APPLICATION OF E-BANKING STRATEGIES BY COMMERCIAL BANKS IN KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

Signed …………………………   Date ………………………….

Judith Cherono

D61/66934/2011

This project has been submitted for examination with my approval as university supervisor.

Signed ………………………….   Date ……………………………

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DEDICATION

This paper is dedicated my dear mum for setting a strong foundation for my education and to my sister Irene and her daughter Shanies for their love and support

ACKNOWLEDGEMENT

My pursuit for the MBA degree would not have been possible without the encouragement, support and assistance of a number of people. Whereas I cannot mention everyone by name, I feel extremely grateful to so many people. I would like to thank my supervisor for his patience and dedication in guiding me. I would also like to thank my family for their moral support during the entire duration of the course. Finally, I also extend my gratitude to my workmates who ensured that I got enough time to complete this work.

ABSTRACT

The introduction of e-banking in Kenya had a great impact on the way in which Commercial Banks in Kenya conduct their day to day business. This state of affairs compelled the researcher to conduct this study on the extent of the application of e-banking strategies by commercial banks in Kenya. The study engaged the use of a descriptive research design in order to obtain the necessary data as it facilitated primary data collection as a means of getting into the research objectives. The population under study was all commercial banks in Kenya. A total of 43 employees directly involved in e-banking in their respective banks were engaged in the study. The findings with regards to the extent of E-banking services in Kenya revealed that all banks have adopted e-banking services. Similarly it was revealed that the most popular mobile service in Kenya was accounts information, followed by support services and finally investment services. Looking at the study findings, it is revealed that majority of the respondents (40 percent) rated e-banking highly, that about 76 percent of the respondents agreed that the e-banking services are easy to use, that internet banking is characterized by some unique features that equip it with certain advantages against conventional forms of banking. It was also revealed that internet banking enhances customer attraction and retention since technology does not require a lot of training. The banking industry being a growing sector in Kenya as well as the whole world brings about the need for careful examinations of various ways of making it more competitive and therefore profitable. The researcher believes that more innovations in this line will enhance growth in this sector. The findings of the study indicate that banks should pay special attention to convenience by providing the customers with e-banking service at points which can easily be accessible, improve their mobile banking platforms so as to improve the efficiency in the service delivery hence boosts customer confidence. Finally Banks should provide customers with a toll free number. This could handle customers with complaints and general feedback about the electronic banking services. This would not only provide a service to a customer that is free, but also provide the bank with valuable information for future development on electronic service. The most talked about challenge was the element of confidentiality given that the study focused on a sensitive area of e-banking strategy, some managers were not willing to offer detailed information on their innovations as a matter of caution. The researcher however recommended that a study should be carried out to determine the parameters of the customer's "zone of zero tolerance". This will enable managers to understand at what point customers cease to be satisfied with core service they are receiving.

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ABBREVIATIONS AND ACRONYMS

AMFI:	Association of Microfinance Institutions
ATM:	Automated Teller Machine
CBK:	Central Bank of Kenya
ITU:	International Telecommunication Union
KBA:	Kenya Bankers Association
KCB:	Kenya Commercial Bank
NSE:	Nairobi Securities Exchange
SACCOs:	Savings and Credit Cooperatives
SPSS:	Statistical Package for Social Science

CHAPTER ONE: INTRODUCTION

1.1Background of the Study

Strategy lies at the heart of general management (Porter, 1996) and characterizes the company by its vision (Collins and Porras, 1996). According to Porter (2006), today's business suffer incompleteness in terms of unique purpose of a strategy. Rather, Porter (2006) prefers to refer to strategy as an action plan and guideline. In the same regard, Mintzberg (1987) confers with the perspectives of strategy and further defines strategy as a plan as "some sort of consciously intended course of action, a guideline to deal with a situation" (p.11). The only difference however is that, he acknowledges that the meaning of strategy comes into being immediately the strategy is in the collective mind of a company. Strategy is indeed a prerequisite of a shared perspective which helps the company to function most effectively. As such, having a formal strategy formulation is suggested to be the main determinant for organizational consistency (Dumpelmann, 2009; Spreitzer, 1995).

The innovation diffusion theory provides an explanation as to individuals' intention to adopt a technology as a modality to perform a traditional activity. The theory is developed by (Roger's, 1983). The critical factors that determine the adoption of an innovation at the general level are the following: relative advantage, compatibility, complexity, trialability and observability (Rogers, 1995). The nominalized factors are complexity, triability and observability.

In Kenya, e-banking strategies include automated teller machine (ATM), Phone-banking, mobile banking, PC-banking and most recently internet banking (Chang, 2013;

Gallup Consulting, 2009). Currently, there are more than 10 million users of E-banking services compared to 4 million people who hold accounts in conventional financial institutions in Kenya (CBK, 2008). The tremendous increase in number of people adopting e-banking has been attributed to ease of use and high number of mobile phone users, and computers.

Financial services industry over time has opened to historic transformation which is advancing rapidly in all areas of financial intermediation and financial markets such as e-finance, e-money, electronic banking (e-banking), e-brokering, e-insurance, e-exchanges, and even e-supervision. In recent years, the adoption of e-banking began to occur quite extensively as a channel of distribution for financial services due to rapid advances in IT and intensive competitive banking markets (Mahdi and Mehrdad, 2010; Dube, et. al., 2009). The driving forces behind the rapid transformation of banks are influential changes in the economic environment include among others innovations in information technology, innovations in financial products, liberalization and consolidation of financial markets, deregulation of financial inter-mediation. E-banking is transforming the banking and financial industry in terms of the nature of core products /services and the way these are packaged, proposed, delivered and consumed. It is an invaluable and powerful tool driving development, supporting growth, promoting innovation and enhancing competitiveness (Gupta, 2008; Kamel, 2005).

1.1.1 Concept of Strategy

The modern thinking on business strategy evolved into a solid form in the 1960s in USA. Early writers on the subject included Peter Drucker, Alfred Chandler, Igorr Ansoff and

Kenneth Andrews. These and many more writers have tried to define strategy with different reference points. Mintzberg, Ahlstrand and Lampel (2009) see strategy as a plan, pattern, position, ploy or perspective. They posit that strategy is a plan to get one from one point to another; it is ones course of action to guide into the unknown future. While there is no simple single definition of strategy the common thread that runs through all the definitions is that strategy sets direction for and defines the company (Mintzberg et al, 2009).

There are different types of strategies for example cost leadership is usually attained by offering goods and services at a lower cost than competitors. Cost leaders are therefore able to charge lower prices than their competitors and still make the same profit. In addition, if competition intensifies in the market, the cost leader will be able to withstand this due to its lower costs (Jones and Hill, 2009). Firms that succeed in cost leadership usually have the following internal strengths; they have access to the capital required to make a significant investment in production assets, they have the skills in designing products for efficient manufacturing, they have high levels of expertise in manufacturing process engineering and efficient distribution channels (Wang, Lin and Chu, 2011).

Differentiation on the other hand involves offering customers something unique for which they are ready to pay for Haberberg and Ripple (2001). Differentiation strategy is usually developed around several characteristics which include product quality, technology and innovativeness, reliability, brand image, firm reputation, durability and customer service Wang, Lin and Chu, (2011). Education is a service, it is not something tangible. Service firms strive to stay in the forefront of today’s market by offering quality service. Research has shown that service quality is an essential strategy for winning and retaining customers (Zeithaml, 2000)

Finally in focus strategy a firm can choose to concentrate on a select customer group, product range, segment of a market, geographical areas or service lines. Focus strategy is also based on adopting a narrow competitive scope within an industry that large firms may have overlooked. A successful focus strategy depends upon an industry segment large enough to have good growth potential but small enough not to be important to other major competitors (Akan, Allen, Helms and Sprawls III, 2006).

1.1.2 E- Banking Strategy

Electronic banking is the delivery of banks' information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as a personal computer, a mobile phone, telephone or digital television. "This is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick-and-mortar institution" (FinCen, 2000).

The introduction of electronic banking, mobile banking as well as agency banking for instance have had a major impact to banks especially with regards to helping service their customers. These have helped banks to give the customer's anytime access to their banks. Customers can check out their account details, get their bank statements, perform transactions like transferring money to other accounts and pay their bills sitting in the comfort of their homes and offices (Kannabira and Narayan, 2005). Customers do not have to go to the bank to check their account balances; they comfortably do it on phone.

1.1.3 Banking Sector in Kenya

The Banking sector in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system.

As at December 2008 there were forty six banking and non-bank institutions, fifteen micro finance institutions and one hundred and nine foreign exchange bureaus. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interest's and serves a forum to address issues affecting members.

Over the last few years, the Banking sector in Kenya has continued to growth in assets, deposits, profitability and products offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region. Also with the automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market.

An appropriate banking environment is considered a key pillar as well as an enabler of economic growth (Koivu, 2002). Banks are essential for each country's economy, since no growth can be achieved unless savings are efficiently channeled into investment. Banking industry is competitive and thus requires a lot of creativity and innovation both in terms of human resources and product development. For the commercial banks to survive in this competitive environment and continue contributing to the economic development of the country, the role of e-banking is particularly significant

1.1.4 Commercial Banks in Kenya

Commercial banks in Kenya are regulated and supervised by the Central Bank of Kenya (CBK). The CBK issues licenses, regulates and supervises the commercial banks in Kenya through the Banking Act (Cap 488). The banking sector comprises of 44 commercial banks, 2 mortgage finance companies and 123 foreign exchange bureaus (CBK, 2011). The CBK places commercial banks in Kenya in four broad categories based on ownership; foreign owned not locally incorporated, institutions with government participation, foreign owned but locally incorporated institutions (partly owned by locals) and locally owned institutions (CBK, 2011). In the last ten years the banking industry in Kenya has undergone a lot of changes, this has been mainly necessitated by the consumer needs, government legislation and technology.

During the period ended December 31, 2010, commercial banks recorded significant growth in assets driven by growth in deposit, injection of capital and retention of profit. Further, in the same period, commercial banks continued to embrace new technology to improve their customer service delivery. A considerable number of banks adopted the use of mobile phone technology as a service delivery channel to enhance convenience to their customers. In this regard, a number of new products that leverage on ICT, in particular mobile phone telephony were introduced by several institutions (CBK, 2011). Thus the study application of e-banking strategies adopted by commercial banks in Kenya.

1.2 Research Problem

Innovation and technology in the banking sector has been necessitated by the need to be competitive in a global environment. According to Oyeyinka and Lal (2004), the growth of new technologies has been and is indeed critical for the development of all sectors of the economy in terms of providing employment, enhancing productivity, efficiency of resource use and improving information flow. In the end, adoption of technology by business enterprises contributes positively towards enhancing competitiveness within a competitive environment. It will be of interest therefore to examine how innovation is influencing strategic decision in the banking sector.

In recent past, banks are challenged by technological up scale that led to innovative products which stiffed up competition for market share. There is a shift from paper-based to electronic payments and reliance on ATMs rather than costly branch offices to deliver cash and other depositor related services. Both banks and customers are increasingly migrating from traditional banking channels to the e-banking channel (Mols, 1998 and 2000) but despite the benefits and advantages of e-banking for both sides, it entails some critical issues both for customers and the banks. It is the intent of this study to determine the application of E-banking strategies by Kenyan banks.

Numerous studies have been carried out on enhancing the adoption of e-banking within various international markets. For instance, Zhou (2011) conducted a research study in China whose aim was to examine the initial trust levels of clientele towards e-banking and how it affected the adoption process of e-banking. Laukkanen and Kiviniemi (2010) conducted a research study in Finland which sought to determine if information provided by financial institutions can be one of the challenges that plagues the e-banking adoption process. Tobbin (2012) carries out a research study in Denmark, which seeks to develop a model that can be utilized by commercial banks when adopting e-banking.

In Kenya, Okiro and Ndungu (2013) established that financial institutions are increasingly adopting mobile banking and internet banking services in order to enhance the quality of services they offer. Majority studies in Kenya focus on the strategic measures that commercial banks should adopt in order to enhance the use of e-banking by users. Other research studies also focus on determining the perception of users towards e-banking services as offered by commercial banks. However, these studies have not focused on the application of e banking strategies by commercial banks in Kenya. Hence, this study seeks to address the question; what is the extent of the application of e – banking strategies by commercial banks in Kenya?

1.3 Research Objectives

The objective of the study was to establish the extent of application of e-banking strategies by commercial banks in Kenya.

1.4 Value of the Study

The findings in the study will be useful to top management of the different commercial banks in Kenya since they will be able to know whether their investments into electronic banking have actually paid off through enhanced financial performance. By so doing, commercial banks can make an informed decision on whether to continue offering such banking services.

The findings in this study will also be beneficial to scholars in the field of e- banking to identify gaps that need to be expounded upon and its effect on the performance of commercial banks. The study findings may also be of great use to the Central Bank of Kenya (CBK). This is attributed to the fact that the CBK can develop different policies and regulations for the improvement of the e -banking strategies in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presented a review of the related literature on the subject under study presented by various researchers, scholars, analysts and authors. The review has been carried out across the following topics: The theoretical foundation of the study, application of e-banking strategies, internet banking, mobile banking and automated teller machines.

2.2 Theoretical Foundation of the Study

The Innovation Diffusion Theory explains individuals' intention to adopt a technology as a modality to perform a traditional activity. The theory is developed by (Roger's, 1983). The critical factors that determine the adoption of an innovation at the general level are the following: relative advantage, compatibility, complexity, trialability and observability (Rogers, 1995). The theory seeks to explain how, why, and at what rate new ideas and technology spread through cultures. Rogers defines diffusion as the adoption of an innovation "over time by the given social system", as a consequence diffusion processes result in the acceptance or penetration of a new idea, behavior, or physical innovation. Rogers identified several attributes of an innovation that are key influences on adoption behavior. According to Rogers, these attributes are relative advantage, complexity, compatibility, trialability, and observability. A number of previous studies have examined these factors in adoption and diffusion of Internet-based technologies and have consistently concluded these attributes, particularly those of relative advantage, ease of use, and compatibility, as the most frequently salient factors for adoption of Internet and mobile technologies (Koenig-Lewis et al. 2010; Liu & Li 2010; Papies & Clement 2008). Several studies have looked at Internet and related technology diffusion in the banking industry. Courchane, Nickerson and Sullivan (2012) develop and estimate a model for e-banking adoption at the early stages when there is considerable uncertainty about consumers' demand. They find that relative bank size and demographic information predictive of future demand positively influence e-banking adoption. Furst, Lang, and Nolle (2010) estimate a logit model for the determinants of e-banking adoption in a sample of national banks. They find that larger banks are more likely to adopt e-banking as well as banks are younger, better performing, located in urban areas, and members of a bank holding company. Some other studies analyze the reverse effect of technology on bank performance but obtain mixed results. Sullivan (2010) studies performance characteristics, including costs and profitability, of early adopters of e-banking and finds little difference from non-adopters. Berger and Mester (2013) find that banks enjoyed rising profits during the 1990s, and attribute this to banks' increasing market power gained by adopting new technologies. However, few of the existing studies have explicitly considered the endogenous interactions between technology adoption and bank performance measures. This paper is a first attempt to study the application of e-banking strategies by commercial banks in Kenya.

2.3 Application of E-Banking Strategies

2.3.1 Internet Banking

Internet banking refers to carrying out of banking transactions online or via the internet. Internet banking is predicted to transform and revolutionalize traditional banking industry (Mols, 2000; Daniel, 2010; Carrington et al, 2012). Banking services are easily digitalized and automated and, thus, from an operational perspective, lend themselves to the internet (Elliot and Loebbecke, 2010) the potential competitive advantage of the internet for banks lies in the areas of cost reduction and satisfaction of consumer needs. The introduction of internet banking for instance has had a major impact to banks especially with regards to helping service their customers. Internet Banking has helped banks to give the customer's anytime access to their banks. Internet banking allows customers to perform tasks at a time and in a place convenient to them.

Dabholkar (1996) suggests that direct contact with such technology also gives customers a feeling of greater control. Smith (1987) is of the opinion that technology was introduced in banks originally to reduce costs but that, by dividing front and back office operations, technology can be targeted to enhance different functions. The dilemma still remains, however, as to how to maintain a satisfactory number of face-to-face interactions with the customers. Customers can check out their account details, get their bank statements, perform transactions like transferring money to other accounts and pay their bills sitting in the comfort of their homes and offices (Kannabira and Narayan, 2005). Customers do not have to go to the bank to check their account balances; they comfortably do it on phone.

2.3.2 Mobile Banking

In simple terms, mobile banking involves the use of mobile phones to transfer funds from one person's mobile phone to that of another person. It is a form of m-commerce which simply means the use of cellular phones to carry out transactions i.e balance enquiry and mini statement request. Mobile banking is a branchless banking service, meaning it is designed to enable users to complete basic banking transactions without the need to visit a bank branch. A cornerstone of e-banking is mobile banking, achieved through availability of bank-related financial services via mobile devices. Information system/technology can be any organized combination of people, hardware, software, communications networks, and data resources that collect, transforms, and disseminate information in an organization, (Donner and Camilo, 2008). Banks urgently need to improve the ability to think strategically about information technology investments. Only banks that use their technology resources effectively have the opportunity to secure real competitive advantage in this fast changing industry through real product or service differentiation. It comprises of services in the field of accounting, brokerage and financial information. Mobile Banking is increasingly being employed by many banks in Kenya, including Equity, Co-operative Bank, National bank of Kenya, Family bank, just to mention but a few. Banks which have embraced mobile banking have had increased customer base over time (Kannabiran and Narayan, 2005).

2.3.3 ATM

Automated Teller Machines (ATMs) are also known as electronic cash machine: an electronic machine that enables customers to withdraw paper money or carry out other banking transactions on insertion of an encoded plastic card (msn.encarta). Automated teller machines (ATMs) are nothing new, but not all cardholders make full use of all the facilities that ATMs offer. Due to ignorance or technophobia, many clients still opt for more cumbersome and costly methods of banking (Stanley et al., 2010). Bank clients, who hate waiting in long queues at the bank, prefer ATM banking. It offers the customer the convenience of being able to do most of their banking from a machine often situated outside the bank, so that they have access to their bank account 24 hours a day (Kannabira and Narayan, 2005).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a discussion of the research methodology that was used in this study. It discusses the research design, the population of the study, data collection as well as data analysis.

3.2 Research Design

The research employed a descriptive research which is defined by Sloman (2010) as involving direct observation of behaviour and environmental events in naturalistic contexts. Burns and Bush (2010) state that, descriptive research design is a set of methods and procedures that describe variables while Churchill and Brown (2007) postulate that a descriptive research design is typically concerned with determining the frequency with which something occurs or the relationship between variables. In concurrence also are Burns and Bush (2010) who aver that a descriptive research design is a set of methods and procedures that describe variables. It enables the researcher to generalise the findings to a larger population.

3.3 Target Population

Cooper and Schindler (2008) define a population as the total of the elements (an element is the subject on which measurement is being taken) upon which inferences can be made. This in itself is a good description but is slightly varied by Mugenda and Mugenda (2003) who define a population as the entire group of individuals, events, or objects having in common observable characteristics. Tull and Hawkins (2008) put it in another way that a population is the group the researcher wants to generalize or learn about, whereas the population is the larger set of observations, the smaller set is referred to as the sample. The population of interest in this study was composed of all commercial banks in Kenya. Currently, there are 43 commercial banks.

Hence the population of the study was all commercial banks in Kenya. Census method was used. The choice for census was based on the fact that the entire population is sufficiently small with only 43 commercial banks. The census method has an advantage in that it helped obtain data from each of the companies which then provided greater accuracy and reliability.

3.4 Data Collection

This was derived mainly through the administration of a questionnaires to the respondents, personally which were further processed and analyzed. Open-ended and close-ended questions were used. The questionnaire contained structured and unstructured questions and was administered through drop and pick method to the commercial bank officers within Nairobi region.

In this study, the banks’ marketing staff and e-banking personnel were the main respondents and they provided most of the information on the extent of the application of e – banking strategies.

In order to maximize the response of the respondents, the researcher made personal visits to the respondents’ place of work where he requested the respondents to participate by responding to the questionnaires. Where the respondents were unable to complete the questionnaires on the spot, the researcher gave them for a period of one week for the respondents to fill them at their convenience. The questionnaires were divided into two parts. The first part sought information on the company background that relates to ownership and strategy. This was to enable the researcher know the nature and type of the bank, while the second was on the e-banking strategies.

3.5 Data Analysis

Data was coded and cleaned after fieldwork. To ensure easy analysis, the questionnaires were coded according to each variable of the study to ensure the margin of error was minimized and accuracy achieved.

Data was analyzed using descriptive statistics. Statistical Package for Social Sciences (SPSS) program was used to compute statistics. Results were then presented using tables and bar charts to give a clear picture of the research findings.

3.6 Pilot Test

The researcher carried out a pilot study of the research at the commercial banks a month before the project. The pilot test was to test the efficacy of the research in order to establish the validity, reliability and timeframe of the actual research. The researcher tested for face validity by giving experts to go through the proposal. The researcher gave out four questionnaires, which were filled by respondents from the bank. Analysis of the responses were included in the actual study.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the results and findings of the study on the research questions with regards to the data collected from the respondents in commercial banks in Kenya. The next section covers the background information with respect to the respondent as well as the company background that relates to ownership. This was to enable the researcher to know the nature and type of bank, while the second and third sections covered findings with regards to the research objectives. The respondents targeted in the study were forty three deployed. A total of thirty responded which is 69 percent.

4.2 Response Rate

Table 4.1: Response Rate

Response Rate	DISTRIBUTION	
	Frequency	Percentage
Questionnaires Issued	43	100
Questionnaires Returned	30	69
Questionnaires Not Returned	14	32

Source: Research Data, 2014

4.3 Background Information on the Respondents

The background information has indeed been considered meaningful by the researcher, this is because of the role it plays in enabling the understanding of the logic of the responses given by the respondents of each respective bank.

4.3.1 Years of Operation

Table 4.2 presents a summary of findings with regards to the years of operation.

Table 4.2: Years of Operation

	Frequency	Percent
0-9 Years	3	10.0
10-19 Years	16	53.3
20-39 Years	6	20.0
Over 40 Years	5	16.7
Total	30	100.0

Source: Research Data, 2014

As seen in the table 4.2, 10.0 percent of the banks have been in operation for between 0-9 years, while the majority of the respondents (53.3 %), have been in operation between 10-19 years. Additionally 20.0 percent of the banks have operated between 20-39 years, while 16.7 percent of the banks over 40 years. With majority of the banks having operated for more than 10 years, it is expected that they have a good understanding of the Kenyan market.

4.4. Findings of the study

4.4.1 Bank Tier

Table 4.3 presents findings with regards to the bank tiers of the banks involved in the study.

Table 4.3: Bank Tier

	Frequency	Percent
Tier 1	6	20.0
Tier 2	21	70.0
Tier 3	3	10.0
Total	30	100.0

Source: Research Data, 2014

Table 4.3 reveals that majority of the banks involved in the study were in Tier 2 (70.0 percent), followed by Tier 1 (20.0 percent) and finally Tier 3 (10.3, percent).

4.4.2 Number of Working Years in the Current Bank

Table 4.4 further shows the number of working years for the respondents involved in the study.

Table 4.4: Number of Working Years

	Frequency	Percent
0-3 Years	21	70.0
4-7 Years	9	30.0
Total	30	100.0

Source: Research Data, 2014

As seen in table 4.4, it is evident that majority of the respondents (70.0, percent) have been working in their current bank between 0-3 years, while 30.0 percent have been working between 4-7 years.

4.4.3 Extent of E-Banking Services

The first objective of the study was to establish the extent to which E-banking has been adopted by Commercial Banks in Kenya. The following subsection will present an analysis on the basis of the responses given by employees involved in the study.

4.4.4 Adoption of E-Banking

Respondents were first asked to state if their respective banks have adopted E-banking service.

Table 4.5: Adoption of E-Banking

	Frequency	Percent
Yes	30	100.0

As seen in table 4.5, it was established that all the banks involved in the study have adopted E-banking services.

4.4.5 Number of Years Offering E-Banking

Table 4.6, further presents a summary of the findings with regards to the number of years the respective banks have been offering e-banking.

Table 4.6: Number of Years Offering E-Banking

	Frequency	Percent
One Year	16	53.3
Two Years	6	20.0
Three Years	6	20.0
Four Years	2	6.7
Total	30	100.0

Source: Research Data, 2014

Table 4.6, reveals that majority of the banks (53.percent), have been offering e-banking for one year, followed by 20.0 percent, two and three years respectively and finally 6.7 percent have been offering mobile banking for four years. This findings indicates that indeed e-banking is a new concept in the country and as such banks have just started implementing it.

4.4.6 Most Preferred E-Banking Service

Table 4.7, present a summary of the most preferred e-banking services by consumers.

Table 4.7: Most Preferred E-Banking Service

	Frequency	Percent
Account Information	23	76.7
Support Services	7	23.3
Total	30	100.0

Source: Research Data, 2014

As seen in table 4.7, it is evident that a substantial majority of the respondents (76.7 percent), regard account information as the most preferred e-banking service, followed by support services (23.3 percent) and finally investment services. This implies that most customers are yet to conceptualize mobile banking in the provision of investment services.

4.4.7 Intention to Increase E-Banking Services

Respondents were further asked to state their opinion on whether their respective banks intend to increase e-banking services or not. These findings are presented in table 4.8.

Table 4.8: Intention to Increase E-Banking Services

	Frequency	Percent
Yes	28	93.3
No	2	6.7
Total	30	100.0

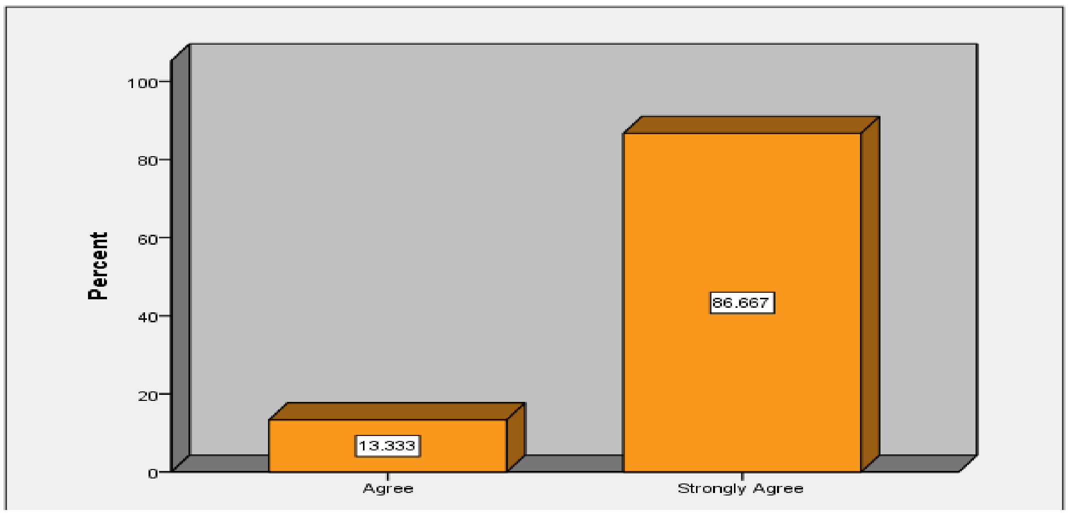
Source: Research Data, 2014

The study revealed that indeed majority of the respondents (93.3 percent), believe that there is intention by their respective banks to increase e-banking services, with the exception of 6.7 percent. Respondents further opined that the need to increase e-banking services was informed by the need to remain competitive in the market as well as the need to offer a platform of offering banking services, notwithstanding the economic growth prospects.

4.4.8 Internet Banking and Ease of Bank Transactions

Figure 4.1, presents a summary of the findings with regards to how Internet Banking gives customers an easy way to perform bank transactions.

Figure 4.1: Internet Banking as an Easy way to Perform Bank Transactions



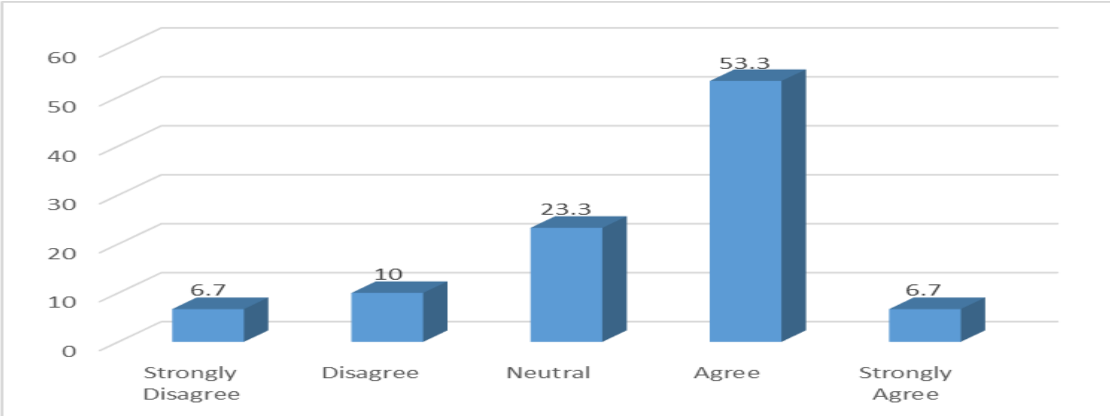
Source: Research Data, 2014

Figure 4.1, reveals that 86.7 percent of the respondents agree strongly, while 13.33 agree that Internet Banking gives customers an easy way to perform bank transactions. This can be explained by the reason why most banks are adopting the provision of Internet banking services in Kenya.

4.4.9 Internet Banking and Unique Features

Figure 4.2, further presents a summary of the findings with regards to how Internet Banking is characterized by some unique features that equip it with certain advantages against conventional forms of banking.

Figure 4.2: Internet Banking Features



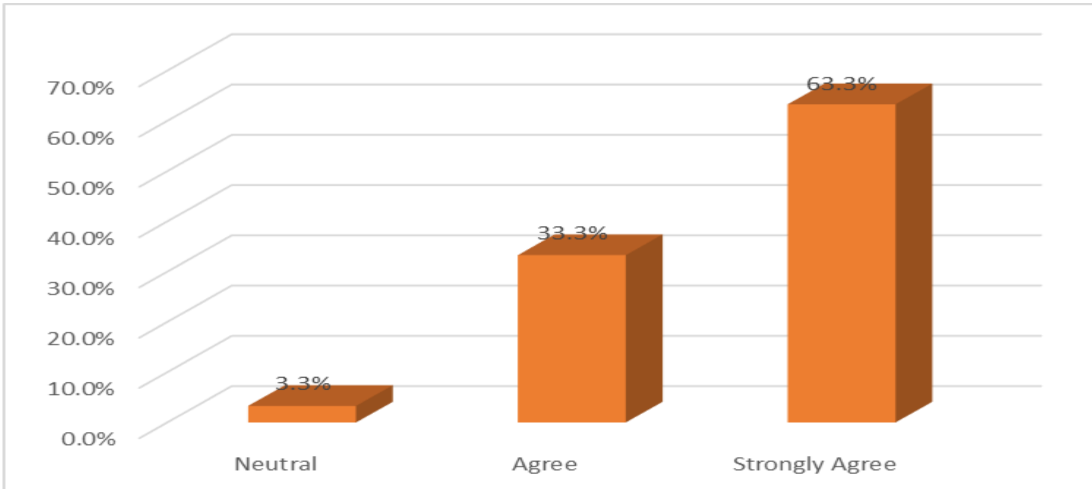
Source: Research Data, 2014

The results of the study as seen in figure 4.2, show that 53.3 percent of the respondents agree, 6.7 percent of the respondents strongly agree, and 10 percent of the respondents disagree, 6.7 percent strongly disagree while 23.3 percent of the respondents are neutral that Internet Banking is characterized by some unique features that equip it with certain advantages against conventional forms of banking. This findings imply that indeed the threats surrounding the adoption of Internet banking are real and as such they make it very essential for banks to offer Internet banking services.

4.4.10 Internet banking and Customer Retention

Figure 4.3, offers a summary of the findings with regards to how Internet banking enhances customer attraction and retention.

Figure 4.3: Internet banking and Customer Retention



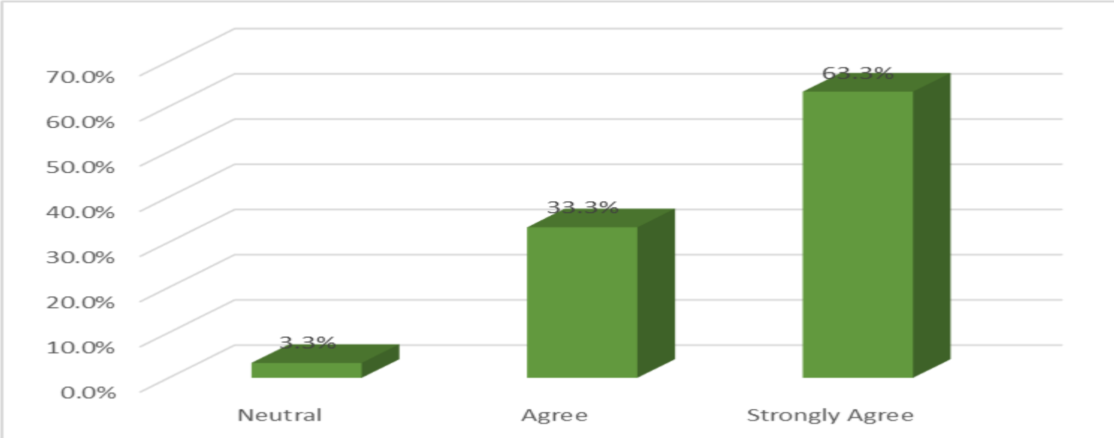
Source: Research Data, 2014

The results of the study as seen in figure 4.3, show that 33.3 percent of the respondents agree, 63.3 percent of the respondents strongly agree, and 3.3 percent of the respondents are neutral while none of the respondents disagrees on Internet banking and Customer Retention in Kenya. This is an indication that indeed the Kenya banking sector is very competitive in nature and as such banks are adopting Internet banking so as to remain at par with their competitors in order to attain a competitive edge.

4.4.11 E-Banking Provides a Cheap, Easy To Manipulate Technology

Figure 4.4 further presents findings with regards to how E-banking provides a cheap, easy to manipulate technology when compared to other technologies.

Figure 4.4: E-Banking Provides a Cheap, Easy To Manipulate Technology



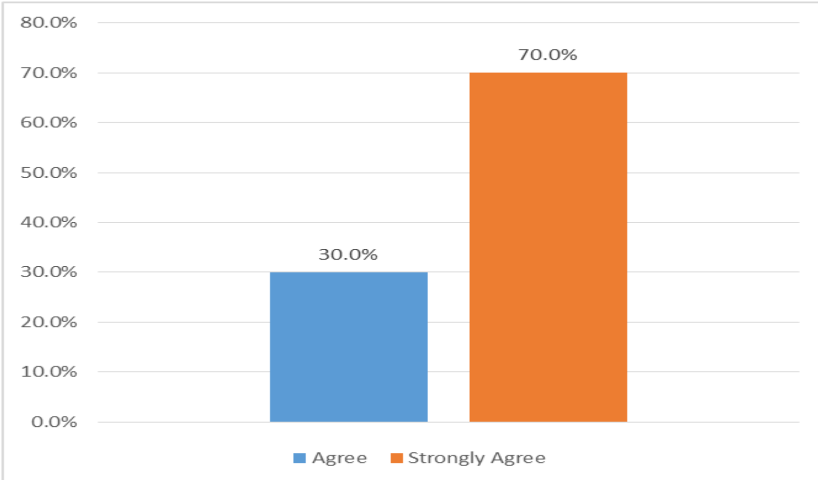
Source: Research Data, 2014

As seen in figure 4.4, it is evident that 33.3 percent of the respondents agree, 63.3 percent of the respondents strongly agree, and 3.3 percent of the respondents are neutral while none of the respondents disagrees on how E-Banking provides a cheap, easy to manipulate technology.

4.4.12 E-Banking Technology Requires Less Training

Figure 4.5, further presents a summary of the findings with regards to how e-banking technology does not require a lot of training as other technologies do.

Figure 4.5: E-Banking Technology Requires Less Training



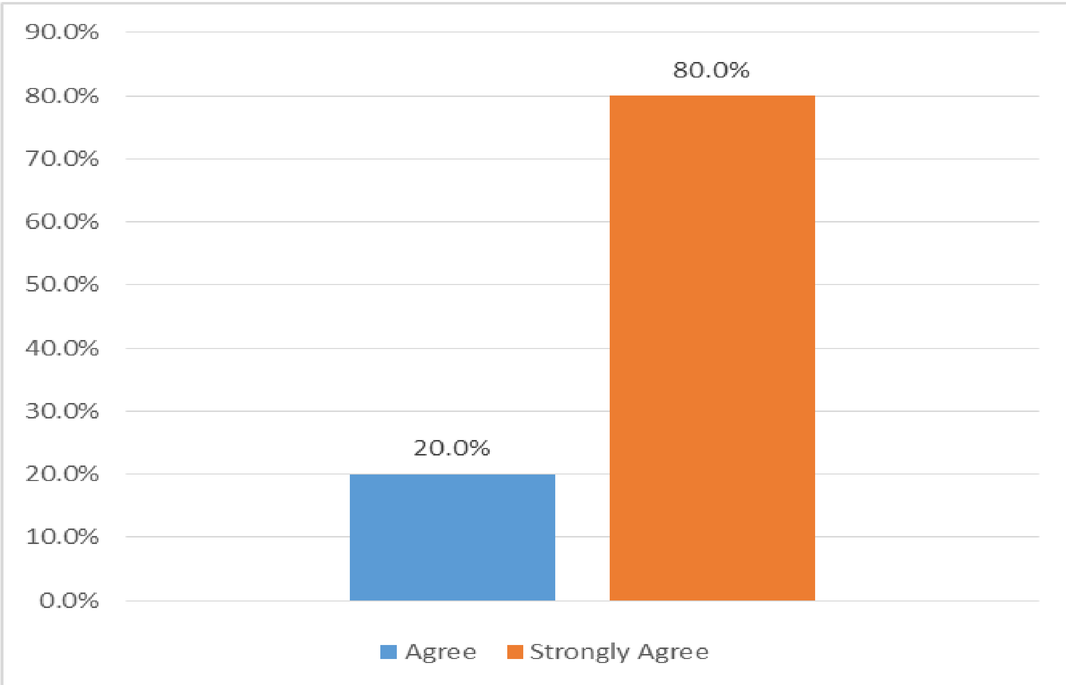
Source: Research Data, 2014

As seen in figure 4.5, it is evident that majority of the respondents (70.0 percent), strongly agree while 30.0 percent agree that indeed E-banking technology requires less training. As mentioned above banks are currently seeking to capitalize on the new technology so as to enhance their share in the market and there best way forward is through the adoption of e-technology which requires less training.

4.4.13 E-Banking Provides Secure and Convenient Source of Mobile Financial Information

Figure 4.6, further presents the results of the study with regards to how e-banking provides an easy, secure and convenient source of mobile financial information.

Figure 4.6: E-Banking Provides Secure And Convenient Source Of Mobile Financial Information



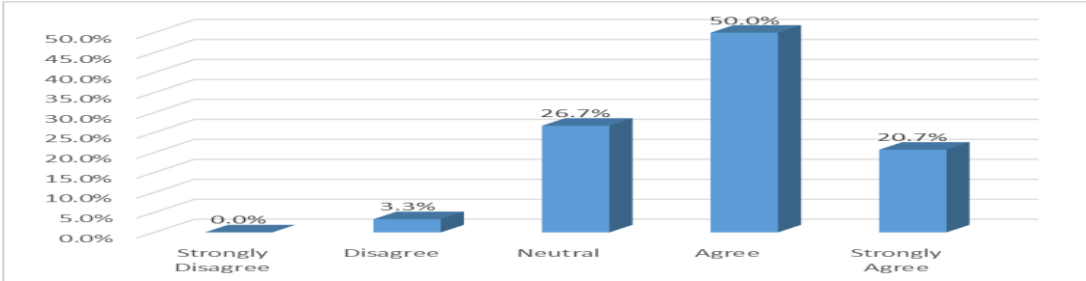
Source: Research Data, 2014

The results of the study reveal that majority of the respondents (80.0 percent), strongly agree while 20.0 percent agree that E-Banking provides secure and convenient source of mobile financial information thus results in better service delivery. These findings imply that indeed e-banking as a platform has provided a better channel of interaction with customers and has helped banks to deal with customer issues in fast and efficient manner, thus enhancing service delivery.

4.4.14 Internet Banking Can Be Divided Into Segments

Figure 4.7, presents a summary of the findings with regards to how Internet banking can be divided into segments depending on the age groups of customers.

Figure 4.7: Internet Banking Can Be Divided Into Segments



Source: Research Data, 2014

Figure 4.7, reveals that majority of the respondents (50.0 percent), agree while 20.7 percent strongly agree that Internet banking can be divided into segments. On the other hand 3.3 percent disagree while 26.7 percent remain neutral. The study sought to establish the respondents view on the extent of e-banking strategies. Table 4.9 presents a summary of the study findings with regards to how customers view e-banking attributes.

Table 4.9: E-Banking Attributes

Attribute	**Importance Rating**	**Performance Rating**	**Performance Importance**
	Mean		
Convenience to customers	4.21	4.11	-0.10
Gives customers an easy way to perform bank transactions	4.15	4.38	0.23
Internet Banking is characterized by some unique features that equip it with certain advantages against conventional forms of banking	3.99	4.11	0.13
Internet banking enhances customer attraction and retention	4.4.5	4.09	-0.31
E-banking provides a cheap, easy to manipulate technology when compared to other technologies	4.41	3.95	-0.38
Technology does not require a lot of training as other technologies do	4.13	4.37	0.08
Provides an easy, secure and convenient source of mobile financial information	4.21	4.32	-0.15
Internet banking can be divided into segments depending on the age groups of customers	3.97	3.78	-0.23

Source: Research Data, 2014

As seen in the table majority of the respondents believe that e-banking in Kenya is convenient to customers, while it also gives customers an easy way to perform bank transactions and also provides an easy, secure and convenient source of mobile financial information. Similarly the respondents believe that internet banking enhances customer attraction and retention and provides a cheap, easy to manipulate technology when compared to other technologies.

4.5 Discussion

The study findings revealed that internet banking is characterized by some unique features that equip it with certain advantages against conventional forms of banking. Technological developments have removed repetitive, time consuming tasks, reduced human error and extended access to banking related facilities. Technology also provides customer information that it would be much more expensive to provide on a person-to-person basis (Prendergast and Marr, 1994). Continuous improvements in the information technology have enabled banks to provide their services in a more direct manner to adjust their products better to the clienteles' needs. Although banking has always been an information business, until now information technology was mainly used to automate administrative processes. The shift from automating to informating-using information and its flow to inform managers provides opportunities to track a customer's behavior and respond at the right time. By making effective use of these opportunities, banks are able to transfer a great deal of transactions from branch offices to a call-centre (John, et al., 2005).

It was revealed that internet banking enhances customer attraction and retention since technology does not require a lot of training as other technologies do provides an easy, secure and convenient source of mobile financial information. According to Mols (2000), internet banking is predicted to transform and revolutionalize traditional banking industry (Daniel, 2000; Carrington et al, 2002). Banking services are easily digitalized and automated and, thus, from an operational perspective, lend themselves to the internet (Elliot and Loebbecke, 2000; Daniel, 1998) the potential competitive advantage of the internet for banks lies in the areas of cost reduction and satisfaction of consumer needs.

The study findings also reveal that mobile banking is convenient and therefore brings about customer retention and attraction. This points towards a positive shift in the customer a severe setback due to lack of customer interest and unripe technologies, the time seems to be now ripe for (re-) launching mobile services Kamel (2005). Mobile Banking is usually defined as carrying out banking business with the help of mobile devices such as mobile phones or PDAs. The offered services may include transaction facilities as well as other related services that cater primarily to informational needs revolving around financial activities (Donner and Camilo, 2008). Mobile Accounting is sometimes characterized as transaction-based banking services that revolve around a bank account and are availed using mobile devices. Not all Mobile Accounting services are however necessarily transaction-based. Services in Mobile Accounting include money remittances & transfers Access administration, standing orders for bill payments changing operative accounts, money transfer to sub-accounts blocking lost card, subscribing to insurance policies and cheque book requests.

CHAPTER FIVE:

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the summary of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused to establish the extent of the application of e – banking strategies by commercial banks in Kenya.

5.2 Summary

The findings with regards to the extent of E-banking services in Kenya revealed that all banks listed have adopted e-banking services. Additionally most banks have been offering e-banking services for more than 1 year now. Similarly it was revealed that the most popular e-banking service in Kenya was accounts information, followed by support services and finally investment services. Finally it was revealed that most banks have intentions of increasing e-banking services.

Looking at the study findings, it is revealed It was established that majority of the respondents (40 percent) rated e-banking highly. The study also sought to find out if indeed e-banking services are easy to use. The study findings revealed that about 76 percent of the respondents agreed that the e-banking services are easy to use. The study findings also revealed that e-banking services are easily available. Also the study findings revealed that internet banking is characterized by some unique features that equip it with certain advantages against conventional forms of banking, it was revealed that internet banking enhances customer attraction and retention since technology does not require a lot of training as other technologies do, it provides an easy, secure and convenient source of mobile financial information, Finally the findings revealed that internet banking can be divided into segments depending on the age groups of customers.

5.3 Conclusions

The findings and discussions indeed bring about a conclusion that indeed the features of electronic in Kenya are far much upstanding to be ignored. This is because of the way such innovations have brought about a shift in profitability levels in the banking industry.

Additionally most banks have been offering mobile banking services for more than 1 year now. Similarly it was concluded that the most popular mobile service in Kenya was accounts information, followed by support services and finally investment services. As well most banks have intentions of increasing e-banking services. The study further concludes that there are a number of factors motivating banks in this endeavor, they include existent opportunities, competition from other banks, threats, mobile banking being a platform of fuelling innovations, the need to increase the market share, the desire to enhance interactions with customers as well as cost minimization. Finally it can be concluded that indeed e-banking helps banks to increase revenues, enhance customer satisfaction levels, reduce operational costs, and increase operational efficiencies.

5.4 Recommendations for Policy and Practice

The banking industry being a growing sector in Kenya as well as the whole world brings about the need for careful examinations of various ways of making it more competitive and therefore profitable. The researcher believes that more innovations in this line will enhance growth in this sector. The banking institutions should use the Importance/Performance grid as a strategic tool for the development of strategies as it gives a clear pictorial presentation of the factors that are critical for resource allocation. From the Importance/Performance grid, it is important that the financial institutions wanting customers to use and be satisfied with banking technology must implement personalized aspect to the service i.e getting to understand what the customer needs and act as per the demands.

Finally banks should pay special attention to convenience by providing the customers with e-banking service at points which can easily be accessible. The banks' management should also improve their mobile banking platforms so as to improve the efficiency in the service delivery hence boosting customer confidence. Banks should also provide customers with a toll free number. This could handle customers with complaints and general feedback about the electronic banking services. This would not only provide a service to a customer that is free, but also provide the bank with valuable information for future development on electronic service.

5.5 Limitations of the Study

The first limitation for the study was time, the study was conducted for duration of three months and therefore it was not possible to carry out an analysis for longer periods of time.

Secondly there was the element of confidentiality given that the study focused on a sensitive area of e-banking strategy. It was expected that some managers were not willing to offer detailed information on their innovations as a matter of caution.

Finally the measurement for data collection and questionnaire survey that stood in the way of the study.

5.6 Recommendations for Further Research

The researcher conducted a survey in the banking industry in Kenya and recommends that a study should be carried out to determine the parameters of the customer's "zone of zero tolerance". This will enable managers to understand at what point customers cease to be satisfied with core service they are receiving. The researcher also recommends that a study should be carried out to establish the challenges encountered by the customers in the process of using electronic banking in the service delivery.

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APPENDICES

Appendix I: Questionnaire

Section I: Personal Information

1. How long has the bank you work for been in operation:

    (a) 0-9 Years [ ]

    (b) 10-19 Years [ ]

    (c) 20-39 Years [ ]

    (d) Over 40 Years [ ]

2. Which tier of the bank is the bank that you work for:

    (a) Tier I [ ]

    (b) Tier II [ ]

    (c) Tier III [ ]

3. Indicate how long you have worked for your current bank:

    (a) 0-3 Years [ ]

    (b) 4-7 Years [ ]

    (c) Over 8 Years [ ]

<u>Section II: Extent E-Banking services</u>

4. Has the bank you work for adopted e-banking services? Yes [ ] No [ ].

5. How long has the bank that you work for offered mobile banking services to its clientele:

    (a) One Year [ ]

    (b) Two Years [ ]

    (c) Three Years [ ]

(d) Four Years [ ]

(e) Over 5 Years [ ]

6. What financial services do the bank that you work for offer through mobile banking?
   (a) Accounts Information [ ]
   (b) Support Services [ ]
   (c) Investment Services [ ]
7. Among the three mobile banking services offered by the bank that you work for – Accounts Information, Support Services & Investment Services – which service is mostly used by consumers?
   (a) Accounts Information [ ]
   (b) Support Services [ ]
   (c) Investment Services [ ]
8. Does the bank that you work for have the intention of increasing the mobile banking services being offered? Yes [ ] No [ ].

Using a scale of 1-5 tick the appropriate answer from the alternatives**, 1- Strongly Disagree 2-Dissagree 3-Uncertain 4-Agree 5- Strongly Agree**

Extent of Internet banking	**Strongly agree**	**Agree**	**Disagree**	**Strongly disagree**	**Not applicable (N/A)**
Internet Banking gives customers an easy way to perform bank transactions.					

Internet Banking is characterized by some unique features that equip it with certain advantages against conventional forms of banking.					
Internet banking enhances customer attraction and retention.					
E-banking provides a cheap, easy to manipulate technology when compared to other technologies.					
Technology does not require a lot of training as other technologies do.					
Provides an easy, secure and convenient source of mobile financial information.					
Internet banking can be divided into segments depending on the age groups of customers.					

Appendix II: List of Commercial Banks in Kenya

1. African Banking Corporation Ltd.
2. Chase Bank (K) Ltd
3. Commercial Bank of Africa Ltd
4. Consolidated Bank of Kenya Ltd
5. Co-operative Bank of Kenya Ltd
6. Credit Bank Ltd
7. Development Bank of Kenya Ltd
8. Diamond Trust Bank Kenya Ltd
9. Equatorial Commercial Bank Ltd
10. Equity Bank Ltd
11. Family Bank Limited
12. Fidelity Commercial Bank Ltd
13. Fina Bank Ltd
14. First community Bank Limited
15. Giro Commercial Bank Ltd
16. Guardian Bank Ltd
17. I & M Bank Ltd
18. Jamii Bora Bank Limited
19. Kenya Commercial Bank Ltd
20. K-Rep Bank Ltd
21. National Bank of Kenya Ltd
22. NIC Bank Ltd

23. Oriental Commercial Bank Ltd
24. Paramount Universal Bank Ltd
25. Prime Bank Ltd
26. Victoria Commercial Bank Ltd
27. Trans-National Bank Ltd
28. Imperial Bank Ltd
29. Bank of Africa Kenya Ltd
30. Bank of Baroda (K) Ltd
31. Bank of India
32. Barclays Bank of Kenya Ltd
33. CFC Stanbic Bank Ltd
34. Charter House bank Ltd (Under Statutory Management)
35. Citibank N.A Kenya
36. Dubai Bank Kenya Ltd
37. Ecobank Kenya Ltd
38. Gulf African Bank Limited
39. Habib Bank A.G Zurich
40. Habib Bank Ltd
41. Middle East Bank (K) Ltd
42. Standard Chartered Bank Kenya Ltd
43. UBA Kenya Bank Limited

Source: Central Bank of Kenya (2014).