ABSTRACT

The banking operating environment has been characterized by stiff competition among the banking industry players and other key players offering close products such as soft loans and easy money transfers via mobile banking. Competition amongst the commercial banks has pushed banks towards becoming more innovative. Most of the innovations were introduced from the year 2006 onwards. The recently introduced within the Kenyan banking sector is the agency banking. In Kenya, agency banking is regulated by the Finance Act, 2009 that became operational in January 2010. Despite the importance of agency banking, the Kenyan customers are yet to fully appreciate its services because they perceive it to be prone to insecurity and liquidity problems. Challenges faced in adoption of agency banking include finding the right business partners, managing the agent network, setting up the infrastructure, management structure to incorporate agency model, competition from other banks, poor customer service, and issues of fraud. There is a paucity of studies on the strategic challenges influence on agency banking growth among the Cooperative bank of Kenya agency, in Kitengela Township, Kajiado County, Kenya. This study therefore seeks to fill these gaps. The study was guided by the following objectives: i) to determine the effect of network reliability on agency banking growth in Cooperative bank of Kenya, Kitengela Township, ii) to find out the influence of agency compliance challenges on Cooperative bank of Kenya, Kitengela Township, and iii) to investigate of bank product literacy challenges on Cooperative bank of Kenya, Kitengela Township. The research adopted descriptive survey approach focusing on the cooperative bank of Kenya that is currently operating agency banking model. The population of the study consisted of 1 bank official, 140 affiliated agents and 10 banks' customers. The study used purpose sampling to select the bank official and the bank customers, and random sampling to select the bank agents for the study. Sample data was collected by use of structured questionnaire and personal Interviews. Data analysis was done by the use of the Statistical Package for Social Scientists (SPSS). Descriptive statistics e.g. mean, mode, median, and standard deviation were used to explain the characteristics of the study variables. The inferential statistics such as correlation and regression analysis were used to generalize the results to the population. The findings of the study were presented by the use of frequency table, graphs, and pie charts. The study found out that majority (51.85%) of the agents had been educated up to college level. There was a significant relationship ($r = 0.507$, $p = .000$) between product literacy and agency bank growth. The study found out that the agents' product literacy was moderate and the bank had not done enough in training them on matters of product knowledge. Majority of the agents did not comply in installing the security alarms and CCTV in their business premises. The study found out that at some times, the agents experienced network failures but the bank did not address the issue promptly as it ought to be. Banks should put in place efficient mechanisms of responding to and resolving agency network failures whenever they arise. Banks should also adequately train their agents on matters pertaining to bank secrecy, data privacy, and customer confidentiality.