Abstract

Commercial banks have witnessed dramatic strategic changes due to the entrance of many financial market participants with different products to offer to customers. The products are delivered through process innovation which enables commercial banks in Kenya to reach as many customers as possible at reduced cost with high returns. All commercial banks are regulated by Central Bank of Kenya which gives guidelines on new and existing bank innovations. Commercial banks have successfully adopted the use of mobile and agency banking in their operations. The use of mobile and agency banking enables customers to perform all bank transactions without physically visiting the banking halls. The banks which have not adopted mobile and agency banking experience long queues in the banking halls, low customer base growth and reduced profits. The objective of the study was to investigate the effect of mobile and agency banking on performance of commercial banks branches in Kitui Town. The study was anchored on three theories: Diffusion of Innovation (DOI) theory and Technology acceptance model theory. The study adopted a descriptive research design and random sampling method to determine the sample size of 99 bank staff and 80 bank customers. Study data was based on primary data which was collected by use of questionnaires. The data was analyzed using qualitative and quantitative data analysis techniques and presented in tables and figures. The study established that mobile and agency banking has a positive significant effect on the banks performance. The study recommends that commercial banks should strengthen on agency and mobile banking innovation systems for effective operation. The study further recommends that a study can be done on effect of mobile banking lending on commercial banks performance.