

**EVALUATING THE EFFECTIVENESS OF THE FINANCIAL ACCESS  
STRATEGIES BY COMMERCIAL BANKS AND MICROFINANCE BANKS IN  
KENYA**

**HAFSA ABDULAZIZ ALI**

**MDF/ 114688**

A research dissertation submitted in partial fulfillment of the requirements for the  
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**DECLARATION**

I declare that this dissertation has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the proposal itself.

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**Hafsa A Ali**


**114688**

Signature.......... Date.....30<sup>th</sup> May, 2024.....

**Approval**

The research dissertation of Hafsa Ali was reviewed and approved for examination by:

**Dr. Geoffrey Injeni,**  
**Lecturer,**  
**Strathmore University Business School**

Signature.......... Date....30<sup>th</sup> May 2024.....

## DEDICATION

This thesis is dedicated to all people who didn't give up on me to finish my master's degree. Especially to my family, for their unwavering love and support. To my father who pushed me to finish the dissertation after delaying for two years.



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In the Name of Allah, the Most Gracious, the Most Merciful. First, and most importantly, all Praises and Thanks be to Allah for giving me the inspiration, wisdom, health, strength, and endurance to complete this dissertation. Then, I appreciate the great support of my supervisor Dr. Injeni for his countless hours of, reading, reflecting, encouraging, and most of all patience throughout the entire process. My gratitude and my appreciation should go also to my family; my parents for their love, prayers, and endless support. Finally, I am grateful to my siblings and friends for their encouragements and advices to finish my dissertation.



## ABSTRACT

Many stakeholders, both at the global level and the local level are making an effort to promote financial inclusion. Financial inclusion, according to the World Bank, is important in achieving economic growth; having as many citizens access financial services as possible. Commercial Banks and Microfinance banks, being major players in the financial services sector, are at the forefront in promoting financial inclusion, by increasing financial access. Empirical studies have focused on various strategies that commercial banks and microfinance banks use for financial access being internet banking, mobile banking, agency banking and expansion of the branch network. However, there is little or no empirical evidence regarding the suitable financial access strategy that the commercial banks and microfinance rank as optimal for financial access. This study utilized financial intermediation and stakeholder theories first to establish the financial access strategies utilized, second, the organizational factors and how regulation influence the ranking of the financial access strategies and obtain management's perception of the effectiveness of the financial access strategies. The main population was the 38 Commercial Banks and 14 Microfinance Banks Licensed by the Central Bank of Kenya in 2023. Primary data on the ranking of the effective financial access strategy was obtained using a semi-structured questionnaire administered online, while part of organization factors were obtained from the annual reports for year 2023. The multinomial logistic regression model was used to analyze organizational features and the ranking financial access strategy, while descriptive statistics were used for various organizational factors and perceptions of the management. Findings reveal that all the banks use internet banking, mobile banking and agency banking for financial access, but only 13 banks use agency banking. Commercial banks and microfinance banks rank Mobile banking, then branch network, then internet banking and finally agency banking as useful in promoting financial access for financial inclusion. Large commercial banks rank internet banking as the best financial access strategy. However, even though mobile banking being ranked as the best for financial access, this is not associated with any one organizational factor and regulation. Banks that have high capital adequacy, rank agency banking as the best means of financial access. Banks with smaller boards, microfinance banks and banks with fewer years of operation will likely rank branch network as the best means of financial access, while large profitable banks will rank branch network as the best for financial access. In terms of benefits of financial access strategies, respondents indicate that Internet Banking and Mobile Banking are very useful financial access strategies due to ability to save on costs, such as those associated with operating branches. In terms of challenges in financial access strategies, strict regulation in operating these financial access strategies by the regulator (Central Bank of Kenya), seems to be the main challenge. However, agency banking is associated with high costs while Internet banking and Mobile banking are also associated with high risk. The findings of the study are useful for commercial banks, microfinance banks, regulators to achieve innovations in financial access, thereby financial inclusion, to inform policy, while providing more information for further research. Further studies are required to identify the most effective ways to implement these financial access strategies for financial inclusion.

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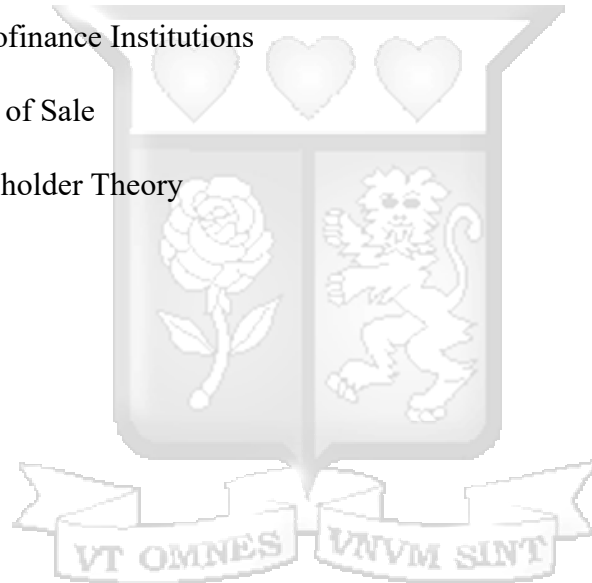
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## LIST OF ABBREVIATIONS

ATM	Automated Teller Machines
CB	Commercial Banks
CBK	Central Bank of Kenya
FI	Financial Intermediation
IB	Internet Banking
MFB	Microfinance Banks
MFI	Microfinance Institutions
POS	Point of Sale
ST	Stakeholder Theory



## CHAPTER ONE: INTRODUCTION

### 1.1. Background of the study

Financial inclusion is the process of ensuring that individuals and small businesses access financial services (Allen, Demirguc-Kunt, Klapper & Peria, 2016; Ozili, 2018). Various stakeholders at the global level, such as the World Bank, and at local level, the Central Bank of Kenya, are making effort to promote financial inclusion due to various reasons. For example, Bold, Porteous, and Rotman (2012) explain that financial inclusion improves the level of social inclusion in many societies. Furthermore, financial inclusion is regarded as a key tactic for achieving the sustainable development goals of the United Nations. (Sahay et al.,2015; Demirguc-Kunt, Klapper, & Singer, 2017). Financial inclusion is also a strategy that can be used to reduce poverty levels (Chibba, 2009; Neaime & Gaysset, 2018).

Given the importance of financial inclusion as a major contributor to economic growth, there is vast empirical literature on financial inclusion (Ozili, 2021). Prior studies have evaluated various aspects of financial inclusion: the role of financial inclusion in promoting economic growth (Ghosh, 2013; Sarma & Pais, 2011), financial stability achieved through financial inclusion (Cull, Demirguc, -Kunt, & Lyman, 2012; Hannig & Jansen, 2010); the relationship between financial inclusion and economic growth (Kim, Yu, & Hassan, 2018; Mohan, 2006); financial inclusion practices in different countries (Fungacova & Weill, 2015), microfinancing and financial institutions as means of financial inclusion (Dixit & Ghosh, 2013; Marshall, 2004), and how financial technology and innovation as catalysts for financial inclusion (Donovan, 2012; Gabor & Brooks, 2017; Ozili, 2018, 2019), among others.

Empirical studies have also evaluated the role of various financial institutions in financial inclusion. Pavithran and Raihanath (2014), evaluated commercial banks, Didenko and Sidelnyk (2021), Anusha (2020) considered insurance companies, Sheka and Veeramani. (2017), evaluated pension funds and insurance companies, Brown, Guin, and Kirschenmann (2016), considered microfinance banks and Bharti and Malik (2022) extended to other microfinance institutions. Commercial banks and microfinance banks are the dominant financial institutions in promoting financial inclusion, as discussed in section 1.1.1.

Financial inclusion is aided by various financial access strategies. Empirical literature on different financial access strategies for banks consider internet banking (Lee & Lee, 2001; Lichtenstein & Williamson, 2006), Mobile Banking (Deb & Lomo-David, 2014; Farah, Hasni, & Abbas, 2018), agency banking (Lotto, 2016) and Branch Network (Célerier & Matray, 2019).

The rest of the background will review the role of commercial banks and microfinance banks in financial inclusion, then discuss the financial access strategies as a means of financial inclusion, then provide a highlight of research gaps and motivation for the study.

### **1.1.1 The Role of Commercial Banks and Microfinance Banks in Financial**

#### **Inclusion**

A commercial bank is an organization that basically aims to receive deposits from the public, to provide financial services such as lending. Banks play a major role of being financial intermediaries, as well as supporting the economic development of the country (Sembiyeva, Zhagyparova, & Makysh, 2019). A wide range of financial services are offered by commercial banks, including the issuance of credit and debit cards, the management of checking and savings accounts, the processing of checks and online payments, the granting of personal and business loans, the operation of fixed deposit and savings accounts, the issuance of bank guarantees, certificate of deposit, the collection and payment of credit instruments, foreign exchange, and investment banking (Saini & Sindhu, 2014).

A microfinance bank is a type of Microfinance institution. The World Bank defines Micro Finance Institutions (MFIs) as “organizations that employ a range of strategies to handle relatively small financial transactions for low-income people, microbusinesses, small-scale farmers, and others without access to traditional banking services (CBK, 1999). The Microfinance Act, 2006, also defines MFI as “a business receiving money by way of deposits and interest on deposits which is lent to others or used to finance the business; or providing loans or other facilities to micro or small enterprises and low-income households; deposit taking and non-deposit taking” (MFI Act, 2006).

Whereas the role of microfinance banks in financial inclusion is evident based on the definition, the role of commercial banks in financial inclusion may be debatable. Some

authors view the role of commercial banks as profit oriented (Opoku, 2011; Dudhe, 2017)), while others think that banks have a major role to play in financial inclusion (Pavithran & Raihanath, 2014), Iqbal & Sami, 2017), Nkuna, Lapukeni, Kaude, & Kabango, 2018). According to Archana (2013), commercial banks, as compared to microfinance banks, have the resources to play an important role in financial inclusion. Aside from microloans, commercial banks offer their clients banking services, processing payments on their behalf, electronic funds transfer as well as insurance. Some large banks have group structures (some subsidiaries are insurance providers, foreign branches managing funds transfers, ATM networks across the country) to enable the delivery of these services.

According to the Central Bank of Kenya website, Kenya had 38 banks and 14 Microfinance banks as at the end of 2023 (CBK, 2023). The banking industry's total net assets as of December 31, 2022, were Ksh. 6.6 trillion. in contrast to Ksh. 6.0 trillion as of December 2021, signifying a 22 percent increase. From Ksh. 4.6 trillion in December 2021 to Ksh. 5.0 trillion in December 2022, total deposits grew by 9%. From Ksh. 3,300.4 trillion in December 2021 to Ksh. 3,600.3 trillion in December 2022, gross loans grew by 11 percent. In 2022, the microfinance industry's total assets decreased by 5 percent. The total assets recorded for the year ended 2021 were Ksh.74 billion, whereas as of December 31, 2022, they were Ksh.70 billion. From Ksh. 40 billion in 2021 to Ksh. 39 billion in December 2022, net advances fell by 2 percent.

### **1.1.2 Financial Access as an enabler of Financial Inclusion.**

Financial access by banks is usually achieved through internet banking, mobile banking, agency banking and branch network (Physical branches and Automatic Teller Machine – ATMs).

According to Chang (2002), internet banking is where the bank customers access banking products through the internet, i.e. through their personal computers or other devices such as tablets. The first internet banking services can be traced to Stanford Credit Union in 1994 and was regarded as one of the best innovations in banking technology (Mattila, Karjaluoto, & Pento, 2001).

Like internet banking, customers can access the banking services online, but without internet connection, as required by internet banking (Sharma & Malviya, 2011; Mullan, Bradley, & Loane, 2017). Tobbin (2012) adds that mobile banking differs from internet banking in three ways. First, compared to mobile banking, online banking is probably going to provide a wider range of banking services, including foreign currency transactions. Second, although internet banking necessitates the download of an application or a web link, mobile banking does not. Lastly, compared to mobile banking, internet banking programs are more easily upgraded to provide a greater range of services. Agency banking is where a bank's customers access banking services through agents that have been contracted by the bank. The bank will likely contract a retail or postal outlet to process bank clients' transactions (Mwando, 2013). The agent need not necessarily be in financial services, and will likely include convenience stores, supermarkets, among others. Lyman, Ivatury, and Staschen, (2006) describes the technology required for a bank to engage an agent, such as personal computers that link to the financial institution's server via a personal dial-up or other data connection, cell phones, PIN pads, point-of-sale (POS) card readers, and barcode scanners for bill payment operations. According to the Central Bank of Kenya, the delivery of financial services through the agent banking model continued to increase in 2022. During the year, 21 commercial banks and 5 microfinance banks (MFBs) contracted 82,800 and 900 bank agents, respectively. As at December 2021, commercial banks recorded 78,000 bank agents, while MFBs agents were 1,000. The change was an increase of 4,400 commercial bank agents (6 percent) and a decrease of 90 MFB agents (9 percent).

Branch Network access is where the banks' customers access banking services using the physical branches and automated teller machines (ATMs). Physical branches and use of Automatic Teller Machines were the initial financial access strategies that banks have been using (Camanho & Dyson, 1999). Unlike internet banking and mobile banking, branches and automatic teller machines require the physical presence of customers to access the banking services (Aggelopoulos, & Georgopoulos, 2017). However, ATMs are convenient to customers as they allow access to limited services for 24 hours as compared to physical branches that operate during specified hours (Włodarczyk, & Burchi, 2017.)

According to CBK, bank branches in Kenya increased from 1,450 in 2021, to 1,475 in 2022, representing a 1% increase.

In terms of research gaps and highlights, financial inclusion plays an important role in economic growth and development, by enabling as many people as possible to access financial services. Financial institutions like commercial banks and microfinance banks are major players in financial inclusion, by utilizing various financial access strategies, as discussed, being internet banking, mobile banking, agency banking and branch network. Empirical studies have been conducted on various financial access strategies. Internet banking, being an innovation in technology has been the subject of vast empirical literature. Some studies have evaluated the benefits and challenges of adopting internet banking (Rotchanakitumnuai & Speece, 2003) factors influencing the adoption of internet banking (Howcroft et al., 2002), and the factors hampering the adoption of internet banking (Gerrard et al., 2006; Laukkanen et al., 2009). Likewise, some studies have also evaluated mobile banking. Some empirical studies have investigated factors influencing the adoption of mobile banking (Zhou, 2012; Akturan & Tezcan, 2012), the perceived risks and benefits of adopting mobile banking (Akturan & Tezcan, 2012) and others have evaluated reasons why customers will adopt mobile banking (Shaikh, & Karjaluo, 2015).

With regards to agency banking, an empirical study has considered the effect of agency commercial banks' perspective (Mwando, 2013), the importance of laws and regulation in agency banking (Ivatury & Lyman, 2006; Ivatury & Mas, 2008) and challenges and benefits of agency banking (Kumar, 2006). On branch network, Célerier and Matray (2019) investigated the role of branch network in promoting financial inclusion and growing wealth (Landier, Sraer, & Thesmar, 2017) studied the role of regulation in promoting branch networks for banks, Gigov and Popska (2017) evaluated the importance of digitizing bank branches to promote financial inclusion.

Even though empirical studies focusing on these strategies are on the rise, some aspects of financial access strategies are yet to be considered. One aspect, which was the focus of this study is, from a commercial bank and microfinance perspective, how important and relevant are these financial access strategies for financial inclusion. Given that some banks operate all the four financial access strategies, while others have three (lacking agency

banking), it would be important to know the motivation behind the use of these strategies and in terms of ranking, which strategy, do the banks view are most effective for financial inclusion. In addition, in the process of ranking the effective strategy, it is also important to know the organizational and regulatory factors influencing the use of a specific financial access strategy. Another aspect of the study is that, whereas empirical studies have focused on the adoption from a customer's perspective, this study considered the use of different financial access strategies from the bank's perspective. For example, the motivation to use different financial access strategies, challenges of adopting the financial strategies and any other aspects that are useful in using financial access strategies for financial inclusion, that will contribute to the academic discussion.

## 1.2. **Problem Statement**

Section 1.1. has provide the background to the study, demonstrating the research gap. Whereas empirical studies have evaluated the use of various financial access strategies being internet banking, mobile banking, agency banking and branch networks, the important question is, which of these financial access strategies are important in promoting financial inclusion. According to the FinAccess Household Survey of 2022 (CBK, 2022), of the 30 million adults interviewed in Kenya, about 85% have access to some form of financial services, with majority being in urban areas like Nairobi, Mombasa, Nakuru and Kisumu. Despite this high figure for financial inclusion, it appears that we still have more than 5 million of the Kenyan population that is financially excluded.

The effort by various stakeholders to promote financial inclusion demonstrates the importance of using various financial access strategies. The use of technology in financial services has not only enhanced enabled financial inclusion, but has also promoted financial access (Gąsiorkiewicz, Monkiewicz, & Monkiewicz, 2020). Internet banking, mobile banking and agency banking are based on technological innovation, while branch networks rely on some form of technology to operate.

However, it is vital to be aware that the use of the various financial access strategies, though important, attention should be given to the most effective ones, based on their benefits and risks. These strategies, being used together can either complement or

supplement each other. Without this awareness, commercial banks and microfinance banks will likely apply their resources less optimally, and regulators and other stakeholders will promote financial inclusion, in an inefficient way. For example, if internet banking is ranked as the most important financial access strategy, then, commercial banks and microfinance banks will likely invest in the appropriate technology and promote innovations in internet banking, while also using mobile banking for areas where internet connectivity is an issue. Meanwhile, regulators can also enhance financial access through appropriate regulations and guidelines, while considering effective financial strategies. In addition, being aware of various motivations and challenges of adopting various financial access strategies will also provide an opportunity for innovations.

### 1.3. **Research Objectives and Research Questions**

The general objective of this study was to evaluate the effectiveness of the financial access strategies for financial inclusion by commercial banks and microfinance banks in Kenya.

The specific objectives were:

1. To determine the relevant financial access strategies for financial inclusion.
2. To establish organizational factors and role of regulation influencing the use of the financial access strategies.
3. To evaluate management perspectives on the financial access strategies.

The study therefore used the following research questions.

- (i) What are the relevant financial access strategies for financial inclusion?
- (ii) Which organizational factors and role of regulation influencing the use of the financial access strategies?
- (iii) What are the management perspectives on the financial access strategies?

### 1.4. **Scope of the Study**

This study targeted the 38 Commercial banks and 14 MFBs as licensed by the Central Bank of Kenya as of December 2023 Appendix III. The study used both secondary data and primary data. The secondary data was drawn from the Banking Annual Supervisory

reports, banks annual reports and microfinance bank's audited financial statements for the year 2023. The primary data was collected using an online administered questionnaire targeting the senior management, in the month of May 2024.

## 1.5. **Significance of the Study**

### **1.5.1 Regulators and Policy Makers**

Through a variety of financial access routes, the discussion in this study seeks to support the ongoing initiatives being led by organizations like the World Bank and the government to achieve financial inclusion. National policy makers will gain knowledge of the problems related to the crucial financial access methods according to the study's findings. The Central Bank of Kenya will use the findings to inform the policies and guidelines it develops to support and encourage financial access measures.

### **1.5.2 Commercial Banks (CBs)**

The study's conclusions aid Commercial Banks make better decisions when allocating investment resources to the best financial access methods. Together with sharing the experiences and viewpoints of other industry participants, the study offers insights into the most effective financial access initiatives. The study sheds light on the main advantages and difficulties of putting specific financial access techniques into practice, to understand how these tactics can be tailored for different types of clients.

### **1.5.3 Microfinance Banks (MFBs)**

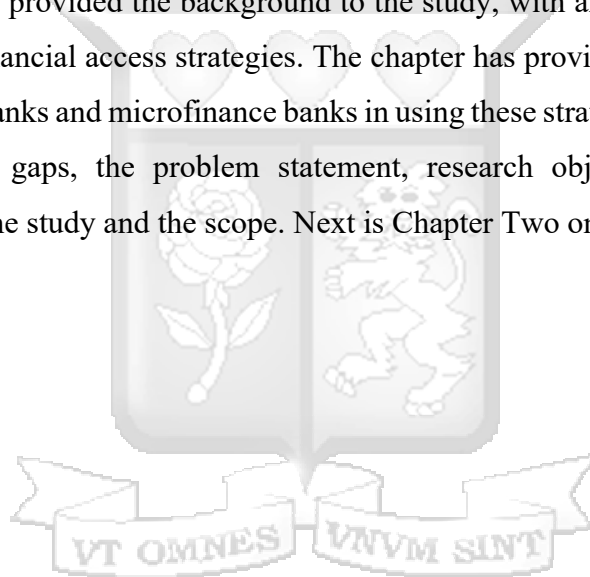
Even though microfinance banks operate on a smaller scale than commercial banks, they might nonetheless gain from the study's conclusions in the same way. Microfinance banks should prioritize financial access methods that are better tailored to their needs by identifying common strategies used by the banking industry despite their limited resources.

#### **1.5.4 Researchers and Academicians**

The findings and results of this study add to the empirical literature on financial access provided by commercial banks and microfinance banks, which is currently lacking. The study offers a contribution in the form of CBs and MFBs' priority financial access strategies. Second, the study contributes to knowledge on the factors that influence how CBs and MFBs prioritize various financial access initiatives. The study also provides recommendations for further studies.

#### **1.6 Chapter Summary**

Chapter One has provided the background to the study, with an introduction to financial inclusion and financial access strategies. The chapter has provided a highlight of the role of commercial banks and microfinance banks in using these strategies and a brief highlight of the research gaps, the problem statement, research objectives and questions, a justification of the study and the scope. Next is Chapter Two on empirical and theoretical review.



## CHAPTER TWO: LITERATURE REVIEW

### 2.1. **Introduction**

The main purpose of Chapter Two is to provide the theoretical foundation of the study and the empirical studies that the study is supported and aims to extend. The chapter begins with a highlight of the theoretical framework for the study. This is followed by the empirical studies, a summary of knowledge gaps arising from the study, the conceptual framework and then concludes with operationalization of the variables.

### 2.2. **Theoretical Framework**

This study adopted two theories, Financial Intermediation Theory (FI), which focuses on explaining the adoption of financial access strategies as an innovation and stakeholder theory (ST), which aims to focus on how organizations can operate to serve the needs of various stakeholders, within the context of financial inclusion.

#### **2.2.1 Financial Intermediation Theory (FI)**

Financial intermediation (FI) theory was proposed by Gurley and Shaw (1960). According to Gurley and Shaw (1960), the process known as financial intermediation entails surplus units depositing their money with banks or other financial organizations, who subsequently lend it to deficit units. Additionally, Menkhoff & Tolksdorf (2000); Nissanke and Stein (2003); Stiglitz and Greenwald (2003); Rau (2004); Mathews and Thompson (2008); also conclude that banks as financial intermediaries, pool funds from surplus units and lend to deficit households including the poor. DeGennaro (2005) explain that Banks, together with other financial intermediaries obtain information from surplus and deficit units that would not be easily accessible in the market and utilize it to function as a middleman between the two groups.

Therefore, in a bid to scale-up financial inclusion of poor households, scholars and promoters such as Beck, Demirguc-Kunt, and Honahan (2009), Kendall, Mylenko, and Ponce (2010), Sarma and Pais (2011), Demirguc-Kunt and Klapper (2012), argue that efforts should be directed towards supply side strategies. Therefore, Mishkin (2007) implies that the provision of a range of financial products and services that are suitable for

the financial situation of the impoverished can be made possible by the opening of several bank branches and the entry of other financial service providers into the financial market. In addition, Chandan and Mishra (2010), Ergungor (2010), Kempson et al. (2004) demonstrate the majority poor may have greater access to and provision of financial services due to the existence of financial institutions' offices, branches, and staff, particularly in rural areas. More specifically, Rau (2004) expound that banks expand the breadth of financial inclusion by using the information at their disposal to define and filter new customers, including the underprivileged, to whom they offer financial services. According to Scholtens and Wensveen (2000), even though financial intermediation theory is very useful in explaining the process of linking borrowers and lenders in economics, FI theory might be limited in two ways. First, the assumption is that financial institutions only play the role of intermediation. However, financial institutions also play other roles such as risk management and social development. Secondly, FI theory assumes that financial markets are static, whereas they are dynamic. The dynamic nature means that the role of financial intermediation can be made redundant by new technologies.

### **2.2.2 Stakeholder Theory (ST)**

Stakeholder Theory (ST) was proposed by Freeman (1984), who posited that businesses should prioritize addressing the requirements of a wide range of stakeholders rather than just owners. Many stakeholders, particularly in the management sector, contend that corporations also have a duty to promote the social welfare of their constituents, and that this duty should be carried out through corporate social responsibility (Jones et al., 2016). To promote the concept of social side for businesses, a few strategic management theorists and practitioners have promoted stakeholder theory: for example, in resource-based view (Barney, 2018), creating shared value as a competitive strategy to benefit a firm's stakeholders (Porter and Kramer, 2011), agency theory, which is supplemented the stakeholder theory (Jensen, 2002) and promoting fairness in society (Bosse & Phillips, 2016). Likewise, CSR has been argued as a not only the means to benefit the society but also, can contribute to profitability of the business (Kaul & Luo, 2018). In addition some authors have explored the link between financial and social logics (Yan et al., 2019), while

others have evaluated the role of management decision making from a social point of view (Campbell, 2007).

Some academics contend that financial inclusion, or the ability of citizens to use financial services, is a type of corporate social responsibility in the context of finance. This allows banks to turn a profit while still facilitating the society's access to financial services. (Cheng et al., 2014). From a commercial bank and microfinance perspective, the main beneficiary of financial inclusion is the customer, although other stakeholders stand to benefit from financial inclusion, such as suppliers, employees and the local communities (Pfeffer & Salancik, 2003; Lozano, 2013). In addition, Raynard & Forstater (2002) expound that commercial banks and microfinance banks should enhance financial access to Small and Medium Sized entities, as these organizations are the pillars of economic growth for many developing countries, providing employment to the local communities. Since Freeman proposed the stakeholder theory, it has received support, but also criticism from various authors. Authors like Burton and Dunn (1996) and Phillips (2003) explain that the theory enables corporations to promote the social welfare of the society by extending beyond profits. However, Barnett 1997; Hutton, 1995 and Rustin 1997, explain that stakeholder theory emphasizes socialism, which can lead to suboptimal use of economic resources and at the same time, makes it difficult for organization to focus on doing something well as it becomes a drag to profitability.

The study therefore applied both the FI and ST theories. FI theory is relevant since CB and MFBs are intermediaries and play an important role in financial inclusion using various financial strategies. The study aimed to establish the important financial access strategies that commercial banks find more important and hence promote financial inclusion (Swamy & Tulasimala, 2012). Some empirical studies have applied financial intermediation theory to evaluate financial inclusion and access (Morscher, Horsch & Stephan, 2017; Okello, Munene, & Yourougou, 2020), while that of Njuki (2012) applied financial intermediation and internet banking, and Bongomin, et al., (2021) applied financial intermediation and adoption of mobile banking. ST is also relevant as it focuses on the role of financial access being important in enabling financial inclusion for the benefit of the society. Raynard and Forstater (2002) and Olsen, (2017), applied

stakeholder theory to evaluate the role of microfinance banks in promoting financial access.

### 2.3. **Empirical Studies**

A preview of empirical reviews of previous studies on the use of financial access by banks, factors that influence the use of the financial access and management perspectives on the financial access strategies, and a summary of research gaps.

#### 2.3.1. **Empirical studies on the use of financial access strategies by banks**

As provided in Chapter One, empirical studies have been conducted on the various financial access strategies.

Rotchanakitumnuai and Speece (2003) conducted a study in Thailand on the benefits and challenges of adopting internet banking. The authors explained that convenience for customers is a major benefit, with banks explaining that customers experience has become better. Banks also indicated they are able to provide services at affordable costs (with minimal overheads). However, the adoption of internet banking is hampered by several factors; security concerns, reliability of transacting due to internet connectivity, little trust for some banks by customers, and lack of knowledge by customers and resources by banks. Al-Ajam and Nor (2015) in Yemen, explained that even though internet banking has been perceived positively by banks, with customers having flexible banking hours, avoiding queues, better customer experience, there are still impediments to adopting internet banking. The main one is poor customer acceptance, which is linked due to poor understanding of technology and perceived risks of internet banking.

Likewise, some studies have also evaluated mobile banking use. Jupiter Research (2013) stated that slightly 1.5 billion will likely use mobile banking globally by 2017, which is only 15% of the total mobile users, a base that is approximately 6% of the world's population (International Telecommunication Union, 2011). Cruz et al. (2010) in Brazil, investigated the perceived obstacles to the adoption of mobile banking services mainly due to lack of information, complexity, lack of observability, cost and lack of a suitable mobile device. In Turkey, Akturan and Tezcan (2012), found that banks are adopting

internet banking due to perceived benefits by the customers, however, customers avoided mobile banking due to perceived performance and social risks.

Other studies have considered agency banking. Mwando (2013), reported that Kenya's commercial banks' financial performance improved as a result of the central bank's decision to regulate agency banking. The study also discovered that Kenyan commercial banks' financial performance was positively impacted by decreased transaction costs through agency banking. According to the report, clients' ability to receive financial services through banking agencies improved the financial performance of Kenya's commercial banks. Seltzer Shaikh et al. (2015) established that mobile banking has grown significantly in Philippines due banking regulations that support the low-income earners.

Various empirical studies have evaluated the importance of branch network in enabling financial access. Alama and Tortosa-Ausina, (2012) in Spain, Hegerty, (2016) in Slovakia; in the UK ; Maudos, (2017), in the US, Martin-Oliver, (2019), Bod'a and Čunderlíková, (2020) in Italy. In these studies, the growth of branch networks is necessitated by factors such as population density, size of urban population, level of economic activity, economic growth rate and size of the market. Ansong et al. (2015) explores the role of regional, as well as district levels in determining branch allocation in Ghana. Crocco et al. (2010) explain that regional differences in key market and financial indicators like number of branches and credit supply in Brazil will likely affect bank branches allocation. Célerier and Matray (2019) investigated the role of branch network in promoting financial inclusion and growing wealth, Landier, Sraer, and Thesmar (2017) studied the role of regulation in promoting branch networks for banks, Gigov and Popska (2017) evaluated the importance of digitizing bank branches to promote financial inclusion in Macedonia. The authors concluded that customers choose Automatic Teller Machines because self-service is simple, enabling faster withdrawals or even deposits, as opposed to visiting the branches. Srinivas and Wadhvani (2019) surveyed more than 17,000 customers using banks in 17 countries. The authors established that branches are still preferred by customers due to customers experience in account opening, processing payments and accessing loans. However, operating branches is expensive, and has led to their closure in some countries. For example, Which (2021) reported that during the lockdown period

between March 2020, a total of 800 branch closures in the period to July 2021, with additional projections expected by the end of 2021. Which (2021) expounds that the closure of branches, unless supplemented by other forms of technology will likely impact financial access adversely.

### **2.3.2. Empirical studies on the influence of organizational and regulation factors on use of financial access**

Malhotra and Singh (2007) carried out an analysis of banks in India on factors influencing the adoption of internet banking. The authors found that a higher likelihood of online banking adoption is demonstrated by larger banks, younger banks, private ownership, higher costs for high-value long-term assets, higher deposits, and fewer branch locations. By drawing more and more clients through this new channel of delivery, banks with a smaller market share also use Internet banking technology as a way to grow their market share. Furst et al. (2002), examined factors influencing the adoption of internet banking in Netherlands, while comparing banks internet banks and non-internet banks. Internet banks with higher noninterest income, membership in bank holding companies, urban locations, and relatively larger premises and other fixed expenses to net operating revenue were more likely to adopt internet banking than non-Internet banks. Internet banking was more likely to be used by banks with higher profits. Banks offering transactional Internet banking were typically those with assets over \$100 million. more profitable and tended to rely less heavily on traditional banking activities.

Based on extensive evaluation of literature, there is none that considers banking characteristics that influence the adoption of mobile banking. Majority of the empirical literature consider the adoption of mobile banking from customer perspective. For example, Komulainen and Saraniemi (2019) report that the value of a new mobile banking service and the customer experience it provides can be categorized into three areas: first, values related to the service experience process, such as ease of use, trust, social status, real-time operation, visuality, and a sense of control; second, values related to the use situations, such as flexibility, entertainment, security, and location-based content; and third, values related to the service experience's outcome, such as replacing other services,

effects on consumption behavior, financial benefits, pioneering, personal emotional attachment, and enjoyment.

Some empirical studies have found a positive relationship between agency banking and bank performance. According to Shankaran and Roy (2009), in many developing nations, agency banking has shown to be a very effective strategy for improving the performance of commercial banks, with success stories being reported in Asia and South America. In addition, Njuki (2012) indicated that agency banking has helped to raise banks' profits and spread reach of financial services in Kenya. Santu et al. (2017) evaluated the impact of agency banking in Zimbabwe. In the study, large profitable banks with a large network of branches and subsidiaries and other banks will likely adopt agency banking. However, the study highlighted key risks facing agency banking ranging from operational risk, liquidity risk, reputational risk and legal risks. The authors expound that these risks make many regulators hesitant to approve agency banking.

Like mobile banking, there is little if any evidence of factors influencing banks and branches. The available study was that of Holden and El-Bannany (2004), that reported a positive relationship between bank profitability and use of ATMs in the UK, but not in Japan.

### **2.3.3. Empirical studies on the perspectives of Management on financial access strategies**

Majority of the studies obtain the views of customers and users of different financial access strategies. Sathye (1999) was among the first to examine Internet Banking adoption. The findings show that security concerns, a lack of awareness about internet banking and unreasonable prices are the most important reasons for non-adoption among Australian customers. Howcroft et al. (2002) adds to the list of elements that promote the use of online banking, highlighting the significance of reduced costs, word-of-mouth referrals from friends and family, round-the-clock service availability, time efficiency, high-quality services, and media attention. Additionally, they affirm the significance of security concerns and point out adoption-discouraging elements such as absence of face-to-face interaction, distribution channel accessibility issues, and difficulty of usage. Accuracy, user-friendliness, transaction speed, user experience, user interaction, and

convenience were other criteria that were underlined. (Liao and Cheung, 2002); reliability of the bank, and privacy (Akinci et al., 2004) also featured prominently among the research reviewed. Laukkanen et al. (2009) investigated the reluctance of Finnish customers to use IB. In order to achieve this, they separate their non-internet clients into four categories: dual resisters, psychological resisters, functional resisters, and non-resisters. According to their research, clients who express both functional and psychological resistance to online banking are less happy with the advice and information provided by service providers than clients who just exhibit psychological resistance or who show no resistance at all.

#### 2.4. **Summary of Empirical studies and Research Gaps**

Section 2.3 has provided empirical studies that relate to the use of financial access strategies, factors that influence the adoption of the various financial access strategies and ranking of the financial access strategies and management perspective on the effective financial access strategies in promoting financial inclusion. This study aims to extend empirical literature in three ways.

First, studies of Rotchanakitumnuai and Speece (2003) and Akturan and Tezcan (2012) have considered the benefits and challenges of adopting internet banking, mobile banking, agency banking and branches. The studies have not considered the most effective financial access strategies.

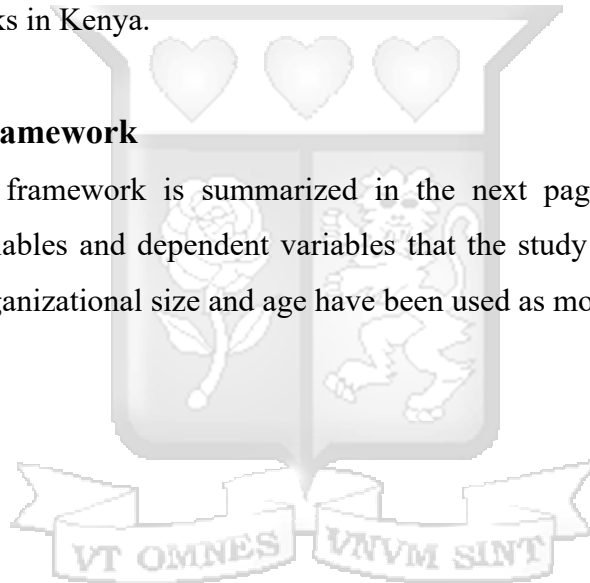
Second, the studies of Malhotra and Singh (2007) and Furst et al. (2002) have considered the factor influencing the adoption of internet banking and agency banking. However, the studies have not considered the factors influencing the adoption of mobile banking and use of branches in financial access strategies. This study aims to fill the gap by evaluating factors influencing the adoption of the four financial access strategies for CBs and MFBs. In addition, due to lack of comprehensive organizational factors, these will be considered from other empirical studies that use factors such as corporate governance (Nyamongo, & Temesgen, 2013; Fernandes, et al., 2018), financial metrics (Muhindi & Ngaba, 2018, Kiemo & Mugo (2021), Dzombo et, al. (2018)) and other control variables such as size (Muhindi & Ngaba, 2018; Rotich et al., 2019). Nyamongo and Temesgen (2013) found a positive association between board size and the commercial banks performance in Kenya.

Possibly the adoption of different financial access strategies will also contribute to the bank's performance. Muhindi and Ngaba (2018) found a positive association between metrics such as capital adequacy and asset quality and a bank's performance. Similar studies on adoption of technology have found a positive relationship between new technologies such as block chain and a bank's performance (Aguegboh, Agu, & Nnetu-Okolieuwa, 2023).

Finally, given that the studies of Sathye (1999), Howcroft et al. (2002) and Liao and Cheung, 2002) have focused mainly on the use of internet banking and mobile banking from a customer's point of view. The current study aims to obtain the perspectives of management regarding the adoption and use of the four financial access strategies by commercial banks in Kenya.

## 2.5. Conceptual Framework

The conceptual framework is summarized in the next page. The figure shows the independent variables and dependent variables that the study shall focus on. Based on prior studies, organizational size and age have been used as moderating variables.



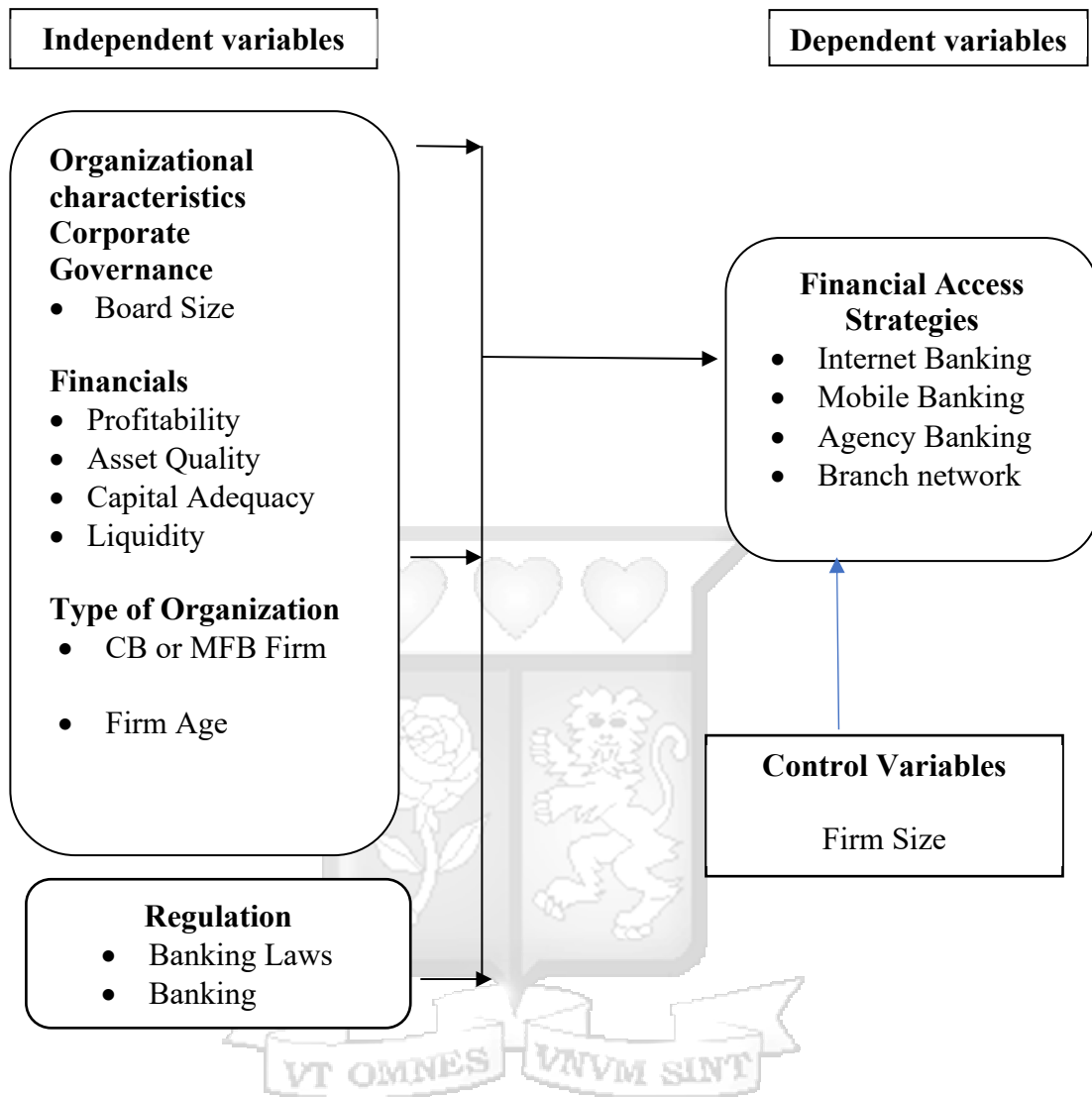


Figure 2.1 The Conceptual Framework

## 2.6 Operationalisation of the Variables

Table 2.1 indicates the criteria for the operationalization of the independent, control and dependent variables of the study. The measurements, supporting studies, study-based theories and the test of variables are highlighted.

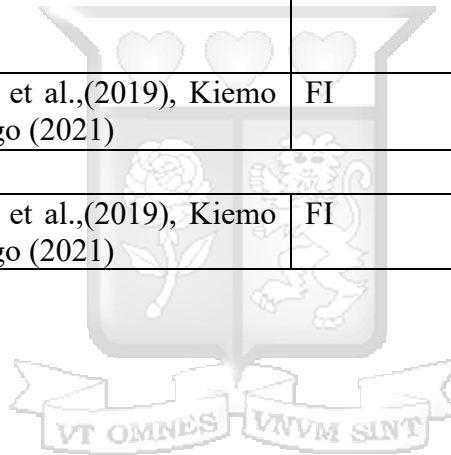
**Table 2.1 Table of Operationalization of Variables**

Variable	Measurement of Variable	Supporting Past Studies	Supporting Theories	Data Source	Analysis
<b>Dependent Variables</b>					
Financial Access Strategy	Ranking by the organization: -Internet Banking -Mobile banking -Agency Banking -Branch Network (5 Point Likert Scale)		FI and ST	Questionnaire	Descriptive and Multivariate
<b>Independent Variable</b>					
Corporate Governance –	Board Size	Nyamongo, and Temesgen, 2013; Fernandes, et al., 2018	FI and ST	Annual Financial reports and Questionnaire	Regression Analysis
Financial Performance	ROE (Profit after tax/Equity)	Muhindi and Ngaba, 2018, Kiemo & Mugo (2021), Dzombo et, al. (2018)	FI and ST	Banks Audited Financial Statements and Questionnaire	Regression Analysis
Asset Quality	Non-Performing Loans to Total Loans	Muhindi and Ngaba, 2018, Kiemo & Mugo (2021), Dzombo et, al. (2018)	FI	Bank Annual Reports, Financial Statements and Questionnaire	Regression Analysis
Capital Adequacy	Capital Adequacy Ratio (Ratio of Capital to risk weighted assets)	Muhindi and Ngaba, 2018, Kiemo & Mugo (2021), Dzombo et, al. (2018)	FI	Bank Annual Reports, Banks Financial Statements and Questionnaire	Regression Analysis

Liquidity	Total Liquid Assets to Total Short-term Liabilities	Muhindi and Ngaba, 2018, Kiemo & Mugo (2021), Dzombo et, al. (2018	FI	Bank Annual Reports, and Questionnaire	Regression Analysis
Type of Organization	CB =1 MFB = 0		FI	Annual Report and Questionnaire	Regression Analysis
Regulatory Factors	Banking Laws and Guidelines (1- Strict and 0 not strict)	Landier, Sraer, and Thesmar (2017)		Questionnaire	Regression analysis
Age	Years since registered	Rotich et al.,(2019), Kiemo & Mugo (2021)	FI	Annual Reports and Questionnaire	Regression Analysis
<b>Control variable</b>					
Size	Log of Total Assets	Rotich et al.,(2019), Kiemo & Mugo (2021)	FI	Banks Annual Reports and Questionnaire	Regression Analysis

**FI – Financial Intermediation**

**ST – Stakeholder Theory**



## 2.7 Summary of the Chapter

Chapter Two has presented the theoretical foundation of the study, being Financial Intermediation theory (FI) and Stakeholder Theory (ST). Meanwhile the study has also presented the empirical studies relevant to the study, with the conceptual framework and how the variables are operationalized. Next is chapter three that discusses the methodology.



## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1 Introduction

Chapter Three highlights the research philosophy, research design, target population and sampling, data collection and analysis, validity and reliability, and concludes with ethical considerations.

### 3.2 Research Philosophy

Research philosophy provides the values and assumptions that guide the process of scientific research. It forms the foundation of knowledge on which underlying predispositions of a study are based (Mugenda & Mugenda, 2003). It explains the development of knowledge and nature of knowledge (Creswell, 2009). The major research philosophies are positivism and post positivism.

Positivism is concerned with uncovering the truth and presenting it by empirical means (Henning et al., 2004). The positivistic philosophical foundation is based on real facts, objectivity, neutrality, measurement, and validity of results (Saunders et al., 2009). Its fundamental tenets are that true knowledge is derived from sensory experience and may be discovered via experimentation and observation, and that reason and observation are useful in comprehending human behavior. Positivists adhere to realism, which holds that knowledge is both objective and quantitative and that reality is provided as given and is measurable using attributes that are independent of the researcher and the research tools. Post-positivism philosophy believes that people have subjective experiences of the external world. They believe that reality is socially constructed. According to Myers (2009), postpositivist scholars begin with the idea that social creations like shared meanings, languages, and consciousness are the only ways through which reality can be accessed. The observation and interpretation processes that support the subjective paradigm involve gathering data about events and making meaning of that data through the application of often subjective assumptions.

This study anchored mainly on positivism philosophical approach (for the first two objectives) and minimally, on post positivism, for the third objective which aims to obtain subjective views of CB and MFB on financial access strategies.

### **3.3 Research Design**

Research design recommends the collection and analysis of data with the aim of conducting the research efficiently (Kothari, 2004). The issues of sampling tactics, data collection tools, and data gathering protocols are all addressed by research design. For this study, a mixed method research technique that combines quantitative and qualitative methodologies will be employed. The mixed approach focuses on research questions that need an examination of multiple levels of perspective, cultural influences, and contextual understandings from daily life. Creswell and Tashakkori (2007), note that mixed methods is a deliberate use of rigorous qualitative research to explore the meaning and comprehension of the constructs and rigorous quantitative research to assess the quantity and frequency of constructs. The intention is to establish a thorough interpretive framework that can lead to fresh insights into the problem or potential solutions by combining the benefits of both types of data collection approaches. Thus, this inquiry will employ both quantitative and qualitative methodologies. The study used concurrent mixed methods as both the qualitative and quantitative data was collected and analyzed concurrently (Creswell and Tashakkori, 2007). This is because some aspects of the quantitative data were collected from annual reports while other aspects of quantitative and qualitative data were collected from the questionnaire.

### **3.4 Population and Sampling**

A population is an entire set of individuals or objects having with a common observable characteristic about which a researcher is interested in (Sekaran & Bougie, 2016). The study targeted the 38 commercial banks and 14 microfinance banks as licensed by the Central Bank of Kenya as at end of 2023. The list is provided in appendix I and is also available in the Central Banks Website. Due to the smaller population, the study used a census.

### **3.5 Data Collection and Tools**

The study collected data from both primary as well as secondary sources. Secondary data was drawn from Central Bank supervisory reports and the annual reports of commercial

banks and microfinance banks for year 2023. Primary data was collected using an online semi structured questionnaire having data about the organization, and additional variables. The questionnaire was structured, and the questions will be a mixture of yes/no, different levels of the Likert Scale, structured and unstructured, with open-ended questions. See Appendix III for the questionnaire.

### 3.6 Data Analysis

In achieving objective one, the research used descriptive analysis to measure the ranking of various financial access strategies as per the Likert scale in the questionnaire. This ranking provided the dependent variable in the second objective. The second objective applied both descriptive as well as multivariate analysis. Multivariate analysis aimed to establish the influence of organizational factors and regulation on the use of financial access strategies by the CBs and MFBs. The variables were grouped into corporate governance variables (board size), Financials (Profitability, asset quality, capital adequacy and liquidity), type of organization (CB or MFB) and the control variables being size (Total Assets) and age (Years in operation).

Given that the financial access strategy takes a ranking status based on a Likert scale, a multinomial logistic regression model was used for this study. This applies when the dependent variable takes various categorical levels, and the independent variables are a combination of continuous and dichotomous variables (Gujarati, 2011). The relevant formula was as follows:

$$\text{Log} (P/1-P) = \alpha + \beta_1BS + \beta_2ROE + \beta_3AQ + \beta_4CA + \beta_5LQ + \beta_6MFB + \beta_7REG + \beta_8AGE + \beta_9TA$$

The symbols represent the following variables

**Table 3.1 Summary of variables in the regression model**

Symbol	Meaning
Log (P/(1-p))	The dependent variable, adjusted and measures as log likelihood in the multinomial logistic regression.
$\alpha_i$	Constant

Symbol	Meaning
BS	Board Size
$\beta_1$	Board Size Coefficient
ROE	Profitability = Return on Equity
$\beta_2$	Return on Equity coefficient
AQ	Asset Quality (Nonperforming loans to Total Loans)
$\beta_3$	Asset Quality coefficient
CA	Capital Adequacy (Ratio of Capital to risk weighted assets)
$\beta_4$	Capital Adequacy coefficient
LQ	Liquidity (Total Liquid Assets to Total Short-term Liabilities)
$\beta_5$	Liquidity coefficient
MFB	Type of Organization (CB = 1, MFB = 0)
$\beta_6$	Type of organization coefficient
REG	Regulation
$\beta_7$	Regulation Coefficient
AGE	Age
$\beta_8$	Age coefficient
TA	Size as measured by Total Assets (log of assets)
$\beta_9$	Total Asset coefficient

For the third objective, some of the qualitative responses in the questionnaire were analyzed using descriptive statistics, while some of the responses, especially unstructured, were presented in themes.

The relevant software for both descriptive and multivariate analysis was STATA version 16.

For the multivariate regression model, the detailed diagnostics will be discussed at analysis level. However, according to Gujarati (2011), the model fit for multinomial logistic regression can be conducted at various levels. First, Pseudo – R squared is the Cox and Snell's R-Square that imitates multiple R-Square based on 'likelihood', but its maximum can be (and usually is) less than 1.0, making it difficult to interpret. Second, the

likelihood ratio chi-square is used to evaluate if the logistic model is better than a model with no predictors i.e. a null model. A model with a p-value  $< 0.05$  indicates that the model fits significantly better than a null model.

### **3.7 Research Quality**

Research quality aims at enhancing the credibility of the study. Quality considers both the validity and reliability of the collected data. Validity is the extent to which the research measures what it aims to measure (Creswell, 2014). On the other hand, reliability ensures the consistency of the results over time and with different researchers (Mohajan, 2017).

To achieve reliability on the secondary data, all the information was obtained from reliable sources such as the audited annual reports of the banks and Central Bank's supervision reports. To achieve reliability of the qualitative data from responses in the questionnaire, the questionnaire was reviewed by three random bank managers and questions revised based on their recommendations. For example, the initial questionnaire was limited for those banks that are not utilizing some financial access strategies. However, the participants were encouraged to provide their responses regarding the financial access strategy not offered by the bank. Validity on the secondary data was achieved through the use of diagnostics for the model reliability and other statistics such as p-values. Validity of the qualitative responses was achieved to some extent by triangulating with the secondary data.

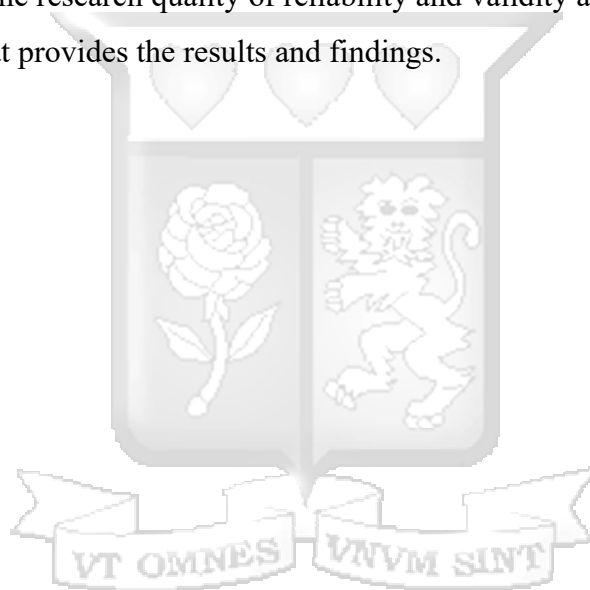
### **3.8 Ethical Considerations**

Ethical matters are important, to ensure that research is valid, while the rights of the various respondents are respected. During primary data collection from the respondents, high levels of confidentiality was observed to ensure that the outcomes represented the data that was examined. The respondents were given the option to participate willingly, with confidentiality maintained and as far as possible, keeping the participants anonymous. The proposal was submitted to the Strathmore Institutional Ethics and Scientific Review Committee (SERSRC) for ethical approval and also be submitted to the local regulator, the National Commission for Science, Technology, and innovation (NACOSTI) for approval. See Appendix IV for the approvals. To avoid plagiarism all

scholars whose work was used in the study were cited and referenced, additionally, permission was sought from Strathmore University to carry out the research study.

### **3.9 Chapter Summary**

This chapter has presented the research philosophy (having more of positivism and less of post positivism), the research design (mixed concurrent mixed), the population (30 commercial banks and 14 microfinance banks), the data collection sources and tools (annual reports and online administered questionnaire) and the data analysis (Both descriptive and multivariate aided by the multinomial regression model). The chapter has concluded with the research quality of reliability and validity and ethical aspects. Next is Chapter Four that provides the results and findings.



## CHAPTER FOUR: RESULTS AND FINDINGS

### 4.1 Introduction

Chapter One provided the background, the problem statement, and the objectives of the study. Chapter Two provided the theories underpinning the study and the relevant empirical studies. Chapter three presented the philosophy, the study design, the population and data collection methods and analysis. The purpose of Chapter Four is to provide the results and findings of the study. The main approach is to provide descriptive statistics for some aspects of the variables, the correlation and multivariate analysis and a highlight of the qualitative aspects from the respondents.

### 4.2 Results and Findings

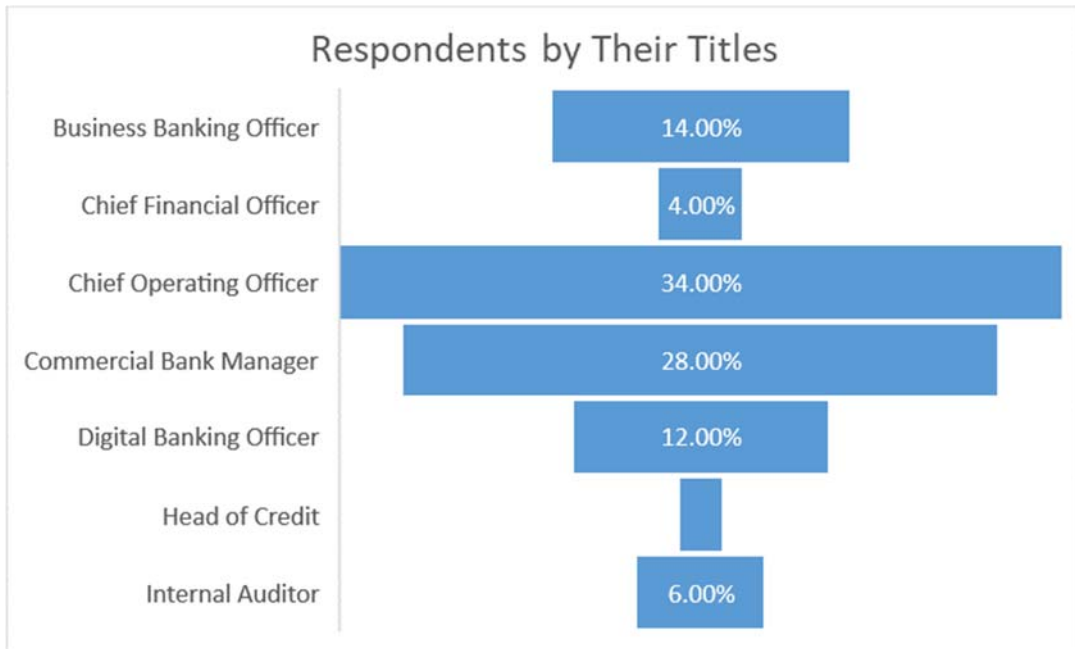
#### 4.2.1 Respondents' Details

The study targeted 52 Banks i.e. 38 Commercial Banks and 14 Microfinance Banks. However, responses were received from 50 Banks, all the commercial banks and 12 Microfinance Banks. This represents about 96% response rates. Two responses had not been received as at the time of analyzing data and writing Chapters four.

Table 4.1 and Figure 4.1 provide a summary of the Titles of the responses in their organization.

**Table 4.1 Respondents by Title**

<b>Title</b>	<b>No</b>
Business Banking Officer	7
Chief Financial Officer	2
Chief Operating Officer	17
Commercial Bank Manager	14
Digital Banking Officer	6
Head of Credit	1
Internal Auditor	3
Total	50



**Figure 4.1 Respondents by their Titles**

Table 4.1 and Figure 4.1 shows that majority of the respondents were Chief Operating Officers, followed by Commercial Bank Managers.

Table 4.2 provides a summary of the industry experience of the respondents.

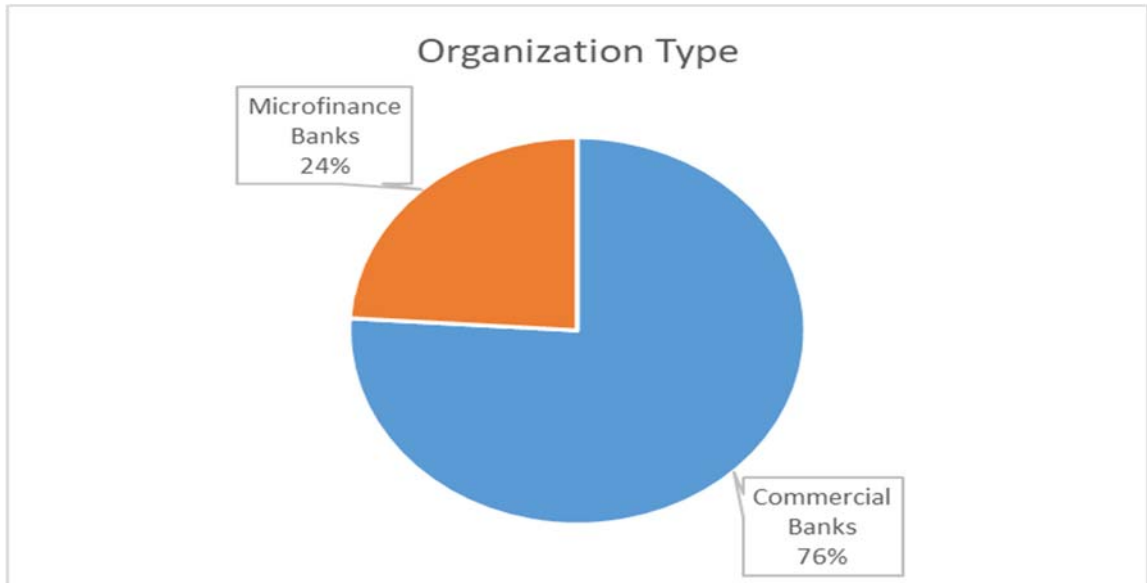
**Table 4.2 Summary Industry Experience**

Mean	15.1
Median	14
Mode	29
Standard Deviation	9.57
Range	31
Minimum	1
Maximum	32

Table 4.2 shows that the average experience of the respondents is 15 years, the maximum years being 32 and minimum experience being 1. This was a senior manager recently recruited from the commercial services.

#### 4.2.1 Organizations' Details

Figure 4.2 Provides the proportion of Commercial Banks (38) and Microfinance Banks (12). The figure shows that Commercial Banks dominate the Microfinance Banks in terms of numbers.



**Figure 4.2 Organization Type**

Table 4.3 provides a summary of the organization by age or number of years of operation.

**Table 4.3 Organizations' Years of Operating**

Mean	33.86
Standard Error	3.276011761
Median	32.5
Mode	39
Standard Deviation	23.16490132
Sample Variance	536.6126531
Kurtosis	1.149185957
Skewness	0.992824405
Range	108
Minimum	4
Maximum	112

Table 4.3 highlights that the average years of operation for Commercial Banks and Microfinance bank is 34, with one commercial bank having been in existence for more than 100 years and the youngest Microfinance bank having operated for only 4 years by the end of 2023.

Table 4.4 provides a summary of the size of the board

**Table 4.4 Summary Statistics for Board Size**

Mean	8
Median	8
Mode	8
Range	11
Minimum	4
Maximum	15

Table 4.4 shows that on average commercial banks and microfinance banks have 8 board members, with the one commercial bank having 15 board members one microfinance bank having 4 directors.

#### **4.2.1 Financial Access Strategies by Commercial Banks and Microfinance Banks**

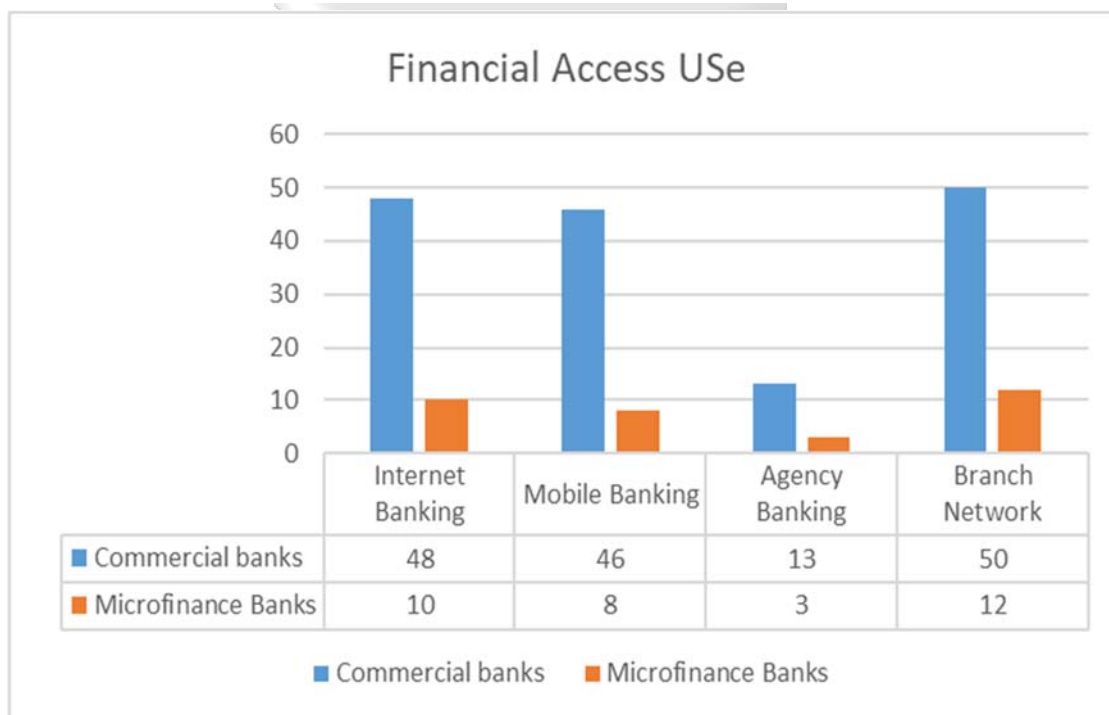
Part C Questions One requested for participants to indicate the Financial Access Strategy used.

Table 4.5 and Figure 4.3 provide a summary of the results.

**Table 4.5 Financial Access Strategies used by Banks**

<b>Both Commercial Banks and Microfinance Banks</b>				
	Internet Banking	Mobile Banking	Agency Banking	Branch Network
Yes	48	46	13	50
No	2	4	37	0
	50	50	50	50
<b>Commercial Banks</b>				

	Internet Banking	Mobile Banking	Agency Banking	Branch Network
Yes	38	38	10	38
No	0	0	28	0
	38	38	38	38
<b>Microfinance Banks</b>				
	Internet Banking	Mobile Banking	Agency Banking	Branch Network
Yes	10	8	3	12
No	2	4	9	0
	12	12	12	12



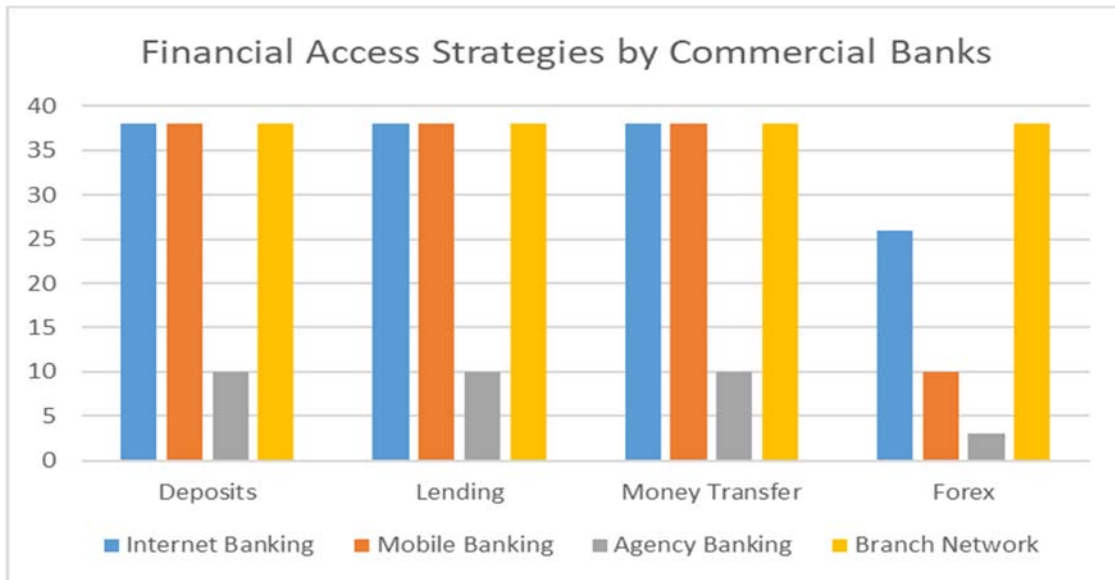
**Figure 4.3 Use of Financial Access Strategies**

Table 4.5 and Figure 4.3 shows that all the 38 Commercial Banks are using Internet Banking, Mobile Banking and Branch Network, while only 13 are using agency banking. Meanwhile all the Microfinance banks have branches, 10 out of the 12 use Internet Banking, 8 only use Mobile banking, and only 3 out 9 use agency banking.

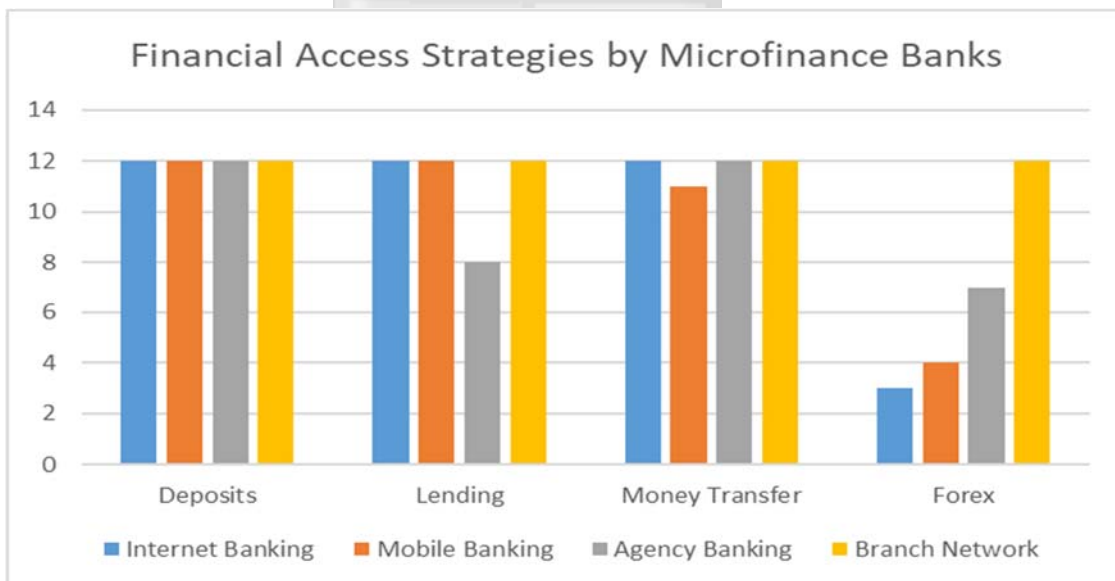
Part C Question Two requested participants to indicate the type of banking services offered through the different financial access strategies. These are summarized in Table 4.6 and Figures 4.4 and 4.5.

**Table 4.6 Banking Services Offered and Financial Access Strategies**

<b>Commercial Banks and Microfinance Banks</b>				
	Internet Banking	Mobile Banking	Agency Banking	Branch Network
Deposits	50	50	22	50
Lending	50	50	18	50
Money Transfer	50	49	22	50
Forex	29	14	10	50
<b>Commercial Banks</b>				
	Internet Banking	Mobile Banking	Agency Banking	Branch Network
Deposits	38	38	10	38
Lending	38	38	10	38
Money Transfer	38	38	10	38
Forex	26	10	3	38
<b>Microfinance Banks</b>				
	Internet Banking	Mobile Banking	Agency Banking	Branch Network
Deposits	12	12	12	12
Lending	12	12	8	12
Money Transfer	12	11	12	12
Forex	3	4	7	12



**Figure 4.4 Financial Access Strategies by Commercial Banks**



**Figure 4.5 Financial Access Strategies by Microfinance Banks**

Table 4.6 and Figures 4.4 and 4.5 show that all Commercial Banks and Microfinance Banks offer Deposits, Lending and Money Transfers using internet banking, mobile banking and branch. Commercial Banks and Microfinance offer less forex services through the different financial access strategies, and those that offer agency banking also limit some services, some banks require their customers to visit the nearest branch in case they need loans as opposed to using agency.

In terms of additional services offered through each of the financial access strategies, the responses were few at about 12, with a summary of the services is provided in Table 4.7.

**Table 4.7 Other Banking Services offered by each financial Access Strategy**

	Internet Banking	Mobile Banking	Agency Banking	Branch Network
Balance Inquiry	12	12	5	12
Statement Request	12	12	2	12
Cheque book requisitions	12	12	4	12
Bill Payments	12	12	2	12
Airtime Top Up	12	12	0	0

Table 4.7 reports that internet banking, mobile banking and branch network are used for other financial services such as balance inquiry, statement requests, cheque book requisition. Mobile banking and Internet Banking are used for airtime top up only.

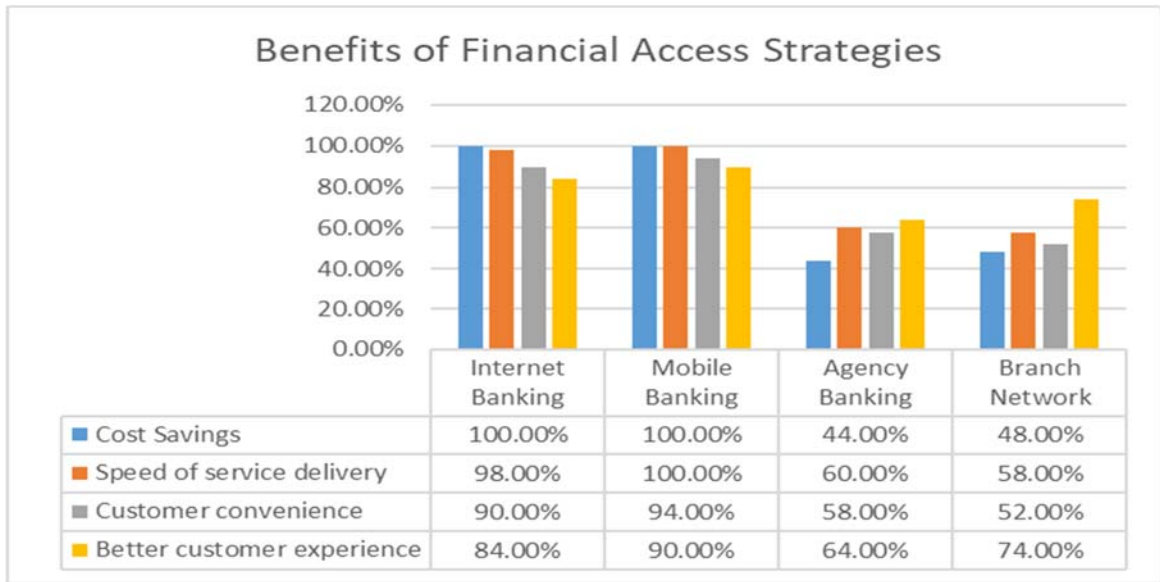
Part C Question Three asked the participants to indicate the benefits associated with each financial access strategy from Cost Savings, speed of service delivery, customer convenience, better customer experience and Others.

Table 4.8 and Figure 4.6 provide a summary of participant responses in terms of percentages.

**Table 4.8 Benefits of Financial Access Strategies**

		Cost Savings	Speed of service delivery	Customer convenience	Better customer experience
Internet Banking	Yes	100.00%	98.00%	90.00%	84.00%
	No	0.00%	2.00%	10.00%	16.00%
Mobile Banking	Yes	100.00%	100.00%	94.00%	90.00%
	No	0.00%	0.00%	6.00%	10.00%
Agency Banking	Yes	44.00%	60.00%	58.00%	64.00%

	No	56.00%	40.00%	42.00%	36.00%
Branch Network	Yes	48.00%	58.00%	52.00%	74.00%
	No	52.00%	42.00%	48.00%	26.00%



**Figure 4.6 Benefits of Financial Access Strategies**

Table 4.8 and Figure 4.6 show that Internet Banking and Mobile Banking are associated with cost savings in providing the various banking services. A few respondents explained that aside from their establishment costs (relevant softwares), operating costs are lower. Meanwhile, Mobile banking is ranked as the best in customer convenience and experience, followed by internet banking. Agency banking is the only financial access strategy associated with low costs savings. One bank respondent explained that agencies charge a lot when used in providing services in remote locations.

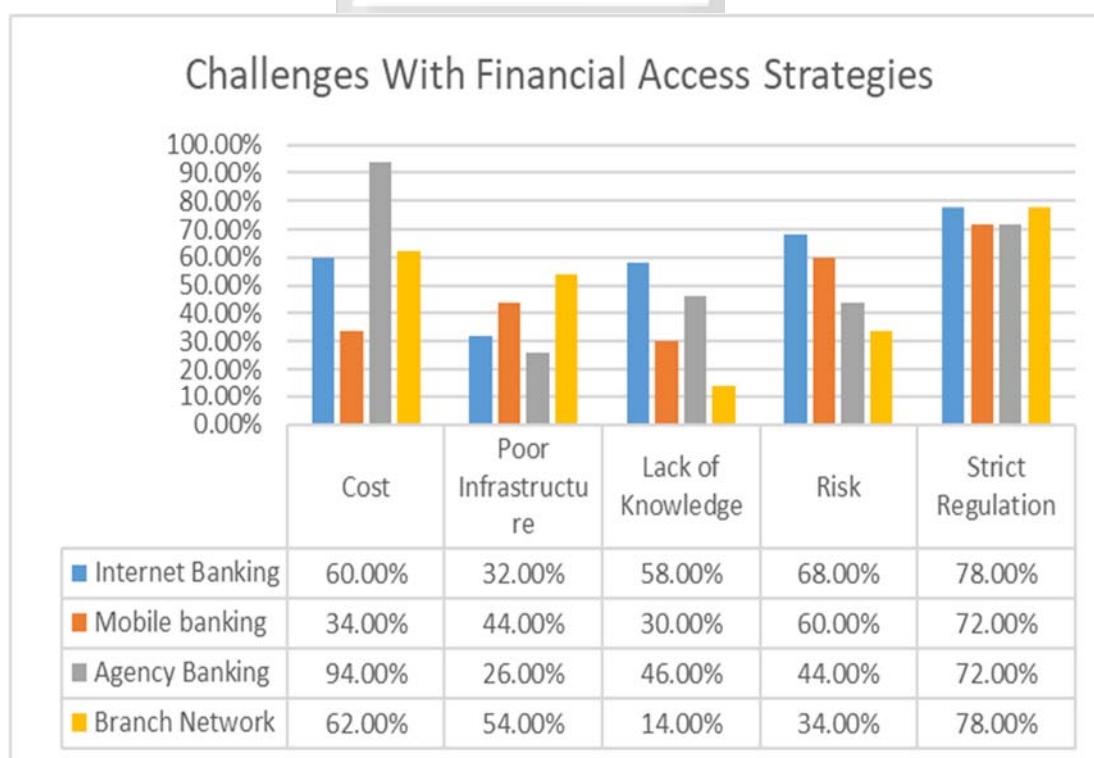
Few responses were provided on other benefits, with two respondents explaining that Internet banking enables business customers track their bank balances in Realtime hence manage their cash flows.

Part C question 4 asked the respondents to indicate the challenges associated with the financial strategies.

Table 4.9 and figure 4.7 provide a summary of the responses in terms of percentages.

**Table 4.9 Challenges with Financial Strategies**

Financial Access Strategy		Cost	Poor Infrastructure	Lack of Knowledge	Risk	Strict Regulation
Internet Banking	Yes	60.00%	32.00%	58.00%	68.00%	78.00%
	No	40.00%	68.00%	42.00%	32.00%	22.00%
Mobile banking	Yes	34.00%	44.00%	30.00%	60.00%	72.00%
	No	66.00%	56.00%	70.00%	40.00%	28.00%
Agency Banking	Yes	94.00%	26.00%	46.00%	44.00%	72.00%
	No	6.00%	74.00%	54.00%	56.00%	28.00%
Branch Network	Yes	62.00%	54.00%	14.00%	34.00%	78.00%
	No	38.00%	46.00%	86.00%	66.00%	22.00%



**Figure 4.7 Challenges with Financial Strategies**

Overall, Strict regulation in operating these financial access strategies by the regulator (Central Bank of Kenya), seems to be the main challenge. However, agency banking

is associated with high costs while Internet banking and Mobile banking are also associated with high risk.

Other challenges associated with the financial access strategies got a few responses. Two responses indicated that customers complain about internet access for some locations in the case of internet banking (more specifically individual customers). Three responses indicated costs of mobile banking, with some clients complaining that Safaricom is expensive. One response indicated that some agents are very slow in providing agency banking which may put the reputation of a bank at risk.

Part C Question Five asked the participants to rank the financial access strategies in promoting financial inclusion. The participants were required to rank the strategies from Not Important (1), Slightly Important (2), Fairly Important (3), Important (4) and very important (5).

Table 4.10 provides a summary of the responses with additional analysis.

**Table 4.10 Ranking of Financial Access Strategies**

	Internet Banking	Mobile Banking	Agency Banking	Branch Network
Mean	3.92	4.62	3.54	4.54
Standard Error	0.09831	0.0749966	0.111429	0.071
Median	4	5	3	5
Mode	4	5	3	5
Standard Deviation	0.69517	0.53030603	0.787919	0.503
Sample Variance	0.48327	0.28122449	0.620816	0.253
Kurtosis	-0.8583	-0.25661881	-0.50083	-2.06
Skewness	0.10813	-0.93327276	0.775601	-0.17
Range	2	2	3	1
Minimum	3	3	2	3
Maximum	5	5	5	5

Table 4.10 indicates that respondents rank Mobile banking, then branch network, then internet banking and finally agency banking as useful in promoting financial access for financial inclusion.

Even though the participants were requested to provide the reason for their ranking only 10 responses were received. Four participants explained they think Mobile Banking is the best as everyone has a smart phone and internet is not necessary. Two respondents explained they feel branches are more important because they provide all banking services even to those have little knowledge for mobile and internet banking. Two respondents who ranked internet banking feel that internet banking is very convenient for small businesses as it enables them access banking services and manage their businesses. Two participants explained that agency banking is very important as it enables customers leverage on other services such as Mpesa. Furthermore, agency banking can enable customers from different banks use the same agent. So, banks can actually pool some agents to provide banking services and make it cheaper.

Part C, Question Six asked the participants to discuss the relevance of these financial access strategies for their organizations and other information. Only 14 responses were received under this section and the key points are highlighted in Table 4.11.

**Table 4.11 Relevance of Financial Access Strategies and other comments**

Comments	Internet Banking	Mobile Banking	Agency Banking	Branch Network
Internet banking is popular with business customers	2			
Internet banking is a challenge for some customers due to poor internet accessibility and data costs.	1			
Mobile banking is very common with individual customers		1		
Despite efforts to promote internet and mobile banking, many customers prefer				1

to visit branches especially for bulk transactions such as cash banking				
Several banks avoid agency banking due to the risks of sharing confidential data with third parties			2	
Despite the ability of agency banking promoting financial access, banks do not trust the ability of third parties in conducting banking on behalf of the banks			2	
Despite several services offered through internet and mobile banking, majority of customers focus on the basic services of just deposits and lending	1	1		
Mobile banking is the best way to promote financial access, as many customers have access to smart phones and does not require internet access		2		
Commercial banks and microfinance banks are having stiff competition from digital loan providers, as there is a slow uptake of loans through internet and mobile banking by customers.		1		

#### 4.4 Correlation Analysis

Table 4.12 provides a summary of the pairwise correlation of the variables used in the study.

**Table 4.12 Correlation Analysis**

	Internet	Mobile	Agency	Branch	Board	ROE	AQ	CA	Liquidity	Org	Reg	Age	TA
Internet	1												
Mobile	0.1373	1											
Agency	-0.1431	0.1592	1										
Branch	0.0676	0.1728	0.2788*	1									
Board	-0.0861	0.222	0.2504	-0.0329	1								
ROE	-0.0358	0.1466	0.1458	-0.1666	0.2733	1							
AQ	-0.2055	-0.1063	-0.0045	0.0811	-0.3057*	-0.3697*	1						
CA	0.0104	0.1708	-0.1675	0.1743	-0.1387	0.1974	-0.1486	1					
Liquidity	-0.0104	0.1499	-0.0854	0.0966	-0.1197	-0.1974	0.084	0.7659*	1				
Org	0.0027	-0.1392	0.0288	0.0451	0.2302	0.3037*	-0.3379*	-0.1474	-0.1847	1			
Reg	-0.2019	0.0577	-0.0251	0.05	-0.1853	-0.1048	0.0273	0.0368	-0.0022	-0.3504*	1		
Age	0.0208	0.0753	0.135	0.0976	0.3043*	0.2164	-0.4271*	-0.0484	-0.1601	0.4989*	-0.1709	1	
TA	0.1535	-0.0334	0.0245	-0.1645	0.4373*	0.2931*	-0.4305*	-0.2473	-0.3066*	0.7397*	-0.3522*	0.6359*	1

\*Significant at 5% Level

Table 4.12 shows a high association between agency and branch strategies as per the respondents’ perceptions on the important financial access strategy. Asset quality (measuring proportion of nonperforming loans to total loans) show high and significant negative correlation with board size and profitability.

Meanwhile type of organization, being a commercial bank relative to Microfinance banks shows a high positive correlation with profitability, and asset quality.

Older companies are positively correlated with board size, and nature of the organization being commercial banks. Older companies are also associated with better asset quality.

Finally, large banks are positively correlated with board size, profitability, type of organization being commercial banks and age. However, large banks are negatively correlated with asset quality, liquidity and perspectives about regulation.

**4.5 Multivariate Analysis**

Table 4.13 provides a summary of the output from the multinomial regression model. The dependent variables are the rankings for the intent banking, mobile banking agency banking and branch network.

**Table 4.13 Summary Multinomial regression Model**

Variable		Internet	Mobile	Agency	Branch
Model Diagnostics	LR chi2	28.46	19.02	58.54	23.24
	Prob > chi2	0.04327	0.3904	0.0004	0.0057
	Pseudo R2	0.2108	0.2604	0.5684	0.3368
Constant	Coeff.	2.793808	99.23066	11.06001	-4.745315
	Std Err	4.009082	294385.2	7.925731	4.254588
	z	0.7	0	1.4	-1.12
	p	0.486	1	0.163	0.265
Board Size	Coeff.	0.3616376	-31.58199	0.4740804	-0.5705291
	Std Err	0.2207442	11213.94	0.4392971	0.2798896
	z	1.64	0	1.08	-2.04
	p	0.101	0.998	0.281	0.042*
Profitability (ROE)	Coeff.	0.1587166	16.96786	12.81365	6.626309
	Std Err	0.8961347	36386.25	7.700704	2.850094
	z	0.18	0	1.66	2.32
	p	0.859	1	0.096	0.02*
Asset Quality	Coeff.	3.299698	-57.7808	1.457944	-0.9671585
	Std Err	3.242542	52480.33	4.217432	3.672644
	z	1.02	0	0.35	-0.26
	p	0.309	0.999	0.73	0.792
Capital Adequacy	Coeff.	4.029956	-638.8821	-64.26663	-7.921338
	Std Err	4.416396	187780.4	29.34034	4.89559
	z	0.91	0	-2.19	-1.62
	p	0.362	0.997	0.028*	0.106

**Table 4.13 Summary Multinomial regression Model continued...**

Variables		Internet	Mobile	Agency	Branch
Liquidity	Coeff.	-2.291224	145.855	1.118504	2.699559
	Std Err	1.6659	62145.53	4.267951	1.704481
	z	-1.38	0	0.26	1.58
	p	0.169	0.998	0.793	0.113
Type of Organization	Coeff.	3.612043	202.1699	1.036349	-4.757438
	Std Err	1.625836	214532.1	2.291163	1.871266

	z	2.22	0	0.45	-2.54
	p	0.026*	0.999	0.651	0.011*
Regulation	Coeff.	1.564907	55.57019	0.2767336	0.0800336
	Std Err	1.186081	23455.46	1.361332	0.9084527
	z	1.32	0	0.2	0.09
	p	0.187	0.998	0.839	0.93
Age	Coeff.	0.0255904	0.3053342	0.0236152	-0.0594293
	Std Err	0.0281559	359.0381	0.0361799	0.0302537
	z	0.91	0	0.65	-1.96
	p	0.363	0.999	0.514	0.049*
Size - Assets	Coeff.	-1.112969	-11.76707	-0.8214862	1.405426
	Std Err	0.493273	3112.309	0.6652902	0.5965672
	z	-2.26	0	-1.23	2.36
	p	0.024*	0.997	0.217	0.018*

\*Significance at 5% level

According to Table 4.13, there is a positive and significant association between the ranking of internet banking and commercial banks and size of the organization. This means that large commercial banks rank internet banking as the best financial access strategy. The logistic regression model is also significant as shown by the LR Chi2 (28.46) being the Odds ratio and the probability (0.04327) which is less than 0.05. Pseudo R squared values is used to compare multiple models fit to the same dataset. STATA uses the McFadden's Pseudo R, in this case a level between 0.2 to 0.4 shows the model is a good fit.

Despite mobile banking being ranked as the best for financial access, this is not associated with any one organizational factor. The model is also not significant given that the Prob chi2 is 0.3904.

Agency banking is positively associated with capital adequacy only. This means that banks that have high capital adequacy, rank agency banking as the best means of financial access. The model is significant given the LR Chi2 (58.54) and the probability (0.0004) which is less than 0.05.

Finally, branch network is negatively associated with board size, commercial banks and age of the bank and positively associated with profitability and size of the bank. Therefore,

banks with smaller boards, microfinance banks and banks with fewer years of operation will likely rank branch network as the best means of financial access, while large profitable banks will rank branch network as the best for financial access. The model is also significant as per the chi 2.

#### **4.6 Summary of Chapter Four**

Chapter Four has presented the results and findings of the study. Responses were received from 50 banks. The chapter has presented, descriptive, correlation and multivariate analysis of both primary and secondary data. The study has also obtained qualitative responses from the questionnaire. Chapter Five is the last and presents the discussions and conclusions.



## **CHAPTER FIVE: DISCUSSIONS AND CONCLUSION**

### **5.1 Introduction**

Chapter Five presents the discussions, conclusions, limitations and recommendations for further studies. Chapter One provided the introduction and background of the study, study objectives and the justification. The three objectives of the study were therefore first to establish through ranking, the most effective financial access strategies. Second, the organizational and regulatory factors that influence the ranking of the financial access strategies and third, obtain management's perception of the effectiveness and relevance of these financial access strategies. Chapter Two presented the theoretical and empirical studies. The study utilized financial intermediation and stakeholder theories. The chapter also provided conceptual framework showing relationships among the variables (Financial Access Strategy ranking as the dependent variables and organizational factors and regulation as the independent variables). Chapter Three presented the research design, from the population being 52 banks (38 Commercial Banks and 14 Microfinance Banks) Licensed by the Central Bank of Kenya in 2023. Responses were received from 50 banks (38 commercial banks and 12 microfinance banks). Primary data on the ranking of the effective financial access strategy was obtained using a semi-structured questionnaire administered online, while some organization features were obtained from the annual reports for year 2023 and Central Banks Supervision report for 2022. The multinomial logistic regression model was used to analyze organizational features and the ranking of financial access strategies. Chapter Four had the results and findings of which the highlights are provided in Chapter Five with more discussions.

### **5.2 Discussions**

#### **5.2.1 Financial Access Strategies by commercial banks and microfinance banks**

Results show that all the 38 Commercial Banks use Internet Banking, Mobile Banking and Branch Network, while only 13 use agency banking, indicating that agency banking is the least preferred financial access strategy. Meanwhile all the Microfinance banks have branches, 10 out of the 12 use Internet Banking, 8 only use Mobile banking, and only 3

out 9 use agency banking. All Commercial Banks and Microfinance Banks offer Deposits, Lending and Money Transfers using internet banking, mobile banking and branch. Commercial Banks and Microfinance offer less forex services through the different financial access strategies, and those that offer agency banking also limit some services, some banks require their customers to visit the nearest branch in case they need loans as opposed to using agency. Internet banking, mobile banking and branch network are used for other financial services such as balance inquiry, statement requests, cheque book requisition.

Overall, commercial banks and microfinance banks rank Mobile banking, then branch network, then internet banking and finally agency banking as useful in promoting financial access for financial inclusion. Mobile Banking is ranked the best because everyone has a smart phone and internet is not necessary. In addition, branch networks are more important because they provide all banking services even to those have little knowledge for mobile and internet banking. Internet banking is very convenient for small businesses as it enables them access banking services and manage their businesses. Finally, agency banking is important as it enables customers leverage on other services such as Mpesa enables customers from different banks use the same agent.

### **5.2.2 Organizational and Regulatory Factors Influencing the use of Financial Access Strategies**

Results, show that there is a positive and significant association between the ranking of internet banking and commercial banks and size of the organization. This means that large commercial banks rank internet banking as the best financial access strategy. However, even though mobile banking being ranked as the best for financial access, this is not associated with any one organizational factor. Perhaps the large banks feel that customers may have access to internet to carry out their banking services.

Agency banking is positively associated with capital adequacy only. This means that banks that have high capital adequacy, rank agency banking as the best means of financial access. There is no rationale for this, but possibly agents can be used to expand the business for banks and hence promote shareholder wealth.

Finally, branch network is negatively associated with board size, commercial banks and age of the bank, and positively associated with profitability and size of the bank. Therefore, banks with smaller boards, microfinance banks and banks with fewer years of operation will likely rank branch network as the best means of financial access, while large profitable banks will rank branch network as the best for financial access.

### **5.2.3 Management Perspectives on Financial Access Strategies**

In terms of benefits of financial access strategies, respondents indicate that Internet Banking and Mobile Banking are very useful financial access strategies due to ability to save on costs, such as those associated with operating branches. Meanwhile, Mobile banking is highly ranked with regards to customer convenience and experience, closely followed by internet banking. Internet banking enables business customers track their bank balances in Realtime hence manage their cash flows. Agency banking is the only financial access strategy associated with low costs savings as banks only pay a commission as some agents charge a lot when used in providing services in remote locations. Agents will likely consider the commission as the only source of income and hence make their services costly. However, some agents provide other services like Mpesa services alongside the banking services.

In terms of challenges in financial access strategies, strict regulation in operating these financial access strategies by the regulator (Central Bank of Kenya), seems to be the main challenge. Central bank has several guidelines that aim to protect customer deposits. For example, Central Bank of Kenya requires strict compliance with cyber security regulations and guidelines to limit possible cybercrimes that may affect customer deposits. However, agency banking is associated with high costs while Internet banking and Mobile banking are also associated with high risk. Other challenges associated with financial access strategies challenges with internet access for some locations in the case of internet banking (more specifically individual customers). Customers complain that mobile banking charges by main service provider Safaricom is expensive. Some agents are very slow in providing agency banking which may put the reputation of a bank at risk.

Finally, Internet banking is popular with business customers, but is a challenge for some customers due to poor internet accessibility and data costs. Mobile banking is very

common with individual customers. Despite efforts to promote internet and mobile banking, many customers prefer to visit branches especially for bulk transactions such as cash banking. Several banks avoid agency banking due to the risks of sharing confidential data with third parties. Despite the ability of agency banking promoting financial access, banks do not trust the ability of third parties in conducting banking on behalf of the banks. Despite several services offered through internet and mobile banking, majority of customers focus on the basic services of just deposits and lending. Mobile banking is the best way to promote financial access, as many customers have access to smart phones and does not require internet access. Commercial banks and microfinance banks face stiff competition from digital loan providers, as there is a slow uptake of loans through internet and mobile banking by customers.

### **5.3 Conclusion**

#### **5.3.1 Contribution to Theory**

This study adopted two theories, Financial Intermediation Theory (FI), which focuses on explaining the adoption of financial access strategies as an innovation and stakeholder theory (ST), which aims to focus on how organizations can operate to serve the needs of various stakeholders, within the context of financial inclusion.

The results and findings of the study are in support of the two theories. The results on the use and ranking of financial access strategies of internet banking, mobile banking and branch network confirm the important role of commercial banks and microfinance banks in financial intermediation. The fact that mobile banking is ranked as the best means of achieving financial inclusion to serve the needs of mostly individuals and other stakeholders.

However, some findings may not support the two theories. For example, agency banking will likely not promote effective financial intermediation, while the challenges associated with offering certain financial access strategies such as internet banking to individual customers may indicate that the needs of some stakeholders as per stakeholder theory.

### **5.3.2 Contribution to Empirical Literature**

The study has contributed to empirical literature in various ways.

First, studies of Rotchanakitumnuai and Speece (2003) and Akturan and Tezcan (2012) have considered the benefits and challenges of adopting internet banking, mobile banking, agency banking and branches. The current study has extended these studies by providing the ranking of the financial access strategies showing that mobile banking is the financial strategy ranked as the best.

Second, the studies of Malhotra and Singh (2007) and Furst et al. (2002) have considered the factors influencing the adoption of internet banking and agency banking. The current study has contributed to knowledge by adding on to the factors influencing the adoption of mobile banking and use of branches in financial access strategies. In addition, the study has incorporated organizational factors. This study has contributed to knowledge by finding a positive and significant association between the ranking of internet banking and commercial banks and size of the organization, no association between mobile banking ranking with any one organizational factor, agency banking is positively associated with capital adequacy only, and finally branch network is negatively associated with board size, commercial banks and age of the bank, and positively associated with profitability and size of the bank.

Finally, given that the studies of Sathye (1999), Howcroft et al. (2002) and Liao and Cheung, (2002) have focused mainly on the use of internet banking and mobile banking from a customer's point of view. The current study obtained the perspectives of management regarding the adoption and use of the four financial access strategies by commercial banks and microfinance banks in Kenya.

### **5.3.3 Contribution to Industry**

The results and findings of this study have various practical implications.

Organizations like the World Bank and National policy makers will have to promote financial inclusion through mobile banking. The Central Bank of Kenya will use the findings to inform the policies and guidelines it develops to support and encourage financial access measures such as working together with various internet service providers

to enable internet banking. Central Bank Should also identify and license various agents who can provide banking services to customers affordably.

The study's conclusions aid Commercial Banks make better decisions when allocating investment resources to the best financial access methods. Together with sharing the experiences and viewpoints of other industry participants, the study has found that banks can improve financial access through mobile banking and need not shy away from using agents. Likewise, microfinance banks can emulate commercial banks by identifying with various agents who can provide banking services affordably and encourage the customers to take up mor banking products.

#### **5.4 Limitations of the Study**

Despite efforts to ensure the objectives of the study are achieved, some limitations were encountered.

First the ethical approval process took long and hence time constraints arose on collecting primary data from the respondents. A few responses were received on the unstructured parts and some qualitative aspects.

Secondly, some organizations referred the researcher to respondents such as the internal auditor and the CFOs to fill the questionnaire. Even though they provided valuable feedback, the researcher felt that those with commercial and digital experience would likely be better. However, the number was small to affect the conclusion.

Finally, other limitations may arise from the use of questionnaires as opposed to interviews and the assumptions of the multinomial model used in multivariate analysis such as normality. However, the use of the questionnaire was justified and the normality assumption was not affected given the response rate.

#### **5.5 Recommendations for further studies**

Further studies can expand on other organizations in the financial services such as SACCOs, use of interviews and focus groups for detailed explanations and some studies can evaluate the best way to promote the use these financial access strategies.

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## APPENDICES

### Appendix I: Letter of Introduction

Dear Sir/Madam,

#### RE: Letter of Request for Permission to Collect Data

I am currently a student undertaking the Master of Science in Development Finance at Strathmore University. I am kindly requesting for your support in providing data on for my research titled **‘EVALUATING THE EFFECTIVE FINANCIAL ACCESS STRATEGIES USED TO ACHIEVE FINANCIAL INCLUSION BY COMMERCIAL BANKS AND MICROFINANCE BANKS IN KENYA’**

The data requested will be used for academic purposes and any information that you provide will be treated confidentially.

Yours Sincerely  
Hafsa Ali  
Student Reg No.



## Appendix II: Questionnaire

### TITLE: EVALUATING THE FINANCIAL ACCESS STRATEGIES BY COMMERCIAL BANKS AND MICROFINANCE BANKS IN KENYA FOR FINANCIAL INCLUSION

#### Instructions

Kindly complete the following questionnaire. Please tick appropriately or write your answers in the spaces provided. Kindly provide your responses even if the bank does not utilize a type of financial access strategy.

#### Confidentiality

All information given shall be treated with strict confidence. No reference will be made to any individual(s) or organization in the report of the study.

#### Part A: Respondent Details

1. Title \_\_\_\_\_
2. Industry Experience \_\_\_\_\_

#### Part B: Organizations Details

1. The organization is a...

Commercial Bank (CB)

Microfinance Bank (MFB)

2. Years in operation \_\_\_\_\_

3. Number of Directors on Board \_\_\_\_\_

#### Part C: Use of Financial Access Strategies

The following are new technologies that are used in financial services:

Financial Access	Meaning
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Internet Banking	“is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website”.
Mobile Banking	“a channel whereby the consumer interacts with a bank via a mobile device, such as a mobile phone or personal digital assistant. In that sense it can be seen as a subset of electronic banking and an extension of internet banking with its own unique characteristics”
Agency Banking	“Agency banking is a form of indirect access to payments systems wherein agent banks act as intermediaries between a client and a banking service. The agent bank provides the platform for entry to an otherwise inaccessible service”.
Branch Network	“Branch banking is the operation of storefront locations away from the institution's home office for the convenience of customers. These include physical offices and Automatic Teller Machines”.

1. Which of the following financial access strategies are used in the organization?

	Tick applicable $\checkmark$		
	Yes		No
Internet Banking			
Mobile Banking			
Agency Banking			
Branch Network			

2. Which banking services utilise the different financial access strategy?

	Deposits	Lending	Money Transfers	Forex Services	Others
Internet Banking					
Mobile Banking					
Agency Banking					
Branch Network					

Explain the type of other services used by each financial access strategy:

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3. The following benefits apply to the use of financial access strategy to the bank:

	Cost Savings	Speed of service delivery	Customer convenience	Better customer experience	Others
Internet Banking					
Mobile Banking					
Agency Banking					
Branch Network					

In case of other benefits provide them below:

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4. The following challenges apply in the use of the various financial access strategies:

	Cost	Poor Infrastructure	Lack of Knowledge	Risk	Strict Regulation	Others
Internet Banking						
Mobile Banking						
Agency Banking						
Branch Network						

Provide more details for other challenges:

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4.1 In case of Strict regulation, indicate if current regulation for various financial strategies is:

Strict

Not Strict

5. Rank the financial access strategies in promoting financial inclusion:

	Not Important	Slightly Important	Fairly Important	Important	Very important
Internet Banking					
Mobile Banking					
Agency Banking					
Branch Network					

Provide a brief explanation of the choice of your answers:

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6. Explain the relevance of these financial access strategies for your organization and other information not addressed by the previous questions:

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### Appendix III: List of Commercial Banks and Microfinance Banks

	<b>List of Commercial Banks</b>
1	Absa Bank Kenya
2	Access Bank (Kenya)
3	African Banking Corporation
4	Bank of Africa
5	Bank of Baroda
6	Bank of India
7	Citibank
8	Consolidated Bank of Kenya
9	Cooperative Bank of Kenya
10	Credit Bank
11	Development Bank of Kenya
12	Diamond Trust Bank
13	DIB Bank Kenya
14	Ecobank Kenya Limited
15	Equity Bank Kenya
16	Family Bank
17	First Community Bank
18	Guaranty Trust Bank
19	Guardian Bank
20	Gulf African Bank
21	Habib Bank
22	I&M Bank
23	KCB Bank
24	Kingdom Bank
25	Mayfair CIB
26	Middle East Bank
27	M-Oriental Bank
28	National Bank
29	NCBA Bank
30	Paramount Bank
31	Prime bank
32	SBM Bank
33	Sidian Bank
34	Spire Bank
35	Stanbic Bank
36	Standard Chartered Bank
37	UBA Kenya Bank
38	Victoria Commercial Bank

	<b>List of Microfinance</b>
1	Caritas Microfinance Bank Limited
2	Branch Microfinance Bank Limited
3	Choice Microfinance Bank Limited
4	Daraja Microfinance Bank Limited
5	Faulu Microfinance Bank Limited
6	Kenya Women Microfinance Bank PLC
7	Rafiki Microfinance Bank Limited
8	Lolc Kenya Microfinance Bank PLC
9	SMEP Microfinance Bank Limited
10	Sumac Microfinance Bank Limited
11	U & I Microfinance Bank Limited
12	Salaam Microfinance Bank Limited
13	Maisha Microfinance Bank
14	Muungano Microfinance Bank



## Appendix IV: Ethical Approval



7<sup>th</sup> May 2024

Ms Ali Hafsa,  
hafsa.ali@strathmore.edu

Dear Ms Ali,

**RE: Evaluating the Ranking of Financial Access Strategies by Commercial Banks and Microfinance Banks in Kenya for Financial Inclusion**

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** research proposal. Your application reference number is **SU-ISERC2160/24**. The approval period is from **7<sup>th</sup> May 2024 to 6<sup>th</sup> May 2025**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Ambrose Rachier".

**Mr Ambrose Rachier,**  
Chairperson; SU-ISERC



REPUBLIC OF KENYA



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 630961

Date of Issue: 14/May/2024

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This is to Certify that Ms.. Hafsa Abdulaziz Ali of Strathmore 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: Evaluating the Financial Access Strategies by Commercial Banks and Microfinance Banks in Kenya for Financial Inclusion. for the period ending : 14/May/2025.

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