

Bottom of the Pyramid Strategy and Financial Performance of Commercial Banks: An Assessment of Agency Banking Operations in Kenya

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Abstract:

Many organizations in Kenya banks included are reaping from clients at the bottom of the economic pyramid. High competition in the banking Industry, has prompted banks to venture into this market segment to improve their financial performance. Agency banking was institutionalized in 2010 by The Central bank of Kenya to increase financial inclusion in the country. Commercial Banks licensed for agency banking have been registering a significant performance after introduction of agency banking.

The general objective of the study was to establish the effects of bottom of the pyramid strategy on the financial performance of commercial banks through Agency Banking in Kenya. This study used descriptive research design. A census survey was carried out on all commercial banks undertaking agency Banking. Data collected were analyzed by the use of descriptive statistics using Statistical Package for Social Sciences (SPSS) and presented through percentages, means, standard deviations and frequencies and multiple regressions. The study revealed that Commercial Banks use agency banking to target the low income market segment in rural villages and urban slums. From the findings 57.4% of the financial performance of these banks is attributed to combination of the four independent factors (business growth, cost-saving approach, innovation and new partnerships