters Sharon, Celine and Cerrita for their boundless love and support that enabled me to accomplish this task.

ACKNOWLEDGEMENTS

I extend my deepest gratitude to my supervisor Dr. Mary Ragui for her unwavering support and insightful input throughout my research journey. Her deep commitment to academic excellence and keen eye to detail have shaped this project in a big way. I am also thankful to the members of my project committee composed of Dr. Kipkorir Sitienei, Mr Maina Rugami and Mr. Shadrack Bett for their constructive feedback and invaluable suggestions that greatly enriched the quality of my work.

I am also immensely grateful to my fellow students: Augustus Mutua, Fredrick Wagwa, Moses Ogwang, Danson Ndolo, Irene Kimaru, Jane Mutua, Joan Mwaura, Margaret Njenga, Mwenda Matiri, Peninah Mwangi, Viola Kirui, Edwin Ochieng, Mercy Gathigia, Arthur Nasivili, Caroline Kyalo, Faith Makunyi, Nelius Gatama and Ruth Kamaufor providing a supportive and intellectually stimulating community both during the course work and the project writing.

I owe an immense debt of gratitude to my parents, Florence and the late Richard, who nurtured my curiosity and supported my educational endeavors from my early years, my spouse Naomi and our children Sharon, Celine, Cedric and Cerrita for their endless support, patience, love and understanding during the most demanding phases of this research work.

Lastly, I am thankful to the entire Kenyatta University fraternity for providing me with an enabling, supportive and conducive environment throughout the learning process.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
ATM	Automated Teller Machine
EBL	Eastern Bank Limited
FEM	Fixed Effect Model
ICT	Information Communication and Technology
NACOSTI	National Commission for Science, Technology and Innovation
REM	Random Effect Model
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
HODs	Heads of Departments
HQs	Head Quarters

OPERATIONAL DEFINITION OF TERMS

Agency Banking Channel	Refers to the provision of banking services to clients on behalf of a licensed, prudentially regulated financial institution, such as a bank or any other deposit-taking commercial bank, by a third-party agency. In this study, the variable was assessed using several measures: the efficiency and reliability of agents, the total volume and value of transactions conducted through agents, the growth of the agent network, and the speed at which transactions are processed by agents. These measures collectively determine the impact of agency banking on the performance of commercial banks.
ATM Banking Channel	Refers to the use of automated teller machines (ATMs), which are electronic banking devices that provide cash withdrawals, deposits, and other services in response to a user inserting a plastic card and pressing the relevant programmable buttons. In this study, the variable was assessed using the uptime and availability of ATMs, the number of transactions performed at ATMs, the frequency of cash replenishment, and customer satisfaction with ATM services. These measures help evaluate the efficiency and effectiveness of ATMs in enhancing bank performance.

Strategic Banking channels	These are the methods through which a bank makes its services and products available to clients. In this study, the strategic channels considered are agency banking, mobile banking, ATM banking, and internet banking. These channels were assessed based on their individual and collective impact on the performance of commercial banks.
Internet banking channel	Refers to a system that enables bank customers to access their accounts and obtain a basic overview of the bank's goods and services through the bank's website. The variable was measured using the number of customers registering for internet banking services, the types of transactions conducted online, the speed and reliability of the internet banking platform, and compliance with security measures. These measures indicate the effectiveness of internet banking in improving customer engagement and operational efficiency.
Mobile Banking Channel	Refers to a service offered by a bank or other financial institution that enables its clients to carry out financial transactions remotely through a mobile device. The variable was assessed using the number of downloads and active users of the mobile banking app, the frequency with which customers use mobile banking services, the effectiveness of security measures in

place, and customer retention rates. These measures highlight the convenience and security of mobile banking, contributing to overall bank performance.

Performance Refers to the difference between an organization's actual output or achievements and its expected outputs in terms of goals and objectives. In this study, performance measures included operational efficiency, service delivery, and innovation. These indicators provide a comprehensive evaluation of how well commercial banks are utilizing strategic banking channels to achieve their objectives and improve their overall performance.

ABSTRACT

Performance in the context of commercial banks is a critical concern worldwide. Banks play a pivotal role in the financial stability and economic development of nations. Their performance is not only indicative of their financial health but also reflects the broader economic landscape. Strategic banking channels utilizing digital platforms are believed to improve the performance of banks by providing services and products to customers around the clock. However, despite the improving ratio, Kenya still remains overbanked compared to other major African economies. This study investigated the influence of strategic banking channels on the performance of commercial banks in Kenya. Specifically, it examined the impact of agency banking, mobile banking, automated teller machine (ATM) banking, and internet banking channels on the performance of commercial banks in Kenya. The study was anchored by Financial Intermediation Theory, Balance Score Card, Agency Theory, Diffusion of Innovation Theory, and Technology Acceptance Model (TAM). A descriptive research design was adopted for the study. The unit of analysis consisted of 13 commercial banks in Kenya that have implemented all the strategic banking channels. The unit of observation included 1,406 management staff at the headquarters of these banks, comprising directors, heads of departments (HODs), heads of units, and line managers. A purposive sampling method was used to select respondents based on their characteristics or relevance to the research. Subsequently, stratified sampling was employed to divide respondents into subgroups (strata) based on shared characteristics. The sample size was 311 management staff. Questionnaires were used to collect data from all respondents. These questionnaires were piloted to help the researcher reduce ambiguity and ensure the items were valid and reliable. Descriptive statistics, mainly mean and standard deviation, were used to summarize the quantitative data. Additionally, the study conducted inferential statistical analysis, including correlation and regression analysis. Data was presented using tables. The study was beneficial to the management of Kenyan commercial banks by providing insights into how these strategic banking channels can be used to improve performance in terms of profitability and customer satisfaction. It also helped the government of Kenya understand how these channels significantly influence the performance of commercial banks, which are key partners in achieving development goals through tax payments, revenue collection, and government lending. The study found that agency banking has frequently created a wider customer base across the country. Mobile banking has frequently enabled banks to allow their customers convenient access to their accounts anytime. ATMs were found to be cheaper to build and maintain, reducing a bank teller’s workload and labor costs. Internet banking has frequently enabled banks to offer funds transfer services to customers both within and outside the country. The research concluded that agency banking channels had the greatest effect on the performance of commercial banks in Kenya, followed by ATM banking channels, then internet banking channels, while mobile banking channels had the least effect. The Central Bank and the Kenyan government need to accelerate the interoperability of these strategic banking channels among commercial banks. In the long run, this will help banks reduce the cost of investing in technology individually by jointly developing and sharing available technological platforms and resources to offer products and services to their clients seamlessly.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

The most crucial element of the financial system in every nation and every society is regarded as being commercial banks. Business organizations and producing units value the existence of the commercial banking sector since it contributes significantly to the money supply (Suvita & Xiaofeng, 2017). Aktar, Sachu and Ali (2021) observe that large profitability is a sign of a commercial bank's strong performance, albeit there are some variations between performance and profitability. A bank's performance is deemed good if it achieves high profits. As a result, strengthening the performance of the commercial banking sector is crucial for a nation's economic development.

The performance of the banking system determines the stability and growth of a healthy economy in a nation, and commercial banks' acceptable performance is essential to the growth of any nation's overall economy (Edet, 2018). Akhisar, Tunay and Tunay (2019) observe that a strong banking system gives shareholders, managers, consumers, and other stakeholders the assurance that their money is secure, attracting greater foreign investment to the nation. In this regard, commercial banks have made use of strategic banking channels to expand their clientele and cut costs. However, a number of issues have arisen with these channels, raising doubts about their ability to affect performance.

Through the use of strategic banking channels, the banking industry's performance has significantly improved thanks to the availability of faster transaction times, efficiency, security, a variety of banking services, and cost-effective platforms (Dzombo, Kilika & Maingi, 2017). Currently, Nduta and Wanjira (2019) observe that financial organizations are thinking about unconventional or optional ways to provide their clients with credit and other financial services. Core banking solutions give banks the ability to increase total profit, allowing them to offer a wide range of consumer-focused services from a single location. Therefore, banks are investing in digital service channels to improve customer experience as well as give customers access to a greater range of functionalities.

Strategic banking channels have been adopted by banks due to the vast changes in technology and customer perspective globally. For instance, by 2017, a reported 5.5 million customers were registered users of online banking at the Middle East and an estimated 30% of all banking transactions were conducted online (Mahalaxmi, 2016). Kimball and Gregor 2017) observe that customers are now looking for multiple delivery channels and flexible as well as convenient working hours neither the clock nor the geographical locations are constraints. Therefore, almost all commercial banks are providing services through the various alternative electronic channels.

Payment system in Nigeria has improved over time, evolving from a manual processing of transactions to a semi use of technology. However, this evolution has only been at the banking end, hence a need for end user experience (Babatunde & Salawudeen, 2017). According to Oyewole, Abba, Gambo and Arikpo (2018), explosive growth in Information Communication and Technology (ICTs) have removed the narrowed digital divide and turned business sphere into an electronic world. Nigerian banks have no doubt invested much on technology and have widely adopted electronic and telecommunication networks for delivering a wide range of value added products and services.

Locally, Kenyan banking sector has undergone tremendous changes in the last two decades. Advances in technology and changing economic conditions have created impetus for this change (Maungu, 2015). Maungu (2015) observe that strategic banking channels can be utilized by the Commercial Banks in Kenya for acquiring, tracking and serving customers through multiple channels which have continuously been innovating new delivery channels at a high rate. In addition, the advancement of communication and computer technology have made it possible that one can do most banking transactions from any location even without stepping into a physical financial structure through such strategic banking channels. Therefore, in an effort to reach the unbanked people and financial institutions outreach on strategic banking channels, a revolution in the range of payment solutions has been witnessed.

1.1.1 Performance

Performance is the effective and efficient way in which a task, aim, or objective is carried out or accomplished and also refers to the degree to which an organization has accomplished the planned or assigned aims and objectives in accordance with predetermined and structured standards (Lenz, 2019). According to Almatrooshi, Singh and Farouk (2019), the intended goals of an organization specify and broadly cover the issues that the organization faces, and they give the organization a clear strategic orientation based on key performance metrics. This, therefore, means that the performance is based on financial and non-financial aspects of the organization.

performance, according to Kotler and Schlesinger (2015), is all about achieving goals through the conversion of inputs into outputs. This study used the profitability, market share, operational efficiency, and corporate image as performance indicators. The choice of these indicators depends on the specific goals of stakeholders, the regulatory environment, and the economic conditions. However, profitability, market share, operational efficiency, and corporate image are often included as they provide a comprehensive view of a bank's financial health, competitiveness, and sustainability, making them central to assessing a bank's overall performance.

A company's profitability may increase as a result of growing its market share. This is due to the fact that as businesses grow larger, they may scale as well, allowing them to cut their prices and restrain the expansion of their rivals (Laursen & Meliciani, 2019). Profitability is a fundamental indicator of a commercial bank's health and sustainability. Banks exist to generate profits, and their ability to do so reflects their operational efficiency, risk management, and competitiveness in the market. Key metrics include Net Interest Margin (NIM), Return on Assets (ROA), and Return on Equity (ROE). These measures assess how effectively a bank utilizes its assets to generate income and how well it rewards its shareholders.

The foundation for the organization management's consideration of a strategic change process is poor performance. This may be demonstrated by the company's profit margin or market share. Short and Palmer (2016) note that when an organization's management is faced with a circumstance like this, they will begin looking for better or management techniques that will be able to improve the organization's environment. Delombre and Bruzelius (2020) observe that market share reflects a bank's position in the competitive landscape. It provides insights into the bank's ability to attract and retain customers, which is crucial for long-term success. Market share can be assessed by analyzing the bank's share of deposits, loans, or assets within a specific market or industry segment.

Jeong and Phillips (2018) indicate that operational efficiency is an organization's capacity to carry out its plans with the least amount of resource use as well as requiring less time and money to accomplish the same thing. Operational efficiency is critical for cost control and maintaining competitiveness. Banks must operate efficiently to maximize profits and provide competitive services to customers. Efficiency ratios like the Efficiency Ratio (the ratio of operating expenses to revenue) and the Cost-to-Income Ratio (operating expenses as a percentage of total income) are commonly used to assess a bank's operational efficiency. A positive corporate image is essential for attracting and retaining customers, as well as for building trust within the community and with regulators. According to Allen and Rai (2019), a bank's reputation can significantly impact its ability to grow and maintain customer trust. Corporate image is challenging to quantify directly, but it can be assessed through surveys, customer feedback, and public perception.

In the US, commercial banking is a sector that is changing. Many people think that the Dodd-Frank Act's new regulatory environment and dealing with the global financial crisis's ongoing effects are the biggest problems that commercial banks have faced since the Great Depression (Barr, Killgo, Siems & Zimmel, 2018). Jaber and Al-khawaldeh (2020) observe that the Jordanian banking industry has experienced increased competitiveness over the past few years as a result of a number of factors. The Central Bank Directive on Banking and Financial Services, Operation and Supervision of Credit Institutions has deregulation as one of its main goals. All Jordanian banking institutions are given the competitive conditions by this order.

JPMorgan Chase is one of the largest commercial banks globally. In recent years, the bank has consistently reported strong financial performance. In 2020, despite the economic challenges posed by the COVID-19 pandemic, JPMorgan Chase reported a net income of over $29 billion. This was attributed to its diversified business model, strong risk management, and a well-executed digital strategy. The bank's ability to navigate a global crisis while maintaining profitability showcases the performance of leading global commercial banks.

Standard Bank is one of the prominent commercial banks in Africa, with a presence in several African countries. Its performance reflects the economic conditions and banking landscape in the region. In 2020, the bank faced challenges due to the pandemic and economic disruptions. However, it adapted by focusing on digital services and cost control measures. By the end of 2020, the bank's headline earnings were reported at ZAR

28.2 billion, demonstrating its resilience and adaptability in a regional context. Tanzanian commercial banks have undergone a number of technological and regulatory developments. The Bank of Tanzania closed five relatively minor banks in Tanzania at the start of 2018 after they repeatedly failed to meet capital standards (Switbert & Baleche, 2022). Simpasa (2022) indicate that in 2021, the banking industry in Tanzania saw a significant increase in performance, with rising operating income. Most significantly, since 2015, the assets of the banking sector have seen a very significant increase in value. Banks and financial institutions have been able to take use of the potential to strengthen the sector thanks to efforts to consolidate the industry, steps to improve banks' performance, and the recovery of the economy from the COVID-19 epidemic.

Kyengo, Muathe and Kinyua (2019) observe that the Kenyan banking industry is well-established, which suggests that existing businesses have segmented the market and made it difficult for new entrants. Commercial Banks in Kenya nevertheless face difficulties due to the country's extremely volatile market conditions as well as unfavorable legislation, fierce rivalry, a surge in non-performing loans, and lower earnings. Many commercial banks, according to Nyanaro and Bett (2020) were constructed using a mass market model that featured smallholder traders, who are particularly sensitive to shifting economic conditions. This keeps bank revenue very volatile, which makes long-term planning difficult. Entering new markets that provide solid revenues and long-term strategic thinking in line with the existing circumstances is necessary for them to function better.

Equity Bank is one of Kenya's largest commercial banks, and it has been a notable success story in the Kenyan banking sector. The bank's performance is often used as a benchmark for the industry in Kenya. In 2020, Equity Bank reported impressive financial results, with a profit after tax of Kes 19.8 billion. This was partly attributed to its strong focus on mobile banking and digital financial services, which allowed it to continue serving customers during lockdowns and restrictions caused by the pandemic. Equity Bank's performance highlights the importance of innovation and adaptability at the national level.

In evaluating the performance of Commercial Banks in Kenya, it is essential to consider a range of key performance measures. These measures include profitability, which reflects a bank's ability to generate income and return on investments; market share, indicating the bank's competitive position and its share of the banking industry; operational efficiency, assessing how well a bank manages its resources and controls costs; and corporate image, which encompasses public perception, trust, and reputation. The interplay of these measures is critical for the overall health and sustainability of Commercial Banks in Kenya. Together, they provide a holistic view of a bank's performance, taking into account financial strength, competitiveness, efficiency, and the trust and confidence it enjoys among its customers and stakeholders.

1.1.2 Strategic Banking Channels

Strategic banking channels play a pivotal role in the modernization of financial services and the enhancement of customer convenience. According to Nițescu (2018), these channels encompass contemporary methods for conducting banking activities, including non-traditional platforms such as bank automation, debit cards, ATMs, core banking, internet banking, mobile banking, credit cards, and Electronic Funds Transfer. Daniel and Storey (2019) contend that strategic banking channels involve alternative avenues for carrying out banking transactions beyond traditional means. These alternative distribution channels not only reduce costs and enhance competitiveness but also aid in retaining existing clients while attracting new ones. This study assessed strategic banking channels through agency banking, mobile banking, Automated Teller Machines (ATMs), and internet banking.

As noted by Motondi and Bula (2020), agency banking is a strategic channel that extends the reach of traditional banks by forming partnerships with retail outlets or agents in various locations. This approach enables customers to conveniently conduct basic banking transactions closer to their homes or workplaces. These agents act as intermediaries, offering services such as cash deposits, withdrawals, fund transfers, and bill payments. Agency banking enhances financial inclusion by reaching unbanked or underbanked populations in remote areas, thereby expanding a bank's customer base and market presence. By leveraging the trust and familiarity of local agents, banks can increase their customer base and deposits, ultimately improving their financial performance (Modupe, 2015). This study evaluated this variable based on the efficiency and reliability of agents, the total transaction volume and value, the growth of the agent network, and transaction processing speed.

Mobile banking, as described by Kumar, Nair, Parsons, and Urdapilleta (2016), leverages the ubiquity of smartphones to provide customers with convenient access to banking services anytime, anywhere. Dedicated mobile apps or mobile-friendly websites enable customers to perform a wide range of transactions, from checking account balances to applying for loans. Mobile banking enhances customer engagement through real-time updates, notifications, and personalized services. It also supports financial literacy by providing insights into spending habits (Guitterez & Singh, 2013). Kigen (2017) emphasizes that mobile banking aligns with the digital transformation of the banking industry, offering convenience and accessibility for managing finances on the go. For banks, it reduces operational costs associated with physical branches and paper-based transactions, contributing to improved efficiency. This study assessed this variable based on the number of mobile banking app downloads, active users, frequency of use, the effectiveness of security measures, and customer retention.

Automated Teller Machines (ATMs) are self-service machines that enable customers to perform basic banking transactions, such as cash withdrawals, deposits, balance inquiries, and fund transfers, without visiting a physical bank branch. They are strategically placed for customer convenience and provide 24/7 access to cash and essential banking services. ATMs reduce waiting times at branches, enhance customer satisfaction, and promote cost-effective banking operations. They also contribute to customer retention by ensuring easy access to funds. This study evaluated this variable based on ATM uptime and availability, transaction volume, cash replenishment frequency, and customer satisfaction with ATM services.

Internet banking, also known as online banking, allows customers to access their accounts and conduct transactions via the internet. It includes features such as account management, fund transfers, bill payments, and online statements, accessible through a secure online portal (Thulani, Tofara, & Langton, 2015). As highlighted by Manoranjan, Bhusan, Kanta, and Suryakanta (2018), internet banking has revolutionized the banking industry by providing real-time access to accounts and a wide range of financial services. It offers flexibility, customization, and security crucial in today's digital age. For banks, internet banking reduces administrative costs and facilitates cross-selling of financial products. This studymeasured this variable based on the number of customers registering for internet banking services, types of transactions, the speed and reliability of the internet banking platform, and security compliance.

1.1.3 Commercial Banks in Kenya

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central

Bank of Kenya. The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system (PWC, 2012). In Kenya, the banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests.

The Commercial Banks in Kenya face challenges which include declining interest margins, global financial crisis which affect the banking industry in Kenya especially in regard to deposits mobilization, reduction in trade volumes and the performance of assets and new regulations (Vutsengwa & Ngugi, 2013). Commercial banks have adopted a number of strategic response strategies to enhance their performance. However, the effects of dynamic environment have led the bank to face challenges due to high competition posed by the other commercial and non-commercial banks.

According to Central Bank of Kenya report of 2019, Kenyan commercial banks have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market. Among these innovations include moving from the traditional decentralized banking to one branch banking that has been enabled by integration of various business functions. Therefore, for Co-operative Bank of Kenya to maintain brand leadership and customer loyalty, they employ various channels of banking so as to improve its performance.

1.2 Statement of the Problem

Performance within commercial banks is a critical concern worldwide due to their pivotal role in financial stability and economic development. Banks not only reflect their financial health but also the broader economic landscape. Efficient management of banks can drive economic growth by channeling funds to productive sectors, ensuring financial stability, and promoting financial inclusion. However, the performance of commercial banks varies across countries, influenced by numerous factors such as economic conditions, regulatory frameworks, and the strategies employed by individual banks. In Kenya, the performance of commercial banks is a significant issue that warrants careful examination. These banks are vital to the country's financial sector, with far-reaching implications for the national economy. The banking landscape in Kenya is dynamic, marked by rapid technological advancements and shifting customer preferences, necessitating constant adaptation by these banks.

As of the end of Q1 2023, the number of commercial banks in Kenya stood at 38, the same as in Q1 2022, but lower than the 43 licensed banks in FY 2015 (Cytonn, 2023). This reduction indicates consolidation in the banking sector, often a response to poor financial performance and increased competition. Despite this consolidation, Kenya remains overbanked compared to major African economies. The weighted average Gross Non-Performing Loan (NPL) ratio increased by 0.1 percentage points to 12.6% in Q1 2023 from 12.5% in Q1 2022 (Cytonn, 2023), revealing a marginal deterioration in asset quality. This suggests that a significant portion of loans extended by banks may not be performing well, indicating poor loan portfolio management.

Furthermore, due to the adoption of strategic banking channels such as agency banking, mobile phone banking, and internet banking, certain commercial banks have closed some of their branches, contributing to a decline in bank branches (Ngugi & Karina, 2021). The number of Automated Teller Machines (ATMs) also decreased by 46 (19 percent) to 2,366 in December 2021 from 2,412 in December 2020 (CBK, 2021). This general decrease in ATMs is attributed to the adoption of mobile phone and digital banking within the banking industry.

A study by Macharia, Osoro, and Omurwa (2021) examined the influence of alternative strategic banking channels on the performance of commercial banks in Kenya and found that mobile banking has benefitted commercial banks by decreasing the cost-of-service delivery to their clients. However, this study was conducted when there were still 42 registered commercial banks in Kenya. Since the number of commercial banks has since reduced, the findings may not reflect the current banking landscape, indicating a contextual gap. M'mata and Weda (2022) investigated the influence of banking innovations on the financial performance of Kenya Commercial Bank (KCB) and established a positive relationship between agency banking and both commission-based income and interest fee-based income. This study, however, focused solely on KCB, thereby limiting its generalizability to other banks. The current study addresses this by including all commercial banks in Kenya, thus filling a contextual gap.

Kavila and Kilika (2023) examined the influence of electronic banking on the profitability of commercial banks in Nigeria and concluded that e-banking strategies positively and significantly affected both Return on Assets (ROA) and Return on Equity (ROE). However, their study relied on secondary data, which may not capture real-time insights and nuances that primary data can provide. The current study uses primary data collection methods to address this methodological gap. Gathu and Njenga (2021) explored the effect of mobile banking on the performance of Co-operative Bank of Kenya and found a positive association between mobile banking revenues, mobile lending, and customer adoption. This study was underpinned by different theoretical frameworks compared to the current study, which integrates multiple theories such as Financial Intermediation Theory, Balance Score Card, Agency Theory, Diffusion of Innovation Theory, and Technology Acceptance Model (TAM). This highlights a conceptual gap that the current study aims to bridge by using a comprehensive theoretical foundation.

Ndhine and Kibati (2021) investigated the effect of Automated Teller Machines (ATMs) on the financial performance of commercial banks listed on the Nairobi Securities Exchange, finding a statistically significant correlation with return on equity. However, their study used a purposive sampling method, which may introduce bias. In contrast, the current study employs a stratified sampling method to ensure a more representative sample, thus addressing this methodological gap. Therefore, this study seeks to fill the identified gaps by investigating the influence of various strategic banking channels: agency banking, mobile banking, ATM banking, and internet banking on the performance of commercial banks in Kenya. By doing so, it aims to provide a more current, comprehensive, and methodologically sound analysis that encompasses all commercial banks in Kenya.

1.3 Objectives of the Study

The study's general and specific objectives are outlined as follows:

1.3.1 General Objective

The general objective of this study was to investigate the effect of strategic banking channels on the performance of Commercial Banks in Kenya.

1.3.2 Specific Objectives

The study specific objectives were:

i) To examine the effect of agency banking channels on the performance of Commercial Banks in Kenya

ii) To establish the effect of mobile banking channel on the performance of Commercial Banks in Kenya

iii) To find out the effect of ATM banking channel on the performance of Commercial Banks in Kenya

iv) To examine the effect of internet banking channel on the performance of Commercial Banks in Kenya

1.4 Research Questions

The study sought answers to the following research questions:

i) What is the effect of agency banking channels on the performance of Commercial Banks in Kenya?

ii) How does mobile banking channel affect the performance of Commercial Banks in Kenya?

iii) To what extent does the ATM banking channel affect the performance of Commercial Banks in Kenya?

iv) What is the effect of internet banking channel on the performance of Commercial Banks in Kenya?

1.5 Significance of the Study

The study wouldbe of benefit to the management of Kenyan banks in understanding how their banking strategic channels significantly influence their performance and gain knowledge on how they can improve on the banking strategic channels it has adopted in order to serve its customers better and in alignment with the changes in technology globally. The other Kenyan commercial banks woulduse the study findings as a base for formulation and implementation in strategy management that can enhance their performance. The results of the study would also assist the government of Kenya in formulating policies that assist commercial banks to improve their service delivery through better and more efficient processes through proper utilization of ICT. This wouldhelp create fair competition and improve this sub-sector of banking with a general aim of promoting development of the economy. The study wouldalso act as a source of reference material for future researchers on other related topics; it wouldalso help other academicians who wouldundertake the same topic in their studies. Apart from this, it wouldalso emphasize on other significant relationships that require further research; this might be in the areas of relationships between banking strategic channels and bank's performance and expansion.

1.6 Scope of the Study

This study was carried out in 13 commercial banks in Kenya, known to have adopted all the strategic banking channels under investigation. The strategic channels evaluated include agency banking, mobile banking, ATM banking, and internet banking. The unit of observation comprised 1,406 management staff at the headquarters of these commercial banks, including Directors, Heads of Departments (HODs), Heads of Units, and Line Managers.

The time scope of this study covers the period from 2015 to 2023. This period is justified as it encompasses significant changes and developments in the banking sector in Kenya, including the increased adoption of digital banking channels. Performance issues within commercial banks in Kenya became more pronounced around 2015, coinciding with rapid technological advancements and regulatory changes. Despite efforts to enhance efficiency and customer satisfaction, challenges such as high non-performing loan ratios and increased competition have persisted, warranting a detailed investigation into how different strategic banking channels affect bank performance.

This study adopts a descriptive research design. Questionnaires were used as the primary data collection tool, with a pilot test conducted to ensure the validity and reliability of the instruments. Data analysis was performed using descriptive statistics and inferential statistical methods, including correlation and regression analysis, to provide a comprehensive understanding of the relationships between the variables.

1.7 Limitations of the Study

The targeted respondents were initially reluctant to provide information, fearing that it might be used to intimidate them or portray them negatively. To address this concern, the researcher presented an introduction letter from the University, assuring the respondents that their information would be treated confidentially and used purely for academic purposes. Additionally, the findings of this study were limited by the extent to which respondents were willing to provide accurate, objective, and reliable information. The researcher took steps to ensure consistency and tested the reliability of the data collected. Data collection was further constrained by the busy nature of the selected target population. To mitigate this challenge, the researcher administered some questionnaires online where possible and employed research assistants for the physical administration of questionnaires.

1.8 Organization of the Study

This project includes five chapters. Chapter One comprises the background to the study, research problem, objectives of the study, purpose of the study, research questions, significance of the study, scope of the study, limitations of the study, and assumptions of the study. Chapter Two highlights the theoretical review, empirical review, conceptual framework, knowledge gaps, and summary of the literature review. Chapter Three covers the research methodology, including research design, target population, sampling design and sample size, research instruments, pilot study, data collection procedures, data analysis and presentation, and ethical issues.

Chapter Four presents the data analysis, interpretation, and discussion of the findings. It includes an introduction, response rate, reliability and validity analysis, background information of the respondents, and the analysis of each of the strategic banking channels and their influence on the performance of commercial banks in Kenya.

Chapter Five provides a summary of findings, discussions, conclusions, and recommendations. It includes an introduction, a summary of the key findings, a discussion on the implications of these findings, the study's conclusions, recommendations for practice, and suggestions for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter dealt with theoretical literature review, empirical literature review, summary of literature reviewed and gaps and conceptual framework.

2.2 Theoretical Literature Review

This section addressed theories that was used in anchoring the study. The theories included Financial Intermediation Theory, Balance Score Card, Agency Theory, Diffusion of Innovation Theory and Technology Acceptance Model (TAM) which were discussed as follows:

2.2.1 Financial Intermediation Theory

The Financial Intermediation Theory originates from the work of Gurley and Shaw (1960). The theory is based on agency theory, transactional cost theory and informational asymmetry theory (Bert & Dick, 2003). Financial intermediation is a process which involves surplus units depositing funds with financial institutions who then lend to deficit units. According to this theory financial intermediaries come into existence because of failure to have complete information, high transactional costs and the regulation methods. Bert and Dick (2013) observe that Financial Intermediation Theory views intermediaries as a way of reducing informational asymmetries and transaction costs through pooling resources of customers hence resulting to scale economies. The most important contribution of intermediaries is a steady flow of funds from surplus to deficit units.

The theory is the main underpinning in this study as it explains the role of financial intermediaries in bridging the gap between surplus and deficit units, which is crucial for the efficient functioning of financial markets and the broader economy. In the context of this study, the Financial Intermediation Theory helps to justify the establishment and utilization of various strategic banking channels (such as agency banking, mobile banking, ATM banking, and internet banking) by commercial banks in Kenya. It highlights how these channels can reduce information asymmetry, lower transaction costs, and improve the overall performance and sustainability of banks. The role of the financial intermediary is essentially seen as that of creating specialized financial commodities. Financial intermediaries exist due to market imperfections. As such, in a perfect' market situation, with no transaction or information costs, financial intermediaries would not exist. This theory links to agency banking channels by explaining how financial intermediaries like banks use agents to bridge the gap between surplus and deficit units, thereby extending banking services to underserved areas and enhancing overall bank performance through increased customer reach and transaction efficiency.

2.2.2 Balanced Scorecard Model

The Balanced Scorecard Model, as propounded by Kaplan and Norton (1996), is a performance management framework that links strategy with day-to-day operations. It provides a holistic view of the enterprise based on the business objectives. Kaplan and Norton (1996) contend that this approach offers a powerful means for translating a firm’s vision and strategy into a tool that effectively communicates strategic intent and motivates performance against established strategic goals. The Balanced Scorecard is a management system that enables organizations to clarify their vision and strategy and translate them into action. According to Malina and Selto (2015), the Balanced Scorecard links performance measures by looking at a business’s strategic vision from four different perspectives: financial, customer, innovation and learning, and internal business processes.

Feltham and Xie (2017) observe that organizations with a defined core business and a strategic plan to meet their customer objectives tend to be leaders within their industry. The key to success and growth is the ability to translate strategy into operational terms and measure performance and achievement of strategic objectives. According to Hoque and James (2016), the use of scorecard models, in particular, entails a reconsideration of the traditional corporate management style, moving away from reliance on purely financial measures as a basis for strategy development. It may be argued that the scorecard attempts a genuine marketing orientation by ensuring a cooperative framework exists, which will ensure customer value.

The relevance of this model is that organizations use the Balanced Scorecard to align their business activities with their vision and strategy. It measures the current and future financial and operational measures of an organization. The success of any organization depends on its unique and dynamic interaction with the internal and external environment to formulate and adjust its strategy in order to achieve its goals. Therefore, both financial and non-financial aspects of organizations have to be effectively and efficiently monitored and evaluated by the management. This model connects to the overall performance of commercial banks by providing a framework that links strategic objectives with day-to-day operations, measuring performance across financial, customer, innovation and learning, and internal business process perspectives, ensuring a comprehensive assessment of bank performance.

2.2.3 Agency Theory

Agency theory was developed primarily by Jensen and Meckling (1976). Agency theory analyzes the relationships among an enterprise and its agents. Beneath the phrases of agency concept, a principal (P) passes on authority to an agent (A) to conduct transactions and make choices on behalf of the principal with the intention to maximize

P's profit alternatives. Agency Theory troubles can arise if P and A have different kind goals or P and A have disparate competencies in comparing A’s performance or P and A have distinctive stages of risk aversion.

At the core of agency problems is the fact that principals may not be able to monitor agents, either perfectly or costless, as to the agent’s actions or the information behind those actions. For example, in the banking industry, ownership is becoming increasingly diversified among individual and institutional shareholders, and the dominance of individual stockholders in the industry appears, on the whole, to be decreasing. These trends may exacerbate agency problems in the banking industry if these problems truly exist.

Banking strategic channels are establishment by Commercial Banks and are authorized by the Central Bank to render services for banks. This theory points out the possibility of emergence of problems if the coordination between the banks and channels of banking is not well managed. This theory is based on the internet banking channel, mobile banking channel, and the agency banking channels where service provider share common interests with the Commercial Banks. The service provider and the banks must operate in mutual agreement otherwise conflicts might arise. Agency theory relates to internet banking and mobile banking channels by addressing the potential conflicts between bank management and service providers. It emphasizes the importance of aligning incentives and ensuring effective monitoring to enhance the reliability and efficiency of digital banking services.

2.2.4 Diffusion of Innovation Theory

Diffusion of innovation (DOI) as propounded by Rogers in the year 1971 is a theory explaining why and to what extent a new idea or technology reaches individuals or organizations in a social system. The DOI theory, which is based on psychological and sociological theories, is perhaps the most used innovation adoption theory in ICT adoption. Rogers (1995) defines innovation diffusion as the process by which an innovation is communicated through communication channels over times among the members of a social system. In DOI, adoption is the acceptance of innovation taking place in five steps: knowledge, persuasion, decision, implementation and confirmation.

DOI suggests that perceived characteristics of an innovation, such as relative advantage, compatibility, complexity, triability and observability, determine the adoption or rejection of an innovation (Lin, 2013). Irani, Ahmad, Amer, Qutaifan and Alhilali (2013) show that in the DOI theory, the pattern of communication flow determines the pattern of adoption across the members of the adopting social system. The informed users are persuaded to adopt the innovations. Technology adoption enables the commercial banks to automate the already existing structures for effective service delivery. The tenets of this theory illustrate how the diffusion of technology in a given geographical area influences the acceptance of a related innovation that applies the already existing systems. This theory applies to mobile banking channels by explaining how the adoption of innovative banking technologies spreads among customers. It highlights factors such as relative advantages, compatibility, and complexity that influence the uptake of mobile banking services, thereby affecting bank performance.

2.2.5 Technology Acceptance Model (TAM)

This theory was advanced by Davis (1986), and it enables an organization to better predict and accept the data system. The argument is that once a user is confident with technology, he will have more control and be more flexible and employ competence in making use of the same technology. The technology attractiveness version is a statistics systems idea that shows how technology comes to be accepted and used by a generation. In this era, people take into consideration how technology helps them undertake a particular activity and this informs how an individual selects what to employ and when to employ it; perceived usefulness (PU) is described by Fred Davis as "the extent to which someone has a belief that system use will enhance overall work accomplishment and perceived easiness-of-use (PEOU) which Davis described as "the extent to which someone has a belief that using a specific gadget is important for work accomplishment" (Davis, 1986).

Banking strategic channels mainly utilise technology to make various transactions by the consumer and hence the importance of looking into technology acceptance. The study shows that different technology users consume technology based on their understanding of the technology and their ability to control its use. A particular technology will be adopted easily and utilised if the customer believes that it will be easy to use and enabled the customer to perform duties at hand effectively and efficiently (Davis, 1989).

The above elements are very key in the utilisation and adoption of new technology and are recommended through one-of-a-kind variables inclusive of protected use, price, comfort, and perception (Lu et al., 2003). Perceived easiness in use straight away has role in perceived usefulness and the consumer’s mindset regarding the real utilisation of the device (Viehland & Leong, 2007).

The use of this theory is further determined by a person’s attitude towards technology, the effect of social influence on the user, and perception of the user on behaviour control. This theory was selected as the correct model and modified into extended model with different aspects like easy access, low price of the e-price offerings, perceived consolation, protection, and perceived help from the digital services company. This model only concentrated on perceived usefulness and perceived ease of use as the only influencer of individuals on their adoption of certain technology. It did not consider other factors. Moreover, the model did not conclusively and in detail, discusses the motivation of users to accept mobile banking channel as a way of transacting their banking activities. When applied to mobile banking, it can help assess how customers' perceptions of its ease of use and usefulness influence their adoption decisions. TAM can also be used to study ATM adoption, examining how users perceive the ease of accessing cash and conducting transactions through ATMs. Factors such as convenience, perceived security, and familiarity with the technology can impact ATM acceptance. TAM links to ATM and internet banking channels by focusing on users' perceptions of ease of use and usefulness, which drive the adoption and utilization of these technologies. This, in turn, impacts the efficiency and customer satisfaction associated with ATM and internet banking services, contributing to the overall performance of the banks.

2.3 Empirical Literature Review

This section looked at the global and local information, that is available majorly on the this specific topic, to highlight a thorough understanding of the topic and how other scholars have responded within different perspectives but in the same line and school of thought.

2.3.1 Agency Banking Channel and Performance

Kaburu (2014) analysed the impact of agency banking on growth of small and medium-scale enterprises in Tharaka Nithi County. The study employed descriptive survey design with a Sample Size of 400 respondents. The primary data was collected using questionnaires. The study conducted inferential statistics such as multiple regressions to measure the strength of the relationship between the dependent and independent variables. ANOVA was used to test the significance of the model and regression diagnostics were computed. The study also established that convenient financial services accessibility affect the growth of SMEs business in Tharaka Nithi County to a great extent. There was a conceptual gap since this study focused on SME growth while the current study focused on Kenyan commercial banks.

A study by Kingori and Gekara (2015) examined the effects of agency banking on the performance of bank agents' business in Thika Municipality Kenya. The population of study was 32 agencies in Thika municipality both qualitative and quantitative data was collected by use of questionnaires with both open and close ended questions, The questionnaires was provided to respective owners/managers of the 32 banking agents in Thika Municipality. Data was analyzed using descriptive statistical tools. The study used linear regression model to analyze the relationship between the independent and dependent variables. The study established a head start in licensing has created concentrated monopoly in competing banks thus loss of other agents business in the process. There was a methodological gap since this study sampled the respondents purposively while the current study used a census method.

Karimi (2018) study examined the effects of agency banking on bank performance: A Case of Equity Bank Meru Branch, Kenya. The study adopted a descriptive research design and the target population was the eighteen agency bank agents. The study used stratified random sampling to select 11 agents that were used in the study. Both quantitative and qualitative data was collected by use of questionnaires with both open and closed ended questions. Data was analyzed and presented using descriptive statistical tools. The study findings indicated that the general cost such as operations and transactions cost was still high even for agency banking. There was a contextual gap since this study was carried out in Equity Bank Meru Branch while the current study was carried out in all banks.

Thuo (2018) study examined the influence of agency banking transactions on the performance of Commercial Banks in Kenya. Comparative research design was applied in the study where the 16 commercial banks that have adopted agency banking in Kenya were the study population. Secondary data was used, and it was obtained from the CBK bank supervision annual reports (2013-2017). Quantitative data collected was analyzed using descriptive statistics such as means, standard deviations, percentages and frequencies. Inferential statistics were also derived through panel data regression method. The study findings showed that value of transactions had a significant positive effect on the performance of commercial banks. There was a methodological gap since this study adopted a comparative research design and used secondary data while the current study useda descriptive research design and mainly usedprimary data.

Sporta and Muganda (2021) study investigated the effects of agency banking on operational efficiency of Commercial Banks in Kenya. The target population comprised of 15 commercial banks that utilized agency banking. Various diagnostic tests were done on the data to test normality, multicollinearity and heteroscedasticity. The data was analyzed using descriptive statistics and panel data analysis. The results revealed that agency banking has a significant effect on operational efficiency. It was found that agency banking affected the operating efficiency. There was a conceptual gap since this study covered the period 2014-2018 while the current study focusedon the period 2020 to 2023.

2.3.2 Mobile Banking Channel and Performance

Kato, Otuya, Owunza and Nato (2014) study examined the relationship between mobile banking and performance of Commercial Banks in Kenya. Various journal articles, print media articles, and books were reviewed to provide findings of previous work on the area of study. This study was correlational in nature as it sought to fully describe all the key variables under study and establish the relationship among the variables. A structured questionnaire was used to collect data. The collected data was analyzed by inferential statistics where Pearson's Product Moment Correlation and multiple regression analysis were used in measuring relationships among the various variables. This study established that there was positive relationship between mobile banking and Performance of commercial banks. There was a methodological gap since this study was correlational in nature but the current study wasdescriptive in nature.

Abong'o (2016) study investigated the effect of mobile phone banking on performance of Commercial Banks in Kenya. The population of the study was the 43 Commercial banks operating in Kenya as at 31st December 2014 with the sample being 10 in number. The Sample Size was 200 respondents. Descriptive research method was employed. To determine the reliability of the tools employed, the Cronbach's alpha test was conducted. To determine the linear relationship between all the study variables, Spearman's Rank Correlation Coefficient was used. The study found that mobile banking services positively influenced the performance of commercial banks. There was a conceptual gap since this study covered banks operating in Kenya as at 31st December 2014 while the current study usedbanks operating in Kenya as at 31st December 2020.

Daniyan-Bagudu, Khan and Roslan (2017) study investigated the effect of mobile banking on the performance of commercial banks in Nigeria. Simple random techniques were employed in this study in selecting 22 commercial banks. To facilitate the obtaining of relevant data that was used for analysis in this study, structured questionnaire was used. Descriptive statistics involving simple graphical charts was applied in presentation and analysis of data. The study, therefore, concluded that mobile banking positively and significantly affects the financial performance of commercial banks in Nigeria. There was a contextual gap since this study was carried out in Nigeria while the current study wasdone in Kenya.

Remulo (2018) study examined the impact of mobile banking on the bank profitability of Kenyan commercial banks. This was a causal study. It analyzes a sample of 7 out of the 43 Commercial Banks in Kenya for a period of six years between 2010 through 2016. This was because most banks introduced the mobile banking service by around 2012. The secondary data was drawn from the annual reports of the Central bank of Kenya, the financial statements of the commercial banks and the investor annual reports. Data analysis involved multiple regressions of variables under study. The results show that mobile banking has a moderate influence on profitability. There was a conceptual gap since this study focused on the aspect of bank profitability while the current study looked into the aspect of performance.

Gathu and Njenga (2021) study examined the effect of mobile banking on the performance of Co-operative Bank of Kenya. A quantitative research design was used and secondary data was extracted from the quarterly electronic Banking reports. A regression model was used to prove a relationship between two variables. Data was analyzed using regression analysis showed a positive association between mobile banking revenues, mobile lending and customer adoption. The study concluded that the key drivers of mobile banking were customer adoption and mobile lending. There was a theoretical gap since this study used different theoretical underpinnings compared to the current study.

2.3.3 ATM Banking Channel and Performance

Jegede (2014) study explored the effects of automated teller machine on the performance of Nigerian banks. Questionnaire was used to collect the data from a convenience sample of 125 employees of five selected banks in Lagos State with Interswitch network. Therefore, data collected through the questionnaire were analyzed statistically by using chi square. The results indicate that less than the benefits, the deployment of ATMs terminals have averagely improved the performance of Nigerian banks because of the alarming rate of ATM fraud. Similarly, ATM service quality is less correlated to security and privacy of users and providers. There was a conceptual gap since this study did not look at the aspect of automated teller machine as a banking strategic channels but the current did.

Mukamunana (2019) studied the impact of Automated Teller Machine (ATM) transaction on performance of commercial banks in Rwanda Case Study of Bank of Kigali. The data collected from both primary and secondary sources was processed and analyzed so as to find out the hidden meaning that can be based on to draw conclusions. The logistic regression was used to analyze and interpret binary logistic was also used to analyze logistic regression. The study found a significant relationship between Automated Teller Machine transactions on financial performance of Bank of Kigali. However, the study and therefore the findings may not be conclusive since it involves a small Sample Size. There was a methodological gap since this study mainly adopted used qualitative data while the current study mainly usedquantitative data that involved a larger population.

Motondi and Bula (2020) investigated the effects of ATM banking on performance of commercial banks in Nairobi City County, Kenya. This study used descriptive survey research design. 188 respondents from all commercial banks operating in Nairobi City County was the target population of this study out of which a Sample Size of 94 respondents was selected through simple random sampling. Primary data was collected using a questionnaire. The study found out that ATM banking had a positive influence on performance of commercial banks in Nairobi City County, Kenya. There was a contextual gap since this study was carried out in commercial banks in Nairobi City County alone while the current study focusedon all the banks in Kenya.

Ongera and Omagwa (2020) examined the influence of automated teller machines on financial performance of selected Commercial Banks in Kenya. The study was conducted in the month of July 2016 and focused on selected commercial banks, that is, Equity bank Kenya limited, Co-operative bank of Kenya limited, KCB bank Kenya Limited and Family Bank Kenya limited. The researcher used descriptive research design. The study adopted purposive sampling whereby respondents targeted provided the information that was required. The study used primary and secondary data. Data was analyzed using descriptive statistics as well as regression analysis. The study also found that automated teller machines provide services at low cost and are affordable and convenient, which increases utilization by customers and hence increase in revenue and profitability of the banks. There was a contextual gap since this study was carried out selected banks while the current study focusedon all the banks in Kenya.

Ndhine and Kibati (2021) studied the effect of Automated Teller Machines on Financial Performance of Commercial Banks Listed on the Nairobi Securities Exchange, Kenya. An explanatory research design was adopted. The 11 commercial banks listed at the Nairobi Securities Exchange as of December 31 2020 constituted the accessible population. The purposive sampling technique was employed to obtain a sample of 11 listed banks from the 42 licensed banks in Kenya. The study used secondary data which were panel in nature covering a period from 2014 to 2020. The pertinent data were collected using a structured data collection sheet through desk research. The study revealed that the ATMs had a statistically significant correlation with return on equity. There was a methodological gap since this study adopted an explanatory research design while the current study useda descriptive research design.

2.3.4 Internet Banking Channel and Performance

Dinh, Le and Le (2015) study assessed the impact of internet banking to bank performance: Evidence from Vietnam. The study uses random effect model (REM) and fixed effect model (FEM) to estimate the relationships between Internet indicators and bank's performance. The results from the regression model showed that internet banking had an impact on bank profitability through an increase of income from service activities. However, the impact level was low and had a lag time of over 3 years, which is longer than findings from previous studies. There was a contextual gap since this study was carried out in Vietnam while the current study was carried out in Kenya.

Stoica, Mehdian and Sargu (2015) examined the impact of internet banking on the performance of Romanian banks. The study applied DEA to compute the aggregate efficiency score for each of the 24 banks in our sample and, in addition and utilized PCA to classify the banks into different operational strategies groups based on their relative efficiency scores. The results show that there are very few banks in our sample that have utilized Internet banking services in their production process to increase their level of efficiency. There was a contextual gap since this study was carried out in Romanian while the current study was carried out in Kenya.

Abdullai and Micheni (2018) examined the effect of internet banking on operational performance of commercial banks in Nakuru County, Kenya. The study population comprised of 56 employees of the commercial banks. Since the banks are few, the study adopted a census survey. Data was collected using structured questionnaires. Data was analyzed using correlation and regression analysis. The study established that internet banking has a positive significant effect on operational performance of the commercial banks. However, the Internet banking is not the only the banking channel that is used by commercial banks therefore need for other channels to be examined. There was a conceptual gap since this study did not look at the aspect of internet banking as a banking strategic channels but the current did.

Mateka, Gogo and Omagwa (2016) examined the effects of internet banking on financial performance of listed Commercial Banks in Kenya. This study used descriptive survey design. The target population was all employees of listed Commercial Banks in Kenya. Simple random sampling method was used to identify the study respondents. Primary sources of information were used and were gathered using questionnaires. Data was analysed using descriptive statistics and inferential statistics. The key finding of the study revealed that internet banking has positive influence on bank incomes, operating costs, loan book and customer deposits. There was a conceptual gap since this study used different performance indicators from the ones in the current study.

Kombe and Wafula (2015) examined the effects of internet banking on the financial performance of Commercial Banks in Kenya a case of KCB Bank. The study adopted a descriptive survey design. The target population comprised of 31 employees of KCB, Treasury Square in Mombasa Kenya. Data collection was done through the use of questionnaires and analyzed using statistical tool. From the study, it was revealed that the impact of ICT adoption on the performance of banking sector. There was a contextual gap since this study was carried out in only one commercial bank while the current study focusedon all the banks in Kenya.

2.4 Summary of Reviewed Literature and Gaps

The review of literature provides significant insights into the influence of various strategic banking channels on the performance of commercial banks. The studies examined offer a comprehensive understanding of how these channels contribute to the efficiency, profitability, and overall performance of banks. However, despite the valuable findings, several research gaps have been identified, highlighting the need for further investigation.

Kaburu (2014) analyzed the impact of agency banking on the growth of small and medium-scale enterprises (SMEs) in Tharaka Nithi County. The study revealed that convenient financial service accessibility significantly affects the growth of SMEs. However, this study focused on SME growth rather than the performance of commercial banks, indicating a conceptual gap. The current study addresses this gap by focusing on the impact of agency banking on the performance of all commercial banks in Kenya.

Kingori and Gekara (2015) examined the effects of agency banking on the performance of bank agents' businesses in Thika Municipality. The study found that a head start in licensing created a concentrated monopoly, leading to the loss of other agents' businesses. However, the study employed a purposive sampling method, which may introduce bias, presenting a methodological gap. The current study uses a census method to ensure a more representative sample of commercial banks in Kenya.

Karimi (2018) investigated the effects of agency banking on bank performance, specifically at Equity Bank Meru Branch. The study concluded that operational and transaction costs remained high despite the implementation of agency banking. This study was limited to a single branch, presenting a contextual gap. The current study addresses this by including multiple commercial banks across Kenya to provide a broader perspective.

Kato et al. (2014) explored the relationship between mobile banking and the performance of commercial banks in Kenya. The study established a positive relationship between mobile banking and bank performance. However, the study was correlational, which limits the ability to infer causality, indicating a methodological gap. The current study adopts a descriptive approach to provide a more detailed analysis of the impact of mobile banking on bank performance.

Abong'o (2016) examined the effect of mobile phone banking on the performance of commercial banks in Kenya. The study found that mobile banking services positively influenced bank performance. However, this study was based on data from banks operating as of December 2014, presenting a temporal gap. The current study extends the timeframe to include data from banks operating as of December 2020, providing more up-to-date insights.

Daniyan-Bagudu et al. (2017) investigated the effect of mobile banking on the performance of commercial banks in Nigeria, concluding that mobile banking significantly affects financial performance. This study was conducted in Nigeria, highlighting a contextual gap as the findings may not be directly applicable to the Kenyan context. The current study focuses on Kenyan commercial banks to provide context-specific insights.

Jegede (2014) explored the effects of automated teller machines (ATMs) on the performance of Nigerian banks. The study found that ATM service quality was less correlated with security and privacy of users, indicating potential issues in service delivery. However, this study did not focus on ATMs as a strategic banking channel, presenting a conceptual gap. The current study specifically examines the role of ATMs as a strategic banking channel and its impact on the performance of Kenyan commercial banks.

Mukamunana (2019) studied the impact of ATM transactions on the performance of commercial banks in Rwanda, finding a significant relationship between ATM transactions and financial performance. The study used qualitative data, which may limit the generalizability of the findings, presenting a methodological gap. The current study employs quantitative data to provide a more robust analysis.

Motondi and Bula (2020) analyzed the effects of ATM banking channels on the performance of commercial banks in Nairobi City County, Kenya. The study found that ATM banking positively influences bank performance. However, the study used simple random techniques, which may not fully capture the variability within the population, presenting a methodological gap. The current study uses a census method to ensure a comprehensive analysis.

The summary of reviewed literature reveals several notable research gaps in the exploration of strategic banking channels and their impact on the performance of commercial banks in Kenya. Conceptually, previous studies like Kaburu (2014) and Jegede (2014) have limited their focus to specific areas like SME growth and ATM service quality, without directly addressing the broader impact on bank performance. This oversight suggests a conceptual gap in understanding the direct influence of strategic channels on bank efficiency and profitability. Theoretically, the reliance on single-theory frameworks or limited geographical scopes in studies like Daniyan-Bagudu et al. (2017) and Mukamunana (2019) indicates a need for more comprehensive theoretical approaches that integrate multiple perspectives and contexts. Empirically, methodological limitations are evident in studies such as Kingori and Gekara (2015) and Motondi and Bula (2020), where sampling methods might affect the validity and generalizability of the findings. Contextually, studies conducted outside Kenya or in very specific locations within the country, such as Karimi (2018) focused only on Equity Bank Meru Branch, suggest gaps in data that could provide a more extensive understanding of strategic banking channels across different banking environments in Kenya. These gaps collectively indicate a significant knowledge gap, underscoring the necessity for an in-depth investigation with robust data collection and analysis methodologies to bridge these deficiencies and provide more definitive insights into the strategic banking channels' impact on the performance of commercial banks in Kenya. These gaps are as shown on Table 2.1.

Table2.1: Summary of Reviewed Literature and Gaps

Author	Focus of the Study	Findings	Research gap	Focus of the current study
Kaburu (2014)	Impact of agency banking on growth of small and medium-scale enterprises in Tharaka Nithi County	Convenient financial services accessibility affects the growth of SMEs business in Tharaka Nithi County to a great extent	There was a conceptual gap since this study focused on SME growth while the current study focused on Kenyan commercial banks.	The study focused on all Kenyan commercial banks.
Kingori and Gekara (2015)	Agency banking on the performance of bank agents business	Head start in licensing has created concentrated monopoly in competing banks thus loss of other agents business in the process	There was a methodological gap since this study sampled the respondents purposively while the current study useda census method.	The current study used a census method
Karimi (2018)	Agency banking on bank performance	General cost such as operations and transactions cost were still high even for agency banking	There was a contextual gap since this study was carried out in Equity Bank Meru Branch while the current study was carried out in all banks	The study wascarried out in all banks.
Kato *et al.* (2014)	Relationship between mobile banking and performance of Commercial Banks in Kenya	There was positive relationship between mobile banking and Performance of commercial banks	There was a methodological gap since this study was correlational in nature but the current study was descriptive in nature.	The study wasdescriptive in nature

Abong'o (2016)	Effect of mobile phone banking on performance of Commercial Banks in Kenya	Mobile banking services positively influenced the performance of commercial banks	There was a conceptual gap since this study covered banks operating in Kenya as at 31st December 2014 while the current study used banks operating in Kenya as at 31st December 2020.	This study was carried out in 39 licensed and operating Commercial Banks in Kenya as at December 2020
Daniyan-Bagudu *et al.* (2017)	Effect of mobile banking on the performance of commercial banks in Nigeria	Mobile banking positively and significantly affects the financial performance of commercial banks in Nigeria	Simple random techniques were employed	A census method was used
Jegede (2014)	Automated teller machine on the performance of Nigerian banks	ATM service quality is less correlated to security and privacy of users and providers	The study did not look at the aspect of strategic banking channels.	The current study focused on strategic banking channels.
Mukamunana (2019)	Automated Teller Machine (ATM) transaction on performance of commercial banks	A significant relationship between Automated Teller Machine transactions on financial performance	Qualitative data was used	Quantitative data was used
Motondi and Bula (2020)	Effects of ATM strategic banking channels on performance of commercial banks	ATM banking had a positive influence on performance of commercial banks in Nairobi City County, Kenya	Simple random techniques were employed	A census method was used

Dinh, Le and Le (2015)	Impact of internet banking to bank performance	Internet banking had an impact on bank profitability through an increase of income from service activities	The study used exploratory research design	The study used descriptive research design
Stoica *et al.* (2015)	Impact of internet banking on the performance of Romanian banks	There are very few banks that have utilized Internet banking services in their production process to increase their level of efficiency	The study however did not look at the variable in line with strategic banking channels.	The study used number of customers registering for internet banking services, types of transactions, speed and reliability of the internet banking platform, and security compliance
Gathu and Njenga (2021)	Effect of mobile banking on performance of Co-operative Bank of Kenya	Data was analyzed using regression analysis showed a positive association between mobile banking revenues, mobile lending and customer adoption	The study used different theoretical underpinnings compared to the current study	The theories used were Financial Intermediation Theory, balance score card, agency theory, Diffusion of Innovation Theory and Technology Acceptance Model (TAM)

Source: Author (2024)

2.5 Conceptual Framework

According to Bringle, Hatcher and Jones (2023), a conceptual framework is a network, or a "plane," of interlinked concepts that together provide a comprehensive understanding of a phenomenon. This framework serves as the foundation for this study, exploring how various strategic banking channels influence the performance of commercial banks in Kenya. In this study, the dependent variable is the performance of commercial banks in Kenya while the independent variables include agency banking, mobile banking, ATM banking, and internet banking. Figure 2.1 shows the conceptual framework.

Agency banking involves the provision of banking services through third-party agents. This strategic channel aims to enhance financial inclusion by extending banking services to underserved and remote areas. The efficiency and reliability of agents, the volume and value of transactions, the growth of the agent network, and the speed of transaction processing are key indicators of agency banking performance. Improved agency banking services are expected to lead to an increased customer base, higher transaction volumes, and ultimately, enhanced bank performance.

Mobile banking leverages the ubiquity of mobile phones to offer banking services such as account management, fund transfers, and bill payments. Key indicators include the number of app downloads and active users, transaction frequency, security measures, and customer retention. Effective mobile banking services are anticipated to increase customer convenience and satisfaction, reduce operational costs, and improve overall bank performance.

Automated Teller Machines (ATMs) provide customers with 24/7 access to cash withdrawals, deposits, balance inquiries, and fund transfers. Indicators for ATM banking performance include ATM uptime and availability, transaction volume, cash replenishment frequency, and customer satisfaction. Enhanced ATM services are expected to reduce customer waiting times, lower branch workload, and increase customer satisfaction, contributing to better bank performance.

Internet banking enables customers to access their accounts and perform transactions via the bank's website. Indicators include the number of registered users, types of transactions, platform speed and reliability, and security compliance. Effective internet banking services are anticipated to offer convenience, reduce administrative costs, and increase customer engagement, leading to improved bank performance.

The conceptual framework posits that the effective implementation and utilization of these strategic banking channels positively influence the performance of commercial banks. By expanding reach and improving transaction efficiency, agency banking is expected to increase the customer base and transaction volumes, leading to higher profitability and operational efficiency. Providing convenient and secure banking services via mobile phones is anticipated to enhance customer satisfaction and retention, reduce operational costs, and boost financial performance. Ensuring high availability and efficiency of ATMs is expected to improve customer experience, reduce branch workload, and enhance overall bank performance. Offering reliable and secure online banking services is likely to increase customer engagement, reduce administrative costs, and improve bank profitability and operational efficiency.

By integrating these strategic channels, commercial banks can improve their service delivery, operational efficiency, and financial performance, ultimately contributing to their competitiveness and sustainability in the dynamic banking sector. This conceptual framework guides the study by linking the strategic channels to the expected outcomes in bank performance, providing a structured approach to analyzing their impact.

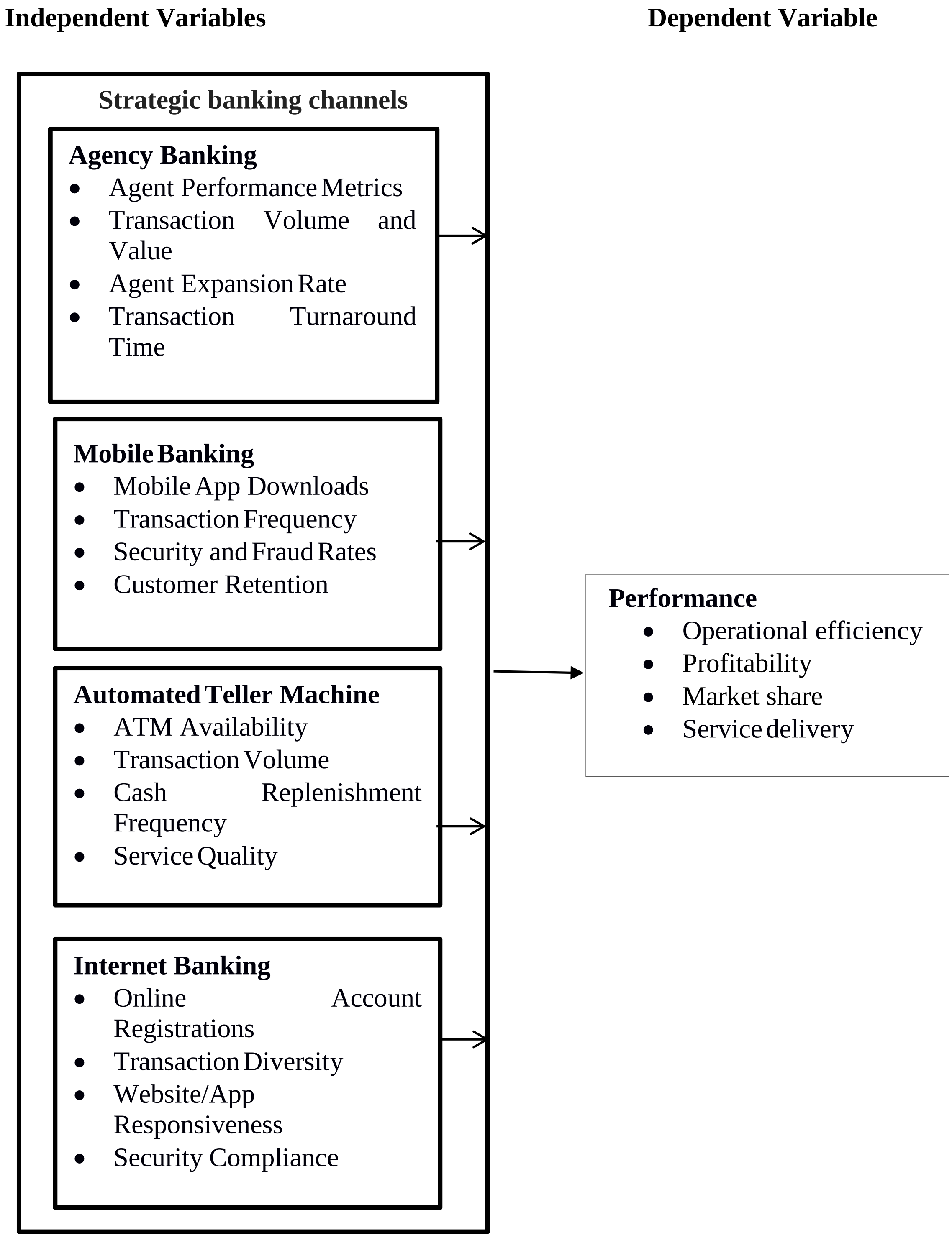

Figure2.1: Conceptual Framework

Source: Researcher (2024)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter comprises of research design, target population, sampling design and sample size, data collection instruments, pilot study, data collection procedure, data analysis and ethical considerations.

3.2 Research Design

This study adopted a descriptive research design for the study. Creswell and Clark (2017) assert that the descriptive design is a process of collecting data in order to test hypothesis or to answer the questions of the current status of the subject under study. This design is suitable because it allows for the systematic collection and analysis of quantitative data through structured instruments like questionnaires, capturing current practices and trends. It enables the study to address contextual and methodological gaps identified in previous research by offering a comprehensive and representative analysis of the impact of agency banking, mobile banking, ATM banking, and internet banking on bank performance. Furthermore, a descriptive research design helps identify areas for improvement and provides valuable insights for stakeholders aiming to enhance banking operations and overall performance.

3.3 Target Population

Creswell and Clark (2017) describe a population as the entire group of individuals or items under consideration in any field of inquiry and have a common attribute. The target population of the study wasCommercial Banks in Kenya. The unit of analysis wasthe 13 Commercial Banks in Kenya adopting all the strategic banking channels used in this study (see Appendix V). The thirteen banks making up the population of the study were selected based on their adoption and utilization of the strategic banking channels under investigation: agency banking, mobile banking, ATM banking, and internet banking.

The selection criteria ensured that these banks had fully implemented all the identified strategic channels, making them suitable subjects for analyzing the impact of these channels on bank performance.

3.4 Sampling Design and Sample Size

As observed by Gay (2002), a sample is selected which can be representative of the total population because of various constraints that may face the researcher in accessing the whole population. The study sampled all 13 Commercial Banks in Kenya (see Appendix V) using census.

The unit of observation was the 1406 management staff at the HQs of the 13 commercial banks comprising of Directors, Head of Departments, Head of units and Line managers which are distributed (Kenya Bankers Association, 2022). The respondents for this study were carefully selected to ensure a comprehensive understanding of the influence of strategic banking channels on the performance of commercial banks in Kenya. The selection included Directors, who are senior executives responsible for overseeing the overall management and strategic direction of the bank. They play a crucial role in decision-making and ensuring the bank's compliance with regulations.

Additionally, the study targeted Heads of Departments (HODs), who are senior managers leading specific departments within the bank, such as finance, marketing, operations, risk management, human resources, and information technology. HODs ensure that their departments align with the bank's strategic goals and operational efficiency. Branch Managers were also included in the study. They manage the day-to-day operations of individual bank branches, oversee branch staff, manage customer relationships, and ensure that branch performance meets the bank's standards.

Unit Managers, responsible for overseeing specific units within departments such as loan processing, customer service, or fraud prevention, were part of the respondents as well. They ensure that unit activities are carried out efficiently and effectively. Lastly, Line Managers, who supervise frontline employees and ensure that daily operations within their assigned areas run smoothly, were included. They often have direct interaction with customers and are crucial for implementing the bank's strategic initiatives at the operational level.

The study used purposive sampling method whereby respondents at the banks' headquarters were selected intentionally based on their characteristics or relevance to the research study. The research then adopted stratified sampling whereby the respondents were divided into subgroups called strata based on characteristics that they share. The sample size was as shown in Table 3.1. To determine the sample size for employees to participate in the study, the following Taro Yamane (1967) formula was used.

$$n=\frac{N)}{1+N(e^2)}$$

Where

n= Sample Size

N = Population under study

e= The margin error (in this study it will be 0.05)

$$n=\frac{1406}{1-1406\ (0.05)^2} = 311$$

The sample size was 311 management staff. Therefore, determination of respondents from each stratum was based on a factor of 311/1406= 0.221 as presented in Table 3.1.

Table3.1: Sample Size

Categories	Population	Ratio	Sample
Directors	95	0.221	21
Head of Departments	250	0.221	55
Head of Units	429	0.221	95
Line managers	632	0.221	140
Total	**1406**		**311**

Source: Individual Bank Reports (2023)

3.5 Data Collection Instrument

The study used questionnaires to collect data from all the respondents. The questionnaires consisted of five sections. Section (A) gathered data on respondent's demographic information. Section (B) gathered information on agency banking channel. Section (C) gathered data on mobile banking channel. Section (D) collected data ATM banking channel, Section (E) gathered data on internet banking channel and Section (F) gathered data on performance. The questionnaire followed a 5-point Likert scale to allow the respondents to indicate their level of agreement on items in the questionnaire.

3.6 Pilot Testing

Pilot study is a small test involving a small number of respondents to assists the researcher in determining if there are flaws, barriers, or other weaknesses in the studies instrument layout and permits her or him to make important revisions before embarking on the actual study (Orodho, 2005). Questionnaires were piloted to 31 respondents who were not in the main study. The findings of the pilot study helped the researcher to improve on ambiguity in the instrument and ensure that the questionnaires items were valid and reliable.

3.7 Validity of Research Instruments

In accordance with Orodho (2005), the validity of a study refers to the extent to which the Instruments used to collect the data are intended to measure what the researcher wishes to measure in relation to the study objectives. Three validity tests were examined in this instance to make sure the instruments were valid. Content validity assessment leads a logical conclusion regarding the instrument's ability to cover all that it is supposed to. Content validity aimed to ensure a homogenous understanding by respondents to all items in the questionnaire to eliminate misconception and misunderstanding (Ørngreen & Levinsen, 2017).

Content validity draws an inference from test scores to a large domain of items similar to those on the test (Plomp, 2018). It involves matching the questions in the research instrument to accurately evaluate the attributes of the study variables and concepts as intended to be measured. The researcher engaged peers doing research and experts to ascertain the content and face validity of the questionnaire (Flick, 2020). In addition, the researcher engaged others who have successfully completed their research projects and the supervisors and other lecturers from the university to validate the questionnaire.

Gorard (2018) observed that content validity refers to the degree in which an instrument measures the subject matter and behaviours the researcher wishes to measure. To ensure construct validity, the researcher formulated research instruments in a simple and clear manner to guide the respondents to respond appropriately and test this using confirmatory factor analysis. The study attained this through proper editing of the research instruments to reflect the good content. Criterion validity was used to evaluate the degree to which a test correlates with a recognized standard for comparison.

3.8 Reliability of Research Instruments

Reliability refers to the ability of a research instrument to give consistent results after repeated tests (Sürücü & Maslakci, 2020). This study usedtest re-test method to establish the reliability of these instruments. The second test was administered to the same respondents after two weeks. Cronbach's alpha test was used to measure the internal consistency of the research instrument by obtaining a correlation coefficient. According to Reid (2016), correlation test allows measurement of reliability of every statement used to measure an objective under different categories and estimates the extent to which scores vary in different variables attributed chance or random errors. According to Mohajan (2017), for the instruments to be reliable the correlation coefficient must be greater than 0.7. In this regard the study targeted a correlation coefficient of 0.7.

3.9 Data Collection Procedures

The data collection process for this study was conducted systematically to ensure the reliability and validity of the data gathered. Initially, the researcher obtained an introduction letter from Kenyatta University (K.U.), which served to formally introduce the researcher and the study to the respondents and relevant authorities. This letter was crucial in legitimizing the research process and gaining the trust and cooperation of the participants.

In addition to the introduction letter from K.U., the researcher also secured a research permit from the National Commission for Science, Technology and Innovation (NACOSTI). This permit is a mandatory requirement for conducting research in Kenya and provided official authorization to carry out the study within the specified commercial banks. The NACOSTI permit further ensured that the research adhered to national regulations and ethical standards.

With the necessary permissions in place, the researcher proceeded to administer questionnaires to the selected respondents. The questionnaires were designed to collect quantitative data on the influence of strategic banking channels on the performance of commercial banks. They were distributed both physically and online, depending on the availability and preference of the respondents. Physical administration involved the use of research assistants who visited the headquarters of the commercial banks to distribute and collect the completed questionnaires. For online administration, the questionnaires were sent via email with clear instructions for completion and submission.

The researcher ensured that all respondents were fully informed about the purpose of the study and the confidentiality of their responses. Respondents were assured that the data collected would be used solely for academic purposes and that their identities would remain anonymous. This approach was aimed at encouraging honest and unbiased responses. Throughout the data collection process, the researcher maintained regular communication with the respondents to address any questions or concerns they might have had. This helped in maximizing the response rate and ensuring the quality of the data collected.

3.10 Data Analysis and Presentation

Data that was collected from the field was filtered, sorted and cleaned in line with research objectives. Qualitative data was analyzed through content analysis where the opinions were organized in meaningful statements and in prose. The quantitative data was coded, and entered into and analyzed using statistics software (SPSS, Version 27.0). This study adopted both descriptive and inferential statistics. Descriptive statistics including frequencies, percentages, mean scores, and standard deviation was produced for all the quantitative data. The results were presented using tables. Inferential statistics was done using the multiple linear regression which showed the significance of each independent variable. Multiple linear regression is a statistical technique for quantifying the relationship between the independent variables and the dependent variable based on observations.

The regression equation was: $\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon}$

Where **Y** = Performance

β_0= Constant

X_1= Agency banking channel

X_2= Mobile banking channel

X_3= ATM banking channel

X_4= Internet banking channel

β_1, β_2, β_3 and β_4 are regression coefficients

ε is the error term.

The results from the regression analysis were interpreted by focusing on the significance levels (p-values) of the independent variables. The p-values indicate whether the relationships between these strategic banking channels and the performance of commercial banks are statistically significant. A p-value of less than 0.05 suggests that the relationship between the independent variable and the dependent variable is statistically significant, meaning the variable has a meaningful impact on bank performance. Conversely, a p-value greater than 0.05 indicates that the relationship is not statistically significant, suggesting that the variable does not have a significant effect on the performance of commercial banks.

3.11 Ethical Consideration

The researcher obtained ethical clearance and approval from Kenyatta University's Ethical Review Committee. This approval confirmed that the study met the university's ethical standards and guidelines for conducting research involving human participants. Additionally, the researcher acquired a research permit from the National Commission for Science, Technology and Innovation (NACOSTI). This permit authorized the researcher to conduct the study within the specified commercial banks and ensured compliance with national regulations.

Informed consent was a crucial component of the ethical considerations. All participants were fully informed about the purpose of the study, the procedures involved, the potential risks and benefits, and their rights as participants. This information was provided in a clear and understandable manner, and participants were required to provide their voluntary consent before participating in the study. Consent forms were used to document their agreement to participate.

Confidentiality and anonymity were strictly maintained throughout the study. Participants were assured that their responses would be kept confidential and that their identities would not be disclosed in any reports or publications resulting from the study. Unique identifiers were used instead of names to protect the privacy of the respondents. The researcher also ensured that participation in the study was entirely voluntary. Participants were informed that they had the right to withdraw from the study at any time without any negative consequences. This right to withdraw was respected and upheld throughout the data collection process.

Furthermore, the data collected was securely stored and accessed only by the researcher and authorized personnel. Electronic data was password-protected, and physical data was kept in a locked cabinet to prevent unauthorized access. In the dissemination of the study findings, care was taken to present the data accurately and honestly. The researcher committed to avoiding any form of data fabrication, falsification, or plagiarism. The findings were reported in a manner that did not mislead or misrepresent the results.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1 Introduction

This chapter presents the information processed from the data collected during the study on the influence of strategic banking channels on performance of Commercial Banks in Kenya. Primary data was collected through questionnaires, which were administered. The data was afterwards scrutinized based on the objectives of the study and the findings were presented in tables.

4.1.1 Response Rate

The researcher administered 311 questionnaires. From these, only 227 respondents were able to return fully filled questionnaires, which represented a response rate of 73.1%. This response rate was good, representative conforms to Ørngreen, and Levinsen (2017) stipulation that a response rate of 50 percent is adequate for analysis, which meant that 73.1% was even better.

Table 4. 1: Response Rate

	Number of informants	Percent
Response	227	73.1
Non- Response	84	26.9
Total	**311**	**100.0**

4.1.2 Reliability Analysis

In this study, construct reliability was determined using Cronbach alpha coefficients that test internal consistency of items on a scale and were thus considered reliable if the results showed that the Cronbach Alpha associated with the variables of the study were above 0.70 threshold as recommended by Snyder (2019) where it is asserted that Cronbach Alpha’s should be in excess of 0.70 for the measurement intervals. The results of the reliability analysis are presented in the Table 4.2.

Table 4. 2: Reliability of Measurement Scales

	Cronbach's Alpha	Decision
Agency banking channels	.838	Reliable
Mobile banking channel	.896	Reliable
ATM banking channel	.882	Reliable
Internet banking channel	.765	Reliable
performance of Commercial Banks	.730	Reliable

The findings indicated that mobile banking channel had a coefficient of 0.896, ATM banking channel had a coefficient of 0.882, agency banking channels had a coefficient of 0.838, internet banking channel had a coefficient of 0.765 and performance of Commercial Banks had a coefficient of 0.730. All constructs depicted that the value of Cronbach's alpha are above the suggested value of 0.7 thus it can be concluded that the study was reliable to capture the constructs (Fraser, Fahlman, Arscott & Guillot, 2018).

4.1.3 Validity Analysis

Exploratory factor analysis was used to establish the construct validity of the questionnaire. The factors that explain the highest proportion of variance the variables share was expected to represent the underlying constructs.

Table 4. 3: Component Matrix

	Component								
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Agency banking has created a wider customer base to the bank across the country	.164	.191	.259	**.529**	.250	.272	.381	.089	.041
Agency banking has allowed the traditional banks to go branchless by extending their branches' network via authorized agents in the rural populations.	**.518**	.068	.336	.121	.021	.136	.054	.049	.083
Agency banking has helped the bank to make their payments on time	.355	.267	.126	.211	.035	.208	.244	.261	**.477**
An efficient agency banking solution has offered a higher personalization of services to the business owners.	**.604**	.029	.206	.066	.399	.142	.088	.130	.070
Agency banking has offered multiple features like speedy onboarding process, the clear introduction of the product, and demonstration of the new customers' features	.120	.347	.074	.294	.318	**.452**	.156	.030	.137
Collection of loan applications forms	**.472**	.406	.233	.251	.173	.207	.019	.095	.028
Collection of account opening application forms	.175	.313	.115	.075	.242	.404	.225	.083	**.592**
Use of agency banking services has increased customer access to bank services	**.461**	.021	.422	.145	.288	.212	.243	.111	.004
Use of agency banking services has added to more profitable business avenues to the bank	.026	**.575**	.408	.184	.290	.073	.027	.061	.094
Mobile banking has enabled the bank to conveniently allow its customers to access their accounts anytime	.333	.024	.146	.019	**.518**	.061	.206	.339	.098
Mobile banking has enabled the banks to guard its assets including transactions made by the customers using their mobile apps	.375	.016	.322	.114	**.476**	.147	.117	.212	.187
Mobile banking has enabled the bank to offer more advanced controls such activating a new credit or debit card	.284	.410	.039	.286	.043	.188	**.484**	.169	.091
Mobile banking has enabled the bank to offer clarity about where the customer's financial data is going	.316	**.494**	.157	.167	.373	.040	.079	.307	.075

Mobile banking has enabled the bank to provide a variety of options to serve specific pockets of the population	.389	.016	**.558**	.036	.011	.125	.170	.041	.168
ATM machines are cheaper to build and maintain that that has reduced a bank teller's workload in addition to labour cost.	**.471**	.416	.174	.034	.128	.143	.075	.354	.060
ATM banking has enabled the bank to reduce the work pressure on bank staff and provides flexibility to its operations.	.210	**.524**	.048	.136	.069	.044	.165	.497	.080
ATM banking has enabled the bank to cut cost as all transactions are processed and monitored using automated computerized systems thus requiring minimal manpower.	.439	.072	**.451**	.089	.229	.004	.125	.189	.234
ATM banking has enabled the bank to provide service to its customers without errors.	**.436**	.099	.188	.258	.149	.267	.200	.254	.073
ATM banking has enabled the bank to provide genuine currency notes to its customers	.195	.056	**.512**	.235	.138	.362	.003	.275	.138
	.161	.095	.313	**.461**	.031	.116	.370	.117	.148
Internet banking has enabled the bank to offer funds transfer services to its customers within and outside the country	**.643**	.006	.106	.080	.270	.197	.234	.235	.197
The bank has been able to offer a variety of product and service features to its customers	.439	.273	.077	.094	.016	**.519**	.171	.042	.085
Internet banking has enabled the bank provided reasonable rates and lower fees that has expanded its customer base	.291	**.537**	.247	.237	.185	.178	.118	.083	.042
Use of internet services has increased customer access to bank Services	**.493**	.315	.110	.100	.010	.037	.034	.014	.343
Use of internet services has added to more profitable business avenues to the bank	**.514**	.103	.392	.322	.084	.141	.114	.205	.022
There is increase in profitability	.049	.036	.028	**.588**	.300	.184	.319	.104	.063
Increased market share	**.587**	.037	.399	.010	.068	.062	.003	.082	.088
Increased the operational efficiency	**.669**	.503	.040	.200	.039	.004	.046	.089	.042
Improved corporate image due to quality services	.034	.276	.315	**.481**	.210	.073	.267	.064	.112

The above results allowed for the identification of which variables fall under each of the 9 major extracted factors. Each of the 29 parameters were looked at and placed to one of the 9 factors depending on the percentage of variability it explained the total variability of each factor. From the factor analysis, all the variables indicators high construct validity since all exceeded the prescribed threshold of 0.40 (Bairagi & Munot, 2019).

4.2 Background Information

The study sought to enquire on the respondents' background information which included gender, age bracket, highest level of education and period that the respondents had been working with commercial banks in Kenya. This background information was presented in form tables with frequencies and percentages.

4.2.1 Respondents' Gender

The respondents were asked to indicate their gender. Their responses were summarized and presented in Table 4.4.

Table 4. 4: Gender of the Respondents

	Frequency	Percent
Male	141	62.2
Female	86	37.8
Total	**227**	**100.0**

From the findings, 62.2% of the respondents were male while 37.8% were female. This shows that the researcher was not gender biased in collection of data. Therefore, the results reflect the perspectives of both male and female employees in the banking sector, providing a balanced view of how different genders perceive and interact with various strategic banking channels. The gender distribution is particularly relevant in understanding customer preferences and usage patterns. For instance, if mobile banking is more popular among female respondents, banks can tailor their marketing strategies and service offerings to better cater to this demographic, ultimately enhancing customer satisfaction and bank performance. Similarly, insights into gender-specific preferences for agency banking or ATMs can help banks design more inclusive and effective banking solutions.

4.2.2 Respondents' Age Bracket

The respondents were also requested to indicate their age bracket. The age distribution is presented in Table 4.5.

Table 4. 5: Age Brackets of the Respondents

	Frequency	Percent
Below 25 yrs	26	11.5
25-34yrs	120	52.7
35-44yrs	49	21.4
45 and above yrs	33	14.5
Total	**227**	**100.0**

The findings revealed that 52.7% were aged between 25-34 years, 21.4% were aged between 35-44 years, 14.5% were aged 45 and above years while 11.5% were below 25 years. This shows that most of the respondents were mature enough to cooperate and provide information on the subject under study. Therefore, the results benefit from the perspectives of a diverse age range, offering insights into how different age groups interact with various strategic banking channels. Younger respondents, particularly those aged 25-34, are likely to be more tech-savvy and might prefer mobile and internet banking, indicating a trend towards digital banking solutions. Conversely, older respondents might have more experience with traditional banking methods such as ATMs and agency banking. Understanding these age-specific preferences allows banks to tailor their services to meet the needs of different age groups, enhancing customer satisfaction and overall bank performance.

4.2.3 Respondents' Highest Level of Education

The respondents were also asked to indicate their highest level of education. Their responses were as presented in Table 4.6.

Table 4. 6: Respondents' Highest Level of Education

	Frequency	Percent
Diploma	14	6.1
Bachelor's Degree	105	46.2
Master's Degree	64	28.2
Post Graduate Diploma	44	19.5
Total	**227**	**100.0**

As per Table 4.6, 46.2% of the respondents had reached the Bachelor's Degree level, 28.2% had reached the Master's Degree level, 19.5% had reached the Post Graduate Diploma level while 6.1% had Diploma level. This implies that majority of the respondents were learned enough to understand the subject under study. Therefore, the results reflect informed perspectives on the influence of strategic banking channels on bank performance. Higher educational levels among respondents suggest that they are likely familiar with the latest technological advancements in banking and can provide valuable insights into the efficacy of mobile banking, internet banking, ATMs, and agency banking. This educational background ensures that the data collected is reliable and that respondents can critically assess and articulate the impacts of these strategic channels on bank operations and performance.

4.2.4 Period Involved with Commercial banks in Kenya

The respondents were requested to indicate the period they have working with commercial banks in Kenya. Their responses were as shown in Table 4.7.

Table 4. 7: Period Involved with Commercial banks in Kenya

	Frequency	Percent
Less than 5 years	28	12.2
Between 5 and 9 years	22	9.8
Between 10 and 15 years	93	41.1
Above 15 years	84	36.9
Total	**227**	**100.0**

From the findings, 41.1% of the respondents indicated that they have working with commercial banks in Kenya for between 10 and 15 years, 36.9% indicated above 15 years, 12.2% indicated less than 5 years while 9.8% of the respondents indicated for between 5 and 9 years. This implies that the majority of the respondents have been working with commercial banks in Kenya for a substantial period, allowing them to comprehend the subject under study and provide credible information. Therefore, the results benefit from the extensive experience of the respondents, ensuring that the insights gathered are based on a deep understanding of the banking sector's dynamics. Experienced respondents are likely to have witnessed the evolution of strategic banking channels and can offer valuable perspectives on their long-term impacts on bank performance. Their familiarity with the operational and strategic aspects of banking enables them to provide nuanced feedback on the effectiveness of agency banking, mobile banking, ATM banking, and internet banking, contributing to the robustness and reliability of the study's findings.

4.3 Descriptive Statistics

The following sub-sections presents the results for descriptive analysis on the variables including, agency banking, mobile banking, ATM banking, internet banking and performance of Commercial Banks:

4.3.1 Agency Banking Channels

The study sought to determine the influence of agency banking channels on performance of Commercial Banks in Kenya. The researcher asked the respondents to rank the aspects of agency banking channels used by the bank's customers. The results are as shown in Table 4.8.

Table 4. 8: Influence of Agency Banking Channels on performance of Commercial Banks in Kenya

	Mean	Std. Dev.
Agency banking has created a wider customer base to the bank across the country	4.752	0.838
Agency banking has allowed the traditional banks to go branchless by extending their branches' network via authorized agents in the rural populations	3.702	0.974
Agency banking has helped the bank to make their payments on time	4.635	0.672
An efficient agency banking solution has offered a higher personalization of services to the business owners	4.611	0.873
Agency banking has offered multiple features like speedy onboarding process, the clear introduction of the product, and demonstration of the new customers' features	4.412	0.664
Collection of loan applications forms	4.592	0.570
Collection of account opening application forms	4.691	0.662
Use of agency banking services has increased customer access to bank services	2.561	0.669
Use of agency banking services has added to more profitable business avenues to the bank	3.637	0.815

The findings revealed that the respondents indicated that it was very frequent that agency banking created a wider customer base to the bank across the country as shown by a mean of 4.752, collection of account opening application forms as shown by a mean of 4.691, agency banking helped the bank to make their payments on time as shown by a mean of 4.635, an efficient agency banking solution has offered a higher personalization of services to the business owners as shown by a mean of 4.611, and collection of loan applications forms as shown by a mean of 4.592.

Further, the respondents indicated that it was frequent that agency banking offered multiple features like speedy onboarding process, the clear introduction of the product, and demonstration of the new customers' features as shown by a mean of 4.412, agency banking allowed the traditional banks to go branchless by extending their branches' network via authorized agents in the rural populations as shown by a mean of 3.702 and use of agency banking services has added to more profitable business avenues to the bank as shown by a mean of 3.637. Moreover, the respondents indicated that it was rare that: use of agency banking services increased customer access to bank services as shown by a mean of 2.561.

4.3.2 Mobile Banking Channel

The study sought to determine the influence of mobile banking channel on performance of Commercial Banks in Kenya. The researcher asked the respondents to rank the aspects of mobile banking channel used by the bank's customers. The results are as presented on Table 4.9.

Table 4. 9: Influence of Mobile Banking Channel on performance of Commercial Banks in Kenya

	Mean	Std. Dev.
Mobile banking has enabled the bank to conveniently allow its customers to access their accounts anytime	4.226	0.571
Mobile banking has enabled the banks to guard its assets including transactionsmadeby thecustomersusingtheir mobileapps	4.896	0.937
Mobilebankinghasenabledthebank to offer moreadvancedcontrols such activatinga new creditor debitcard	4.840	0.743
Mobile banking has enabled the bank to offer clarity about where the customer's financial data is going	4.576	0.618
Mobile banking has enabled the bank to provide a variety of options to serve specific pockets of the population	3.866	0.767

The results show that the respondents indicated that it was very frequent that mobile banking enabled the banks to guard its assets including transactions made by the customers using their mobile apps as shown by a mean score of 4.896, mobilebanking enabledthebank to offer moreadvancedcontrolssuch activatinga new creditor debitcard as shown by a mean score of 4.840, and mobile banking enabled the bank to offer clarity about where the customer's financial data is going as shown by a mean score of 4.576.

The respondents also indicated that it was frequent that mobile banking enabled the bank to conveniently allow its customers to access their accounts anytime as shown by a mean score of 4.226, and mobile banking enabled the bank to provide a variety of options to serve specific pockets of the population as shown by a mean score of 3.866.

4.3.3 ATM banking channel

The study sought to determine the influence of ATM banking channel on performance of Commercial Banks in Kenya. The researcher asked the respondents to rank the aspects of ATM banking channel used by the bank's customers. The findings are displayed on Table 4.10.

Table 4. 10: Influence of ATM banking channel on performance of Commercial Banks in Kenya

	Mean	Std. Dev.
ATM machines are cheaper to build and maintain and that has reduced a bank teller's workload in addition to labour cost	3.874	0.907
ATM banking has enabled the bank to reduce the work pressure on bank staff and provides flexibility to its operations	3.305	0.783
ATM banking has enabled the bank to cut cost as all transactions are processed and monitored using automated computerized systems thus requiring minimal manpower	3.221	0.841
ATM banking has enabled the bank to provide service to its customers without errors	4.767	0.734
ATM banking has enabled the bank to provide genuine currency notes to its customers	4.752	0.856

As per the findings, the respondents indicated that it was very frequent that ATM banking enabled the bank to provide service to its customers without errors as illustrated by a mean score of 4.767, and ATM banking enabled the bank to provide genuine currency notes to its customers as illustrated by a mean score of 4.752.

The respondents also indicated that it was frequent that the ATM machines are cheaper to build and maintain and that has reduced bank tellers' workload in addition to labour cost as illustrated by a mean score of 3.874. The respondents indicated that it was rare that: ATM banking enabled the bank to reduce the work pressure on bank staff and provides flexibility to its operations as illustrated by a mean score of 3.305, and ATM banking enabled the bank to cut cost as all transactions are processed and monitored using automated computerized systems thus requiring minimal manpower as illustrated by a mean score of 3.221.

4.3.4 Internet Banking Channel

The study sought to determine the influence of internet banking channel on performance of Commercial Banks in Kenya. The researcher asked the respondents to rank the aspects of internet banking channel used by the bank's customers. The outcomes are as shown on Table 4.11.

Table 4. 11: Influence of Internet banking channel on performance of Commercial Banks in Kenya

	Mean	Std. Dev.
Internet banking has enabled the bank to offer funds transfer services to its customers within and outside the country.	3.725	0.722
The bank has been able to offer a variety of product and service features to its customers	3.027	0.560
Internet banking has enabled the bank provided reasonable rates and lower fees that has expanded its customer base.	2.649	0.759
Use of internet services has increased customer access to bank	4.588	0.715
Use of internet services has added to more profitable business avenues to the bank.	4.523	0.516

The findings revealed that the respondents indicated that it was very frequent that use of internet services increased customer access to bank as illustrated by a mean score of 4.588 and use of internet services added to more profitable business avenues to the bank as illustrated by a mean score of 4.523.

The respondents also indicated that it was frequent that internet banking enabled the bank to offer funds transfer services to its customers within and outside the country as illustrated by a mean score of 3.725. The respondents indicated that it was rare that: the bank has been able to offer a variety of product and service features to its customers as illustrated by a mean score of 3.027, and Internet banking enabled the bank provided reasonable rates and lower fees that has expanded its customer base as illustrated by a mean score of 2.649.

4.3.5 Performance of Commercial Banks in Kenya

The study sought to determine the extent to which the trend of the aspects of performance of Commercial Banks in Kenya over the last 5 years. Table 4.12 displayed the results.

Table 4. 12: Statements on the Performance of Commercial Banks in Kenya

	Mean	Std. Dev.
Thereisincreaseinprofitability	2.690	0.846
Increasedmarketshare	3.487	0.584
Increasedtheoperational efficiency	4.027	0.871
Improved corporate image due to quality services	3.985	0.859

The results revealed that the respondents indicated that it was frequent that there was increased operational efficiency as shown by a mean of 4.027, and improved corporate image due to quality services as shown by a mean of 3.985. Moreover, the respondents were undecided on whether there was an increased market share as shown by a mean of 3.487, and an increase in profitability as shown by a mean of 2.690.

4.4 Qualitative Analysis

The respondents were asked to give their opinion on how agency banking channels influence the performance of Kenyan Banks. They indicated that agency banking extends the reach of these banks by allowing them to establish a presence in rural areas through authorized agents. This expansion of the customer base across the country is beneficial for the banks' growth and profitability. Agency banking also streamlines various processes, such as account opening and loan application collection, making banking services more accessible and convenient for customers. It contributes to improved customer service and engagement, thereby enhancing the overall performance of Kenyan banks.

The respondents were also asked to give their opinion on how mobile banking channels influence the performance of Kenyan banks. They indicated that mobile banking channels empower banks to offer a wide range of services through mobile apps, providing customers with convenient and secure access to their accounts. This convenience and accessibility lead to increased customer satisfaction and loyalty. Furthermore, mobile banking enables banks to protect their assets, control financial transactions effectively, and enhance transparency in financial data handling. This, in turn, boosts the banks' performance by ensuring the security and satisfaction of their customer base.

The respondents were also asked to give their opinion on how ATM banking channels influences the performance of banks in Kenya. They indicated that ATMs provide error-free and round-the-clock services to customers, which enhances the overall customer experience. Additionally, the cost-effectiveness of ATM machines in terms of construction and maintenance reduces operational expenses for banks. It also allows for the reduction of manual labor, contributing to cost savings. While ATMs might not completely eliminate the work pressure on bank staff, they certainly add efficiency to banking operations and help minimize labor costs, thereby positively impacting the overall performance of Kenyan banks.

The respondents were also asked to give their opinion on how aspects of internet banking channel influences the performance of Kenyan banks. They indicated that internet services increase customer access to banks, attracting a broader clientele and creating more profitable avenues for the banks. The ability to offer funds transfer services, both domestically and internationally, provides a competitive edge in the financial sector. However, there is room for improvement in offering a wider array of product and service features and more competitive rates with lower fees to further expand the customer base. Nevertheless, the increased customer reach and added revenue streams make internet banking a significant contributor to the overall performance of Kenyan banks.

4.5 Multiple Regression Analysis

Multiple regression analysis was carried out to determine the influence of agency banking channels, mobile banking channel, ATM banking channel and internet banking channel on performance of Commercial Banks in Kenya. The findings were presented in Table 4.13, 4.14 and 4.15.

Table 4. 13: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.876	0.767	0.763	1.158

Table 4.13 shows that the adjusted R-Square value (coefficient of determination) is 0.763, which indicates that the independent variables (agency banking channels, mobile banking channel, ATM banking channel, internet banking channel) explain 76.3% of the variation in the dependent variable (performance of Commercial Banks). This implies that there are other factors that influence the performance of Commercial Banks in Kenya attributed to 23.7% unexplained.

Table 4. 14: Analysis of Variance Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	992.31	4	248.078	182.513	5.61E-69
	Residual	301.75	222	1.359		
	Total	**1294.06**	**226**			

The results shown in Table 4.14 revealed that p-value was 5.61E-69 and F-calculated was 182.513. Since the p-value was less than 0.05 and F-calculated was greater than F-critical (2.4123), then the overall model was statistically significant.

Model coefficients provide unstandardized and standardized coefficients to explain the direction of the regression model and to establish the level of significance of the study variables. The results are captured in Table 4.15.

Table 4. 15: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.987	0.417		2.367	0.019
Agency banking channels	0.923	0.372	0.901	2.481	0.014
Mobile banking channel	0.653	0.251	0.704	2.602	0.010
ATM banking channel	0.834	0.199	0.821	4.191	0.000
Internet banking channel	0.751	0.213	0.723	3.526	0.001

As per the SPSS generated table above, the equation ($\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$) becomes:

Y= $\mathbf{0.987 + 0.923X_1 + 0.653X_2 + 0.834X_3 + 0.751X_4 + \varepsilon}$

The findings showed that if all factors (agency banking channels, mobile banking channel, ATM banking channel, internet banking channel) were held constant at zero performance of Commercial Banks will be 0.987. The findings presented also show that by taking all other independent variables at zero, a unit increase in the Agency banking channels would lead to a 0.923 increase in performance of Commercial Banks. This variable was significant since the p-value 0.014 was less than 0.05.

The findings also show that a unit increase in the Mobile banking channel would lead to a 0.653 increase in the performance of Commercial Banks. This variable was significant since 0.010<0.05. Further, the findings show that a unit increase of ATM banking channel would lead to a 0.834 significant increase in performance of Commercial Banks since p-value (0.000) was less than 0.05. The study also found that a unit increase of internet banking channel would significantly lead to a 0.751 increase of performance of Commercial Banks since p-value (0.001) was less than 0.05.

Overall, it was established that agency banking channels had the greatest effect on the performance of Commercial Banks in Kenya, followed by ATM banking channel, then internet banking channel while Mobile banking channel had the least effect to the performance of Commercial Banks in Kenya. All the variables were significant since their p-values were less than 0.05.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section of the study covers the summary of the findings, discussion of the data findings, conclusion and recommendations. The summary of findings explores on the main findings of the field survey. The section also presents conclusion on the study findings and highlights the influence of strategic banking channels on performance of Commercial Banks in Kenya. This section also presents the recommendation of the study.

5.2 Summary of the Findings

The study sought to determine the influence of agency banking channel on performance of Commercial Banks in Kenya. The study found that agency banking has very frequently: created a wider customer base to the bank across the country, collected account opening application forms, helped the bank to make their payments on time, offered a higher personalization of services to the business owners, and collected loan applications forms. Further, the research found that agency banking has frequently: offered multiple features like speedy onboarding process, the clear introduction of the product, and demonstration of the new customers' features, and has allowed the traditional banks to go branchless by extending their branches' network via authorized agents in the rural populations. Moreover, the study found that it was rare that: use of agency banking services has increased customer access to bank services.

The study sought to determine the influence of mobile banking channel on performance of Commercial Banks in Kenya. The study established that mobile banking has very frequently: enabled the banks to guard its assets including transactions made by the customers using their mobile apps, to offer more advanced controls such activating a new credit or debit card, and to offer clarity about where the customer's financial data is going. The research also found that mobile banking has frequently: enabled the bank to conveniently allow its customers to access their accounts anytime and enabled the bank to provide a variety of options to serve specific pockets of the population.

The study sought to determine the influence of ATM banking channel on performance of Commercial Banks in Kenya. The research found that ATM banking has enabled the bank to very frequently: provide service to its customers without errors and provide genuine currency notes to its customers. The study also found that ATM machines are frequently: cheaper to build and maintain and that has reduced a bank teller's workload in addition to labour cost. The research found that it was rare that: ATM banking has enabled the bank to reduce the work pressure on bank staff and provides flexibility to its operations, and enabled the bank to cut cost as all transactions are processed and monitored using automated computerized systems thus requiring minimal manpower.

The study sought to determine the influence of internet banking channel on performance of Commercial Banks in Kenya. The research established that use of internet services has very frequently: increased customer access to bank and has added to more profitable business avenues to the bank. The study also found that internet banking has frequently: enabled the bank to offer funds transfer services to its customers within and outside the country. The research, however, found that it was rare that: the bank has been able to offer a variety of product and service features to its customers, and internet banking has enabled the bank provide reasonable rates and lower fees that has expanded its customer base.

5.3 Discussion of the Findings

Under this section, the findings are linked with the literature review to check the consistency or agreement of the findings with previous studies. The study discusses the influence of effective agency banking channel, mobile banking channel, ATM banking channel, and internet banking channel on performance of Commercial Banks in Kenya.

5.3.1 Agency Banking Channels

The study found that agency banking has created a wider customer base to the bank across the country, collection of account opening application forms, agency banking has helped the bank to make their payments on time, an efficient agency banking solution has offered a higher personalization of services to the business owners, and collection of loan applications forms. This is in accordance with Kaburu (2014) who established that convenient financial services accessibility affect the growth of SMEs business in Tharaka Nithi County to a great extent. Kingori and Gekara (2015) established a head start in licensing has created concentrated monopoly in competing banks thus loss of other agents business in the process.

Further, the research found that agency banking has offered multiple features like speedy onboarding process, the clear introduction of the product, and demonstration of the new customers' features, and agency banking has allowed the traditional banks to go branchless by extending their branches' network via authorized agents in the rural populations. Karimi (2018) found that the general cost such as operations and transactions cost was still high even for agency banking. Moreover, the study found that it was rare that: use of agency banking services has increased customer access to bank services. Thuo (2018) concluded that value of transactions had a significant positive effect on the performance of commercial banks. Sporta and Muganda (2021) found that agency banking affected the operating efficiency.

5.3.2 Mobile banking channel

The study established that mobile banking has enabled the banks to guard its assets including transactions made by the customers using their mobile apps, mobile banking has enabled the bank to offer more advanced controls such activating a new credit or debit card, and mobile banking has enabled the bank to offer clarity about where the customer's financial data is going. Kato, Otuya, Owunza and Nato (2014) established that there was positive relationship between mobile banking and Performance of commercial banks. Gathu and Njenga (2021) concluded that the key drivers of mobile banking were customer adoption and mobile lending.

The respondents also indicated that it was frequent that mobile banking has enabled the bank to conveniently allow its customers to access their accounts anytime, and mobile banking has enabled the bank to provide a variety of options to serve specific pockets of the population. The findings agree with Abong'o (2016) who concluded that that mobile banking services positively influenced the performance of commercial banks. Daniyan-Bagudu, Khan and Roslan (2017) concluded that mobile banking positively and significantly affects the financial performance of commercial banks in Nigeria. Remulo (2018) however showed that mobile banking has a moderate influence on profitability.

5.3.3 ATM Banking Channel

The research found that ATM banking has enabled the bank to provide services to its customers without errors, and ATM banking has enabled the bank to provide genuine currency notes to its customers. The study also found that ATM machines are cheaper to build and maintain and that has reduced a bank teller's workload in addition to labour cost. Jegede (2014) concurred with the results that the deployment of ATMs terminals have averagely improved the performance of Nigerian banks because of the alarming rate of ATM fraud. Similarly, ATM service quality is less correlated to security and privacy of users and providers. Motondi and Bula (2020) found out that ATM banking had a positive influence on performance of commercial banks in Nairobi City County, Kenya. Ndhine and Kibati (2021) revealed that the ATMs had a statistically significant correlation with return on equity.

The research found that it was rare that: ATM banking has enabled the bank to reduce the work pressure on bank staff and provides flexibility to its operations, and ATM banking has enabled the bank to cut cost as all transactions are processed and monitored using automated computerized systems thus requiring minimal manpower. The results were different from those of Mukamunana (2019) who found a significant relationship between Automated Teller Machine transactions on financial performance of Bank of Kigali. However, the study and therefore the findings may not be conclusive since it involves a small sample size. Ongera and Omagwa (2020) found that automated teller machines provide services at low cost and are affordable and convenient, which increases utilization by customers and hence increase in revenue and profitability of the banks.

5.3.4 Internet Banking Channel

The research established that the use of internet services has increased customer access to bank and use of internet services has added to more profitable business avenues to the bank. The study also found that internet banking has enabled the bank to offer funds transfer services to its customers within and outside the country. Dinh, Le and Le (2015) stated that internet banking had an impact on bank profitability through an increase of income from service activities. However, the impact level was low and had a lag time of over 3 years, which is longer than findings from previous studies.

The research, however, found that it was rare that: the bank has been able to offer a variety of product and service features to its customers, and internet banking has enabled the bank provided reasonable rates and lower fees that has expanded its customer base. Stoica, Mehdian and Sargu (2015) showed that there are very few banks in our sample that have utilized Internet banking services in their production process to increase their level of efficiency. Abdullai and Micheni (2018) established that internet banking has a positive significant effect on operational performance of the commercial banks. Mateka, Gogo and Omagwa (2016) revealed that internet banking has positive influence on bank incomes, operating costs, loan book and customer deposits. Kombe and Wafula (2015) revealed that the impact of ICT adoption on the performance of banking sector.

5.4 Conclusions

The study concluded that agency banking channel affect the performance of Commercial Banks in Kenya significantly. The study concluded that agency banking significantly enhances the performance of commercial banks in Kenya by expanding the customer base, streamlining account opening, ensuring timely payments, and providing personalized services. It also facilitates the collection of loan applications, offers a smooth onboarding process, and extends the reach of traditional banks to rural populations through authorized agents. However, it has room for improvement in increasing customer access to bank services.

The study concluded that mobile banking channel affect the performance of Commercial Banks in Kenya significantly. The study deduced that mobile banking aids in safeguarding bank assets, offers advanced controls for cards, and enhances transparency in financial transactions. It allows customers to access their accounts conveniently and provides options for specific customer segments.

The study concluded that ATM banking channel affect the performance of Commercial Banks in Kenya significantly. The research also concluded that ATM banking significantly contributes to performance by providing error-free services, dispensing genuine currency, reducing costs, and alleviating the workload of bank tellers. However, it has room for improvement in reducing work pressure on bank staff and providing operational flexibility.

The study concluded that internet banking channel affect the performance of Commercial Banks in Kenya significantly. The study concluded that internet banking plays a crucial role in boosting customer access to the bank and creating profitable business avenues. It also facilitates funds transfer services. However, there's room for improvement in offering a wide variety of product and service features and competitive rates with lower fees to expand the customer base.

5.5 Recommendations

Banks should continue to invest in and expand agency banking networks, particularly in underserved and remote areas. Training and supporting agents to ensure their efficiency and reliability will be crucial in maintaining and enhancing the benefits of agency banking. Banks should also consider integrating more advanced technologies to streamline agent operations and improve transaction processing speeds, which will further reduce operational costs and enhance customer satisfaction.

Further, the study recommends that banks should enhance their mobile banking platforms by focusing on user-friendly interfaces, robust security measures, and continuous innovation to meet the evolving needs of tech-savvy customers. Marketing campaigns targeted at younger demographics can increase adoption rates, while feedback mechanisms can help banks continually improve their mobile banking services. Ensuring that mobile banking services are accessible and reliable will further boost customer convenience and satisfaction, ultimately improving bank performance.

Also, banks should maintain and upgrade their ATM networks to ensure high availability and efficiency. Regular maintenance and timely cash replenishments are essential to minimize downtime and enhance customer satisfaction. Additionally, banks could explore advanced ATM functionalities, such as cash deposit and bill payment services, to increase the utility and convenience of ATMs for customers. Reducing customer wait times and easing branch workloads through efficient ATM services will contribute to better operational efficiency.

Moreover, banks should continue to develop and promote their internet banking platforms by ensuring they are secure, reliable, and user-friendly. Educational campaigns to encourage the adoption of internet banking, particularly among older and less tech-savvy customers, can increase usage rates. Implementing robust security measures to protect against cyber threats will build customer trust and engagement. By providing a comprehensive suite of online services, banks can reduce administrative costs and improve customer satisfaction, thereby enhancing overall profitability and efficiency.

5.6 Recommendations for Further Research

This study focused on the influence of strategic banking channels on performance of Commercial Banks in Kenya. Therefore, another study needs to be done based on counties in Kenya. A similar study needs to be done comparing strategic channels of other firms other than banks.

The study variables (agency banking channel, mobile banking channel, ATM banking channel, and internet banking channel) accounted for 76.3% changes in performance of Commercial Banks in Kenya, the study recommends that the remaining variables accounting for 23.7 percent should be established and investigated as well.

REFERENCES

Abdullai, H. M., & Micheni, E. M. (2018). Effect of internet banking on operational performance of commercial banks in Nakuru County, Kenya. *International Journal of Economics, Finance and Management Sciences, 6*(2), 60-65.

Abong'o, D. (2016). Effect of mobile phone banking on performance of Commercial Banks in Kenya (Doctoral dissertation, Kca University)

Akhisar, I., Tunay, K. B., & Tunay, N. (2019). The effects of innovations on bank performance: The case of electronic banking services. *Procedia Social and Behavioural Sciences,* 1(2), 369 – 375

Aktar, S., Sachu, M. K., & Ali, M. E. (2021). The impact of rewards on employee performance in commercial banks of Bangladesh: An empirical study. *IOSR Journal of business and Management, 6*(2), 9-15.

Al-Hawari, M., & Ward, T. (2016). The impact of automated service quality on financial performance and the mediating role of customer retention. *Journal of Financial Service Marketing,* 10(3), 228- 233

Allen, L., & Rai, A. (2019). Operational efficiency in banking: An international comparison. *Journal of banking & Finance,* 20(4), 655 – 672

Almatrooshi, B., Singh, S. K., & Farouk, S. (2019). Determinants of performance: a proposed framework. *International Journal of productivity and Performance management*, 5(1), 2 – 9

Angelakopoulos, G., & Mihiotis, A. (2017). E-banking: challenges and opportunities in the Greek banking sector. *Electronic Commerce Research*, 11(3), 297 - 319.

Barr, R. S., Killgo, K. A., Siems, T. F., & Zimmel, S. (2018). Evaluating the productive efficiency and Performance of US commercial banks. *Managerial finance*, 7(1), 2 – 13

Bert, S., & Dick, V. W. (2013). The Theory of Financial Intermediation: An Essay on what it does (not) explain. *Journal of the European Money and Finance Forum,* 3(1), 11- 31

Bourne, M., & Bourne, P. (2012). *Handbook of corporate performance management*. John Wiley & Sons

Bringle, R. G., Hatcher, J. A., & Jones, S. G. (Eds.). (2023). *International service learning: Conceptual frameworks and research*. Taylor & Francis.

Central Bank of Kenya (CBK) (2021). *Bank Supervision Annual Report 2021*.

Creswell, J. (2014). Research Design: Qualitative, Quantitative and Mixed Methods Approaches (4th Ed). Thousand Oaks: Sage Publications

Creswell, J. W. & Clark, V. L. P. (2017). *Designing and conducting mixed methods research*. New York: Sage publications.

Cytonn (2023). *Q1'2023 Listed Banking Sector Review*. https://cytonn.com/topicals/kenya-listed-banks-15

Daniel, E., & Storey, C. (2019). On-line banking: strategic and management challenges. *Long Range Planning*, *30*(6), 890-898.

Daniyan-Bagudu, H., Khan, S. J. M., & Roslan, A. H. (2017). The effect of mobile banking on the performance of commercial banks in Nigeria. *International Research Journal of Management, IT and Social Sciences*, *4*(2), 74-80.

Delombre, J., & Bruzelius, B. (2020). Importance of relative market share in strategic planning-a case study. *Long Range Planning*, *10*(4), 2-7.

Dinh, V., Le, U., & Le, P. (2015). Measuring the impacts of internet banking to bank performance: Evidence from Vietnam. *The Journal of Internet Banking and Commerce*, *20*(2), 45 – 59

Donaldson, L. (2008). Ethics Problems and Problems with Ethics: Toward a Pro-Management Theory. *Journal of Business Ethics,* 78: 299-311

Dzombo, G. K., Kilika, J. M., & Maingi, J. (2017). The effect of branchless banking strategy on the financial performance of Commercial Banks in Kenya. *International Journal of Financial Research*, *8*(4), 167-183.

Edet, O. (2018). Electronic Banking in Banking Industries and its Effects. *International Journal of Investment and Finance,*3(1), 10 – 16

Eze, G. P., & Egoro, S. (2019). Electronic banking and profitability of commercial banks in Nigeria. *Journal of Finance and Economic Research*, *3*(1), 202-222.

Flick, U. (2020). *Introducing research methodology: A beginner's guide to doing a research project*. Newcastle: Sage.

Gathu, R. M., & Njenga, P. (2021). Effect of Mobile Banking on the Performance of Co-operative Bank of Kenya. *Journal of Finance and Economics, 9*(5), 193-200.

Gay L. (2002). Education Research competencies for analysis and application (4th ed). Macmillan publishers: New York

Goode, M., & Moutinho, L. (2015). The effects of free banking on overall satisfaction: the use of automated teller machines. *International Journal of Bank Marketing,* 13(4), 168–190

Gorard, S. (2018). *Research design: Creating robust approaches for the social sciences*. London: Sage.

Guitterez, E. G., & Sing, S. S. (2013). *What regulatory frameworks are more conducive to mobile banking?* Policy research working paper6652

Gurley, J., & Shaw, E. (1960). *Money in a Theory of Finance*. Washington, DC: Brookings Institution

Jaber, J. J., & Al-khawaldeh, A. A. (2020). The impact of internal and external factors on commercial bank profitability in Jordan. *International Journal of Business and Management*, 9(4), 22 – 31

Jay, B. B., & Hesterly, W. S. (2008). Strategic management and competitive advantages

Jegede, C. A. (2014). Effects of automated teller machine on the performance of Nigerian banks. *American Journal of Applied Mathematics and Statistics*, *2*(1), 40-46.

Jensen, M. C., &Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of financial economics*, *3*(4), 305-360

Jeong, K. Y., & Phillips, D. T. (2018). Operational efficiency and effectiveness measurement. *International Journal of Operations & Production Management,* 4(1), 6 – 9

Kaburu, L. N. (2014). An Analysis of the Impact of Agency Banking On Growth of Small and Medium-Scale Enterprises in Tharaka Nithi County (Doctoral dissertation, Kenyatta University).

Kanyoro, P. W., & Mbugua, D. (2018). Effect of Electronic Banking on performance of Commercial Banks in Kenya. *International Journal of Social Sciences and Information Technology,* 4(5), 393 - 407

Karimi, K. L. (2018). Effects of Agency Banking on Bank Performance: A Case of Equity Bank Meru Branch, Kenya. *Business and Economic Research*, *8*(4), 100-108.

Kato, G. K., Otuya, W. I., Owunza, J. D., & Nato, J. A. (2014). Mobile banking and performance of Commercial Banks in Kenya. *International Journal of Current Research*, *6*(12), 10670-10674.

Kavila, T. M., & Kilika, J. (2023). E-Banking Strategy and performance of Commercial Banks in Kenya. *Journal of Finance and Accounting, 3*(1), 47-60.

Kigen, K. P. (2017). The impact of mobile banking on transaction costs of micro finance institutions (Unpublished MBA Thesis, University of Nairobi)

Kingori, E., & Gekara, M. (2015). Effects of Agency Banking on the Performance of Bank Agents Business in Thika Municipality Kenya. *Strategic Journals of Business and Change Management*, 5(1), 940-972.

Kombe, S. K., & Wafula, M. K. (2015). Effects of internet banking on the financial performance of Commercial Banks in Kenya a case of KCB Bank. *International Journal of Scientific and Research Publications*, *5*(5), 1-10

Kotler, J., & Schlesinger, L. (2015). Choosing strategies for change. *Harvard Business Review*, 1(2), 120 – 140

Kumar, A., Parsons, A., Urdapilleta, E., & Nair, A. (2016). Expanding bank outreach through retail partnerships: correspondent banking in Brazil. The World Bank.

Kumbhar, V. M. (2016). Alternative Strategic banking channels and Customers' Satisfaction: An Empirical Study of Public and Private Sector Banks. *International Journal of Business and Management Tomorrow*, 1(1), 1 – 12

Kyengo, J. M., Muathe, S. M. A., & Kinyua, G. M. (2019). Marketing capability and firm performance: an empirical analysis of food processing firms in Nairobi city county, Kenya. *The Strategic Journal of Business & Change Management*, 6(1), 544-555.

Laursen, K., & Meliciani, V. (2019). The importance of technology-based intersectoral linkages for market share dynamics. *Review of World Economics*, *136*(4), 702-723.

Lenz, R. T. (2019). Determinants of performance: An interdisciplinary review. *Strategic management journal*, *2*(2), 131-154.

M'mata, H. M., & Weda, C. (2022). Influence of banking innovations on financial performance of Kenya Commercial Bank. *International Journal of Current Aspects in Finance, Banking and Accounting*, *4*(2), 11-21.

Macharia, I., Osoro, C., & Omurwa, M. J. (2021). Influence of Alternative Strategic banking channels on Financial performance of Commercial Banks in Kenya. *International Research Journal of Business and Strategic Management*, *2*(3).

Mahalaxmi, K. (2016). Alternate Strategic banking channels for Customer Convenience. *International Journal of Scientific Research,* 2(2), 2277 - 8179.

Maigua, C., & Mouni, G. (2021). Influence of interest rates determinants on the performance of Commercial Banks in Kenya. *International journal of academic research in accounting, finance and management sciences*, *6*(2), 121-133.

Markiewicz, P. (2015). Change Management in the Strategy Implementation Process. *Intellectual Economics,* 5(2), 257 – 267

Mateka, M., Gogo, J., & Omagwa, J. (2016). Effects of internet banking on financial performance of listed Commercial Banks in Kenya. *American Journal of Finance*, *1*(2), 53-71.

Maungu, D. O. (2015). An investigation of the influence of alternative financial delivery channels on the performance of Commercial Banks in Kenya. (Doctoral Dissertation, Kenyatta University)

Maungu, D. O. (2015). *An investigation of the influence of alternative financial delivery channels on the performance of Commercial Banks in Kenya*. Unpublished MBA thesis, Kenyatta University.

Modupe, L. (2015). *Enhancing Financial innovation and Access*. Agent banking Innovation Forum Nigeria

Mohajan, H. K. (2017). Two criteria for good measurements in research: Validity and reliability. *Annals of Spiru Haret University. Economic Series*, *17*(4), 59-82.

Motondi, F. O. & Bula, H. (2020). Alternative strategic banking channels and Performance of commercial banks in Nairobi City County, Kenya. *International Academic Journal of Economics and Finance,* 3(6), 47-65

Mugenda, A,. & Mugenda, O. (2013). Research Methods: Quantitative and Qualitative Approaches. Nairobi: ACTS Press

Mukamunana, S. (2019). Impact of Automated Teller Machine (ATM) Transaction on Financial Performance of Commercial Banks in Rwanda Case Study of Bank of Kigali (2015-2018) (Doctoral dissertation, University of Rwanda)

Muogbo, U. S. (2013). The Impact of Strategic Management on Growth and Development: A Study of Selected Manufacturing Firms in Anambra State. *IOSR Journal of Business and Management,* 7(1), 24 - 32

Musiime, A., & Malinga, R. (2017). Internet banking, consumer adoption and customer satisfaction. *African Journal of Marketing Management*, *3*(10), 261-269

Ndhine, T. O., & Kibati, P. (2021). Effect of Automated Teller Machines on Financial Performance of Commercial Banks Listed on the Nairobi Securities Exchange, Kenya. *IOSR Journal of Business and Management,* 24(4), 32 – 43

Nduta, R. W., & Wanjira, J. (2019). E-Banking Strategy and performance of Commercial Banks in Kenya. *International Journal of Current Aspects, 3*(V), 147-165.

Nganga, S. I. & Mwachofi, M. M. (2013). Technology Adoption and the Banking Agency in Rural Kenya. *Journal of Sociological Research,* 4(1), 121-129

Ngugi, K., & Karina, B. (2021). Effect of innovation strategy on performance of Commercial Banks in Kenya. *International Journal of Social Sciences and Entrepreneurship*, *1*(3), 158-170.

Nițescu, D. C. (2018). Banking Business and Social Media-A Strategic Partnership. *Theoretical & Applied Economics*, *22*(4), 3 – 11

Nyanaro, N. N., & Bett, S. (2020). Influence of strategic planning on performance of Commercial Banks in Kenya: Case of Barclays Bank of Kenya. *International Academic Journal of Human Resource and Business Administration,* 3(2), 235-255

Ogutu, F. N., & Makokha, E. N. (2018). Effect of Alternative Strategic banking channels on Performance of Banks in Kwale County, Kenya. *International Journal of Recent Research in Social Sciences and Humanities (IJRRSSH),* 5(2), 96 – 111

Okiro, K., & Ndungu, J. (2017). The impact of mobile and internet banking on performance of financial institutions in Kenya. *European Scientific Journal*, *9*(13), 45 -57

Ongera, S. B., & Omagwa, J. (2020). Automated Teller Machines and financial performance of selected Commercial Banks in Kenya. *International Journal of Business Management and Finance,* 3(1), 5 - 11.

Ørngreen, R. & Levinsen, K. (2017). Workshops as a Research Methodology. *Electronic Journal of E-learning*, 15(1), 70-81.

Orodho A. J. (2005). Techniques of writing research proposals and reports in Educational and Social Sciences, (2nd Ed) Nairobi: kaneja H.P Enterprises

Panida, S., & Sunsern, L. (2018). An Analysis of Internet Banking Security of Foreign Portals. *International Journal of Bank Marketing*, *23*(2), 153 - 175.

Plomp, T. (2018). Educational design research: An introduction. *Educational design research*, 4(2), 11-50.

Reid, N. (2016). Thoughts on attitude measurement. *Research in Science & Technological Education*, *24*(1), 3-27

Remulo, K. I. (2018). Impact of mobile banking on the bank profitability of Kenyan commercial banks (Doctoral dissertation, Strathmore University).

Short J. C., & Palmer, T. B. (2016). Performance referents: An empirical examination of the content and influences. *Behavior and Human Decision Processes,* 1(2), 209 – 224

Simpasa, A. M. (2022). Competitive conditions in the Tanzanian commercial banking industry. *African development review*, *23*(1), 88-98.

Sporta, F., & Muganda, T. W. (2021). Effects of agency banking on operational efficiency of Commercial Banks in Kenya. *International Research Journal of Business and Strategic Management*, *2*(2), 7 - 15

Stoica, O., Mehdian, S., & Sargu, A. (2015). The impact of internet banking on the performance of Romanian banks: DEA and PCA approach. *Procedia Economics and Finance, 20,* 610-622.

Sürücü, L., & Maslakci, A. (2020). Validity and reliability in quantitative research. *Business & Management Studies: An International Journal*, *8*(3), 2694-2726.

Suvita, J., & Xiaofeng, H. (2017). A comparison of financial performance of commercial banks: A case study of Nepal. *African Journal of Business Management*, *6*(25), 7601-7611.

Switbert, S., & Baleche, A. (2022). Perceived benefits of E-Banking and its Relationship on Banking Performance in Tanzania. *International journal of Engineering, Business and Management, 6*(2), 45 – 58

Thulani, D. Tofara, C., & Langton, R. (2015). Adoption and use of internet banking in Zimbabwe: An exploratory study. *The Journal of Internet Banking and Commerce*, *14*(1), 1-13.

Thuo, E. W. (2018). Agency banking transactions and performance of Commercial Banks in Kenya (Master's Project, Kenyatta University)

Virgina D. (2010). Handbook of Research on multi-agent system: semantics and Dynamics of organization models. www.sofina-sa.com/viewpage.php?

APPENDICES

Appendix I: Introductory Letter

John Mutinda Kioko

P.O. Box 173-90132 Sultan Hamud

Mobile Number: 0721594641

Email Address: joekioko59 gmail.com

Dear Sir/Madam,

RE: Data Collection

I kindly request you to provide information concerning the attached questionnaire which sought to obtain information relating to a study am undertaking in Masters programme on 'Strategic banking channels on the Performance of Commercial Banks in Kenya' in Kenyatta University

The information provided was used exclusively for academic purpose. I assure you that the information you will provide will be treated in strict confidence. A copy of the final paper will be availed to you upon request. Your assistance will be highly appreciated.

Yours Faithfully,

John Mutinda Kioko

Post Graduate Student, Kenyatta University

Appendix II: Research Questionnaire

Instruction: Please tick where appropriate

Section A: Bio Data

1. Gender: [ ] Male [ ] Female
2. Your highest education level?

   [ ] Diploma [ ] Bachelor Degree

   [ ] Master's Degree [ ] Post Graduate Diploma
3. Age

   [ ] Below 25 years [ ] 25-34 years

   [ ] 35-44 Years [ ] 45 and above
4. Working Experience

   [ ] Less than 5 years [ ] 5-9 Years

   [ ] 10-15 Years [ ] Above 15 Years

Section B: Agency banking channel

On a scale of 1 to 5, rank the agency banking channel service that your bank's customers use.

Key: 1-Don't Use; **2**-Very Rare; **3**-Rare ; **4**-Frequent; **5**-Very Frequent

Statement	1	2	3	4	5
Agency banking has created a wider customer base to the bank across the country					
Agency banking has allowed the traditional banks to go branchless by extending their					

branches' network via authorizedagentsinthe rural populations.					
Agency bankinghashelpedthebank to make their paymentsontime					
An efficient agencybanking solution has offereda higher personalizationof servicesto thebusinessowners.					
Agency banking has offered multiple features like speedy onboarding process, the clear introductionof theproduct, anddemonstration of thenew customers' features					
Collectionof loanapplicationsforms					
Collection of account opening application forms					
Useof agency bankingserviceshasincreased customer accessto bank services					
Use of agency banking services has added to moreprofitablebusinessavenuesto thebank					

5. In your own opinion, how does agency banking influence the performance of KenyanBanks?

   ……………………………………………………………………………………

   ……………………………………………………………………………………

   …………………………

Section C: Mobile banking channel

On a scale of 1 to 5, rank the mobile banking channel service that your bank's customers use.

Key: 1-Don't Use ;**2**-Very Rare; **3**-Rare; **4**-Frequent; **5**-Very Frequent

Statement	1	2	3	4	5
Mobile banking has enabled the bank to conveniently allow its customers to access their accounts anytime					
Mobile banking has enabled the banks to guard its assets including transactions made by the customers using their mobile apps					
Mobile banking has enabled the bank to offer more advanced controls such activating a new credit or debit card					
Mobile banking has enabled the bank to offer clarity about where the customer's financial data is going					
Mobile banking has enabled the bank to provide a variety of options to serve specific pockets of the population					

6. In your own opinion, how does mobile banking channel influence the performance of Kenyan banks?

………………………………………………………………………………………

………………………………………………………………………………………

…………………………

Section D: ATM banking channel

On a scale of 1 to 5, rank the Automatic Teller Machine (ATM) banking channel that your bank's customers use.

Key: 1-Don't Use; **2**-Very Rare; **3**-Rare; **4**-Frequent; **5**-Very Frequent

Statement	1	2	3	4	5
ATM machines are cheaper to build and maintain that that has reduced a bank teller's workload in addition to labour cost.					
ATM banking has enabled the bank to reduce the work pressure on bank staff and provides flexibility to its operations.					
ATM banking has enabled the bank to cut cost as all transactions are processed and monitored using automated computerized systems thus requiring minimal manpower.					
ATM banking has enabled the bank to provide service to its customers without errors.					
ATM banking has enabled the bank to provide genuine currency notes to its customers					

7. In your own opinion, how does Automatic Teller Machine (ATM) banking channel influence the performance of banks in Kenya?

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………

Section E: Internet banking channel

On a scale of 1 to 5, rank the internet banking channel that your bank's customers use.

<u>Key:</u> (1-Don't Use; **2**-Very Rare; **3**-Rare; **4**-Frequent; **5**-Very Frequent

Statement	1	2	3	4	5
Internet banking has enabled the bank to offer funds transfer services to its customers within and outside the country					
The bank has been able to offer a variety of product and service features to its customers					
Internet banking has enabled the bank provided reasonable rates and lower fees that has expanded its customer base					
Use of internet services has increased customer access to bank Services					
Use of internet services has added to more profitable business avenues to the bank					

8. In your own opinion, how does internet banking channel influence the performance of Kenyan banks?

……………………………………………………………………………………

……………………………………………………………………………………

…………………………

Section F: Performance

To what extent do you concur with the following statements concerning the following indicators of performance of Kenyan banks?

Use the scale of: 1=strongly disagree 2= disagree 3= undecided 4= Agree 5= strongly agree

Statement	1	2	3	4	5
There is an increase in profitability					
Increased market share					
Increased the operational efficiency					
Improved corporate image due to quality services					

Thank you for your time

Appendix III: List of Commercial Banks in Kenya

No	Bank	Directors	HODs	Head of units	Line managers	Total
1	ABSA Bank Kenya	7	14	27	52	100
2	Consolidated Bank of Kenya Limited	6	13	24	36	79
3	Co-operative Bank of Kenya Limited	8	24	49	68	149
4	Diamond Trust Bank Kenya Limited	8	16	24	30	78
5	Equity Bank Kenya Limited	10	31	56	74	171
6	Family Bank Limited	8	21	38	58	125
7	Faulu Microfinance Bank	7	13	23	36	79
8	I&M Bank Limited	5	14	20	31	70
9	KCB Bank Kenya Limited	9	26	50	75	160
10	Kenya Women Microfinance Bank PLC	4	16	21	30	71
11	National Bank of Kenya Limited	8	18	32	45	103
12	NCBA Bank Kenya PLC	9	27	40	65	141
13	Stanbic Bank Kenya Limited	6	17	25	32	80
						1406

Appendix IV: Research Authorization

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530

Our Ref: D53/CTY/PT/37717/2016

DATE: 25th October, 2023

Director General,
National Commission for Science, Technology and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FOR JOHN MUTINDA KIOKO – REG. NO. D53/CTY/PT/37717/2016

I write to introduce **John Mutinda Kioko** who is a Postgraduate Student of this University. The student is registered for M.B.A degree programme in the **Department of Business Administration.**

John intends to conduct research for a M.B.A Project Proposal entitled, **"Banking Strategic Channels and Organizational Performance of Commercial Banks in Kenya."**

Any assistance given will be highly appreciated.

Yours faithfully,

PROF. ELISHIBA KIMANI
EXECUTIVE DEAN, GRADUATE SCHOOL

AM/mo

Appendix V: Research Permit (NACOSTI)

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 756151 **Date of Issue: 15/November/2023**

RESEARCH LICENSE

This is to Certify that Mr.. John Mutinda Kioko of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: Banking Strategic Channels and Organizational Performance of Commercial Banks in Kenya for the period ending : 15/November/2024.

License No: NACOSTI/P/23/31509

756151

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions