

Abstract

The advancement in technology has provided an opportunity for financial service providers to introduce great innovations. The convergence of banking services with electronic technologies means that users are able to conduct banking services at any place and at any time through digital banking thus overcoming the challenges of distribution and use of banking services (Gu, Lee & Suh, 2009). The Kenyan banking industry is embracing digital technology with its due advantages. Internet banking in particular offers the traditional players in the financial services sector the opportunity to add a low cost distribution channel to their numerous different services. Internet banking also creates a threat to traditional banks' market share as it neutralizes so many of their competitive advantages in having a traditional branch bank network and thus hesitance in its adoption. This research project therefore sought to gain insight on factors and challenges facing the strategic adoption of digital banking in Kenya. The research was guided by the research objectives. This research will be useful for financial institutions looking to adopt digital channels of banking giving them an insight on what to expect and how to tackle any arising issues. It will also form as a good basis for reference in related studies and surveys.

A descriptive survey design was adopted where a sample was selected from the targeted population. A semi-structured questionnaire was formed and was used to collect primary data relevant for this study. The primary data was collected from individuals from 43 commercial banks in Kenya. Collected data was sorted and coded appropriately in statistical package for social sciences (SPSS). Data analysis involved both qualitative and quantitative approaches where tables and charts were used. The interpretation of data analysed from this particular survey revealed that digital banking is desired among many in Kenya. The study also found that, the most used digital services in Kenya were ATM (Automated Transaction Machine) services, Debit cards, electronic funds transfers (EFTs) and mobile banking in descending order of popularity. It was also found that the use of internet banking and credit card is not as popular as the other services. Customers' main sources of information were "bank employees" and "respective employers". It was established that "security concerns", "digital banking cost of adoption" and "customer perception and preference" were the three major challenges hindering the strategic adoption of digital banking in Kenya. Amongst the recommendations of this study is that while designing digital Systems, customers needs should be put into consideration so that the focus is not too much on technology to the detriment of customer needs. It is also recommended that customers be educated on the digital banking platforms.