

Abstract

The Internet has revolutionised the way business is conducted today and the banking industry is no exception. Advances in technology have led to innovative strategies adopted by banks to become and remain competitive. In the banking industry, adoption of new technology has led to the development of new channels through which customers can access banking services. Among these is internet banking, which in spite of the various benefits accruing to the bank and to the customer, appears to display lacklustre performance, especially with the myriad of other alternative channels available. This study evaluates internet banking as an operations strategy and its viability in commercial banks in Kenya. It seeks to establish the availability and level of use of internet banking services and other alternative banking channels across commercial banks in Kenya; determine the relative impact of internet banking on service operations compared to other channels; and evaluate internet banking as an operations strategy. A cross-sectional survey of commercial banks in Kenya was conducted, administered through questionnaires to bank personnel.

Findings from the study indicate that internet banking is increasingly available to customers of commercial banks in Kenya, with varying levels of functionality and corresponding usage of the services. The relative impact of internet banking on service operations was found to be significantly different from other channels, and internet banking is considered to have significant contribution to operational performance of commercial banks that offer the service. As an operations strategy, internet banking was considered to be effective and offer considerable value to commercial banks in the country.