

**INFLUENCE OF CARD ACQUIRING BUSINESS ON THE PERFORMANCE OF
RETAIL BANKING: KENYA COMMERCIAL BANK GROUP, KENYA**

BY

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DECLARATION

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

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DEDICATION

I dedicate this paper to my family, which has ensured I have excelled in life, and my colleagues whose support has been tremendous. I pray that the good Lord may bless you abundantly.

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ABBREVIATIONS AND ACRONYMS

| | |
|------------------|--|
| ASCAs | Accumulating Savings and Credit Associations |
| ATMs | Automated Teller Machines |
| CBK | Central Bank of Kenya |
| DTM | Deposit taking micro- finance |
| FSD | Kenya Financial Sector Deepening Programme |
| I & M | Industrial and Mortgage Bank Limited |
| KBA | Kenya Bankers Association |
| KCB | Kenya Commercial Bank Limited |
| KES | Kenya Shilling |
| KNRC | Kenya National Rally Championship |
| PDQ | Process Data Quickly |
| ROSCAs | Rotating Savings and Credit Associations |
| RTGS | Real Time Gross Settlement |
| SACCOs | Savings and Credit Cooperatives |
| SASRA | SACCO Societies Regulatory Authority |
| USD | United States Dollar |

ABSTRACT

Advances in information and communication technologies in particular, the growing use of the internet for business transaction, have had a profound effect on the banking industry. While this is a global phenomenon, creating a truly global marketplace, penetration of internet banking into less developed countries lags behind that of the developed Western countries. While poor economies, education and infrastructure are obvious factors in the slow adoption of technology in some developing countries, there are probably also other issues like awareness, security among other factors plays role. Organizations continue to substantially invest in Information Technology hoping that it will improve their business process and increase their productivity. However, for technologies to improve productivity, they must be accepted by intended users. The objective of this study is to the influence of card acquiring business on the performance of retail banking in KCB Kenya while the objective of the study is to investigate whether level of awareness, security and privacy and competition influence performance of retail banking in KCB Kenya. This research problem will be studied through the use of a descriptive research design. According to KCB (2014) there is 362 staff working in KCB headquarter and Limuru branch in the above said departments. The study will employ Krejcie and Morgan's table for determining sample size to come up with a sample size of 92 respondents. The study will rely mostly on primary data sources where self-administered questionnaire will be utilized as source of data. Data will be collected purely quantitative. Quantitative data will be coded and entered into Statistical Packages for Social Scientists (SPSS Version 17.0) and analyzed using descriptive statistics. The finding will be presented inform of frequency tables, pie charts and bar charts and explanation will be presented in prose.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Card business is a trade that involves making payments using bank cards at automated teller machines and points of sale in various industries like hospitality, transport, retail stores, among others, without limitation of time and location. The trade involves a myriad of processes to enable efficiency, convenience and income generation, some of which are: issuance of cards, card acquiring, risk mitigation and reconciliation of accounts. Any financial institution that is licensed to offer debit or credit cards is referred to as an issuer, while one that processes transactions from a card holder's account to a seller's (merchant) account by providing the technology to debit and credit funds is referred to as an acquirer (Hayashi, Sullivan & Weiner, 2003). Both the issuer and acquirer have reconciliation departments that ensure funds are actually transferred between each other and discrepancies that may arise like double debits, incomplete or unsuccessful transactions are addressed. A risk mitigation department is present in all financial institutions, helping avert possible risks and deal with any such occurrences. The core of any card business processes, however, can be said to be the technical aspect that ensures that as soon as a cardholder accents to make a payment, the machines in use (hardware), systems (software) and possible authorizations function to complete the transaction (Carow & Staten, 2007). As in any industry, there is a market regulator in this business, which in Kenya is the Central Bank of Kenya with the overall objective of formulating and implementing such policies as to best promote the establishment, regulation and supervision of efficient, effective payment, clearing and settlement systems.

Around the globe today, usage of debit cards is increasing as consumers discover the value they provide in terms of convenience and money management. According to Avery, Elliehausen, Kennickell and Spindt (2006) Card business has grown in leaps and bounds since its inception in the 1920s in the United States of America with the use of loyalty gas station cards and is currently a major business venture among banks. The

major global payment solutions' players in card business are VISA International (founded in 1956 as Bank Americard) and MasterCard (founded in 1966 as Interbank Card Association). While MasterCard had always had a solid lead over VISA in both USA and worldwide, the latter's aggressive marketing between 1969 and 1981, saw it edge the former in regard to the number of banks associated with its cards. During that period, MasterCard- accepting banks increased from 4461 to 12504, while VISA increased its bank portfolio from 3751 to 12518 (Federal Reserve System, 2002). By the late 1980s, VISA had increased its lead to more than a third and as of September 2006, more than 1.5 billion shoppers around the world chose their VISA cards to pay for every type of product and service, and spent USD2.87 trillion in the year (VISA, 2012), in comparison to MasterCard which reached 1.6 billion cards in the year 2010 and registered transactions valued at an all time high of approximately USD2.7 trillion the same year (MasterCard, 2012).

Card business entered the Kenyan market in the 1960s through the introduction of the Dinners Club card (Mahinda, 1971) but became a real market changer in the late 1980s when Kenya Commercial Bank, Barclays Bank of Kenya and National Bank of Kenya began issuing VISA cards in the years 1987, 1989 and 1993 respectively (Muriu, 2007). The situation has changed dramatically over the past decades as the Central Bank of Kenya (2013) recorded that in May 2013 there were 10,870,129 cards issued locally and in circulation. This explains the increase in card acquirers in Kenya, namely: Barclays Bank of Kenya, Kenya Commercial Bank, Equatorial Commercial Bank, I&M Bank, Equity Bank and Paynet Limited. Competition has been rife as new entrants strive to outmuscle their competitors in recruitment of more merchants and especially those with high volumes of transactions.

Financial institutions have also focussed the awareness levels of their card holders, by advertising that they can use their cards for shopping without having to withdraw and carry cash to make purchases. This has had a positive effect on the card acquiring

business as the value of transactions effected through cards in the year to June 2012 increased by 7.95% from

KES 623.74 billion to KES 673.34 billion for acquirers and 37.3% from KES 555.17 billion to KES 762.23 billion for issuers (CBK Annual Report, 2012). As part of the business, card acquirers and issuers have had to invest heavily on risk mitigation to avert their losses and those incurred by merchants. A report by Deloitte on fraud in the financial sector estimated the losses by various East African banks at over KES 4.06 billion since 2011 to the first quarter of 2012. Among the measures that have been put in place include: consumer awareness campaigns by banks at ATM lobbies and banking halls, deployment of security officers in ATM lobbies and most recently, conversion of all locally issued magnetic stripe cards to chip enabled ones. These three parameters will be the focus of this paper in relation to how they influence the performance of the card acquiring business of KCB.

1.2 Statement of the Problem

The main focus of any business is numbers, which, in regard to the card acquiring business, make a very colorful picture. VISA (2012) recorded that as of September 2006, more than 1.5 billion shoppers around the world chose their VISA cards to make payments worth USD 2.87 trillion in the year, while MasterCard, with 1.6 billion cards in the year 2010 registered transactions valued at approximately USD2.7 trillion the same year (MasterCard, 2012). Card acquiring requires that card holders and businesses are empowered with information, products and equipment to pay and receive payments via cards. These would widen the customer base and increase revenue collections for card issuers and acquirers because when more cards are used more frequently, more revenue is earned for all the parties involved. Majumdar (2010) states that, to earn more, card acquirers who also issue cards can recruit as many merchants as possible and issue as many cards as possible so that they do not have to share their commissions with other banks. Banks also need to inform their card holders that it is free to make payments with cards, compared to withdrawing cash to go make a payment (VISA, 2012).

In Kenya, the number of Automated Teller Machines (ATMs) in the payment card industry increased by 5.0 percent from 2,183 ATMs in June 2011 to 2,291 ATMs in June 2012 (CBK, 2012). This growth may be attributed to commercial banks' business expansion strategies. The value of transactions effected through cards in the year to June 2012 increased by 7.95 percent and 37.3 percent from Ksh623.74 billion to Ksh673.34 billion and Ksh555.17 billion to Ksh762.23 billion for acquirers and issuers, respectively. Correspondingly, withdrawals increased by 34.59 percent and 90.13 percent from 110.56 million withdrawals to 148.80 million withdrawals and 115.70 million withdrawals to 219.98 million withdrawals for acquirers and issuers, respectively. The growing usage of cards signifies a growing shift from cash based payments to non-cash payments by the public. The total number of cards in use rose by 15.12 percent from 8.6 million cards in June 2011 to 9.9 million cards in June 2012, with debit cards recording a growth of 15.71 percent from 7.0 million cards in June 2011 to 8.1 million cards in June 2012.

In line with raising awareness in card business, security in the use of cards is paramount. In her study on agency banking, part of card acquiring business, Wairi (2011) notes that appropriate customer protection against risks of fraud, loss of privacy, and loss of service is needed for establishing trust among consumers. Sitienei (2012) also documents that the levels of card fraud in Kenya increased by 7.9 percent in 2005 to 18.3 percent in 2010. It is on these parameters that this study aims to investigate the influence of card acquiring business on the performance of retail banking in KCB Kenya.

1.3 Purpose of the Study

The purpose of this study is to assess the influence of card acquiring business on the performance of retail banking in KCB Kenya.

1.4 Objectives of the Study

The objectives of this study are:

- i. To establish how the level of awareness of card acquiring business influence the performance of retail banking in KCB Kenya.

- ii. To assess how security concerns in the card acquiring business influence the performance of retail banking in KCB Kenya.
- iii. To establish how competition influence the performance of retail banking in KCB Kenya.

1.5 Research Questions

The study will be guided by the following research question:

- i. How does the level of awareness of card acquiring business influence the performance of retail banking in KCB Kenya?
- ii. How do security concerns in the card acquiring business influence the performance of retail banking in KCB Kenya?
- iii. How does competition in the card acquiring business affects performance of retail banking in KCB Kenya?

1.6 Significance of the Study

This study is important as it will highlight the current state of the card acquiring business in the market in terms of customer numbers and volumes traded, the developments undertaken and the potential therein. This information will be of paramount significance to the KCB Kenya as it will provide the stepping stone and impetus needed to spur more growth by venturing into new grounds and excelling in the already ‘conquered’ areas. The study will benefit the industry players as they will be well informed of the milestones made in the card acquiring business and the improvements they need to make to edge out competition. Card holders and merchants will also benefit from improved services emanating from the competition that will be sparked by financial providers in wooing them to give them business.

1.7 Assumption of the Study

The researcher assumed that the respondents would be honest, cooperative, factual (objectivity) and trustworthy in their response to the research instruments and would be

available to respond to the research instruments in time. It is also the assumption of the researcher that the authorities in the banking would grant the required permission to collect data from employees. The study further made the assumptions that there would be no serious changes in the composition of the target population that would affect the effectiveness of the study sample.

1.8 Delimitation of the Study

The survey will cover the influence of card acquiring business on the performance of retail banking in KCB Kenya. The study will interview staff working in headquarter of KCB and Limuru KCB branch while 10 respondents will be selected from each branch during the data collection process. Questionnaire will be used as the main data instrument source where it will be distributed to the sampled respondents. The data for analysis will be collected to the population of 362 staffs within KCB head office in Nairobi and Limuru KCB branch.

1.9 Limitations of the Study

The researcher is likely to encounter various limitations that might hinder access to information that the study seek. The main limitation of study is its inability to include more banks in the Country. This is a study focusing on KCB bank only. The study should have covered more banks across country so as to provide a more broad based analysis. The researcher will counter this problem by carrying a study across the bank in Nairobi and Limuru branch to serve as a representative of the situation within rural areas.

The respondents targeted may be likely to be reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about them or the bank. The researcher will handle the problem by carrying an introduction letter from the University and assured them that the information they will gave will be treated confidentially and it will be used purely for academic purposes.

1.10 Definitions of Significant Terms used in the Study

| | |
|-----------------------------------|---|
| Acquirer | Is a financial institution that provides businesses with machines (hardware) and systems (software) for processing card payments. |
| Card acquiring | refers to the services that financial institutions offer to businesses to receive payments from cardholders. |
| Credit card | Is a card that is funded and issued by a bank to a customer to make payments and withdraw funds, with an agreed repayment plan. |
| Debit card | Is general term is to refer to a card issued by a bank to a customer who deposits funds into the card and is able to use in making payments and withdraw funds at his or her convenience. |
| Issuer | Is a financial institution that provides its customers with cards linked to their accounts or funds. |
| Merchant | Is a business that is in possession (mostly on lease) of card payment equipment or systems to enable processing of payments from its customers. This can be a physical point of sale machine or an internet payment solution. |
| Process Data Quickly (PDQ) | machine is a device that is used by businesses to read card data (ownership, whether a card is genuine or fraudulent) and to process payments from the cardholder's bank account to the merchant's bank account. |
| VISA and MasterCard | are competing global financial services brands that are accepted by merchants in 170 countries. They process payments between banks of the merchants and banks of the purchasers who pay using cards that bear their respective brands. Banks have to pay a fee to VISA and MasterCard for using their logos on their cards and to allow the two to settle their cardholders' payments globally (Majumdar, 2010). |

1.11 Organization of the Study

This research is organized in five chapters. Chapter one introduces the research and presents the statement of problem, objectives, and research questions. The chapter also shows the significance, limitations and delimitations of the study. Chapter two encompasses the literature review on the various aspects concerning determinant of profitability in the banking industries. Chapter three discusses the methodology that was used to collect and analyze data while showing the target population, the sample population and the data collection instrument.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers contributions from other scholars on the influence of card acquiring business on the performance of retail banking in KCB Kenya. The chapter is structured into theoretical review and empirical review, conceptual framework, critique of literature and finally summary and research gaps that the study aims to bridge.

2.2 Card Acquiring Business and Performance of Retail Bank

Advances in information and communication technologies in particular, the growing use of the internet for business transaction, have had a profound effect on the banking industry. While this is a global phenomenon, creating a truly global marketplace, penetration of internet banking into less developed countries lags behind that of the developed Western countries (Internet World Stats, 2006). While poor economies, education and infrastructure are obvious factors in the slow adoption of technology in some developing countries, there are probably also other issues like awareness, security among other factors plays role.

Organizations continue to substantially invest in Information Technology hoping that it will improve their business process and increase their productivity. However, for technologies to improve productivity, they must be accepted by intended users (Venkatesh, 2006). The new technology acceptance, points out that unless the specific need of a consumer is fulfilled, consumers may not be prepared to change from present familiar ways of operating (Sathye, 2003). Lewis (2005) pointed out that the reasons consumers switched delivery channel from traditional to electronic self-service was the dissatisfaction with their present services. These might include the slow speed of service in branches, inconvenient branch opening hours or places and the small number of branch staff available to serve customers.

Given the increasing competition in the retail banking industry and rapid technological evolution, retail banking industry are forced to undergoing a period of rapid change in market share, competition, technology and the demands of the consumer (Lee, Kwon & Schumann, 2005). Technological innovation in the retail banking industry has been spurred on by the forces described by Kotler, particularly in terms of new distribution channel systems, such as PC banking. As the industry has provided more ways for consumers to access their accounts, they have added significant costs to each institution. A need to combat these costs resulted in a major cost savings period, where many banks successfully got much of the cost out of the back office. According to Littler and Melanthiou (2006) banks are now forced to consider new ways to drive revenue through their distribution system. The most common way to classify this is through the drive to increase the customer share of wallet by encouraging payment of purchases from retail shops through credit card.

Several benefits of strong electronic service have also been identified as including satisfied and retained customers, attraction of new customers, development of customer relationships, increased sales and market shares, enhanced corporate image, reduced costs and increased profit margins and business performance (Parasuraman et al., 2005; Bauer et al., 2005). These benefits may explain the observed increase in the level of technology adoption in the delivery of banking services (Bauer et al., 2005).

The concept of a charge card dates back to the 1920s in the United States, when it was used to sell fuel to the nascent market of automobile owners. In 1938, companies started to accept each other's cards. Yet it wasn't until Bank of America Corporation launched "Bank Americard" in 1958 did the modern day concept of the credit card exist. This was the first product of revolving credit that was issued by a third-party bank and accepted by a large number of merchants (Hitachi Consulting and BAI, 2010). Until then, cards tended to be issued by merchants and were accepted by only a handful of other retailers. Credit cards are accepted by most merchant types; historically, they were most frequently used for discretionary and luxury purchases such as travel and entertainment, department

stores, and restaurants. They were also commonly used to purchase gasoline. In the 1980s and 1990s, they became a popular option for customers at discount stores, grocery stores and drug stores. Credit cardholders carry an average of four credit cards in their wallet, but use just 2.2 of them in a given month. Visa represents 43% of all general purpose cards carried, while MasterCard holds 36% of the market share. About 54% of cardholders pay their balances in full, versus 46% who carry a balance.

Credit and debit card acceptance enables merchants to sell goods and services to customers who increasingly choose electronic forms of payment over other payment types. Credit and debit cards have increasingly become the preferred methods for consumers to pay for goods and services, making these forms of electronic payments an indispensable way for merchants big and small to conduct business. The trend of rising usage is predicted to continue for some time. According to a tri-annual study by the Federal Reserve (2007) credit and debit card transactions surpassed more than 50% of all non-cash transactions by 2006, up from 42% in 2003. As time passes, it's no surprise cash has lost out to almost every form of electronic payments in stores. Hitachi Consulting and BAI (2010) cash transactions represented 26% of a customer's in-store purchases, down from 39% in 1999. Credit cards decreased over the time period, from 22% to 19% transactions per month while debit cards continued their rise, accounting for 14 transactions per month in 2010, or 42% of all purchases, up from 21% in 1999. Credit and debit cards made up 74% of all purchases in 2008 (Internet payment services –mainly PayPal accounted for another 19%). And it's just the beginning for growth in the category: e-commerce comprised just 3.3% of total retail sales in 2008, up from 2% in 2004.

Africa like any other continents have embraced technology advancement particularly in financial institutions as a way of giving customer quality services in their door steps. In Tunisia, for example, the number of the users of Internet evolved to attain 2 millions user 68 miles at the end of June, 2008 against a million user 618 miles for the same period of the last year that is a 28 % evolution (the population total of Tunisia is approximately ten

millions inhabitants). A study accomplished by New Arab Advisors on the Tunisian Internet users and the evolution of the new technologies and the e-commerce in Tunisia between May and July, 2008 (Ruyter, Wetzels & Kleijnen, 2001). In effect, this study showed that about 36,4 % of the users of Internet in Tunisia trade electronics, and even spent about 132,7 million dollars during one year on purchases through Web. The number of the Internet users having already purchased via Internet in Tunisia rises about 416 thousand persons according to the results (profits) of the aforementioned survey, which also deducted that the majority of the users of the e-commerce (64,8 %) make their electronic payments by bank cards, while 27,4 % of these users resort to the on-line payment prepaid through the "e-dinar". This progression gives off the emergence of a new culture for modern means of payment. A issuing 2.946.146 new cards in the first ten months 2010 against 2.082.905 cards at the end of December 2009, an increase of 12.6% against 2.3%. The number of ATM stood at 1608 in the first ten months 2010 against 1409 in December 2009, an increase of 25.3% or 170 new plants. The number of operations made from ATM amounted to 36 million transactions during the first ten months of 2010, recording an increase of 5 million transactions or 19.2% over the same period 2009 (Stavins, 2005). The number of TPE installed in shops amounted to 11.843 units in 2010 against 10.450 in 2009.

In Uganda, many commercial banks have valued the importance of electronic transactions in improving the profitability and the overall efficiency of their business (Abaasa, 2007). They have similarly allocated substantial resources for internet banking adoption and begun to build infrastructures to support a more reliable and quicker transfer of information to reach their customers (Straub, 2007). The evolution of usage of credit and debit card has altered the nature of personal-customer banking relationships and has enabled electronic channels to perform many banking functions that would traditionally be carried out over the counter (Giannakoudi, 2004).

There was a growing optimism in the banking industry that VISA credit cards would ease clients' access to cash from their accounts, (Kakembo, 2005). In 2004, Bankom a local

electronic financial transaction Services Company in Uganda introduced the use of ICT in which mobile phones could also be used to transact business, (Kanyegirire, 2004). In July 2007, Bank of Uganda introduced an electronic fund transfer (EFT) in a bid to improve the payment system and reduce cash transactions. Most customers in Uganda do not pick ATM cards and over 80% of the Centenary Rural Development Bank customers who are served at the counter have ATM cards and they make transactions which would have been done using internet banking. There is also increased queuing inside banks which wastes a lot of time and seems no different from the time before internet banking (Tabaza, 2006).

According to Muthiga (2010), three banks pioneered the card acquiring business in Kenya, namely, Barclays Bank, Kenya Commercial Bank and Southern Credit Bank. However, due to the huge potential, the number rose to seven (out of the forty three banks in Kenya), thus increasing the competition levels. Muthiga (2010) pointed that it is important for companies to study their competitors to be able to survive in any market. Muthiga (2010) recommended that a well-thought competitor analysis permits an organization to concentrate on those organizations with which it will be in direct competition, and it is especially important when an organization faces a few potential competitors. With this information, the management of a company is able to know its place in the market and make improvements, if any, to win more customers and retain the rest.

2.3 Awareness and Performance of Retail Banking

The success of card acquiring business is determined not only by banks or government support, but also by customers' awareness of it. The customer has a great influence on the adoption of credit cards as they ultimately decide on whether they will use the card based on their individual needs (Pikkarainen, Pikkarainen, Karijaluoto and Pahnla, 2004). If the service can clearly show the benefits and how they address customers' needs, then customers are more likely to use it. Previous research into use of debit and credit card has

mainly focused on innovation adoption in the context of North America and Europe and to some degree, other areas, such as Turkey (Pikkarainen et al., 2004).

The important factor that consumers consider before adopting is the amount of information they have about internet banking. In this context, Sathye (2003) has identified it as a major factor impacting the adoption. While the use of internet banking services is fairly new experience to many people, low awareness of innovation in banking services is a major factor in causing people not to adopt card business. In an empirical study of Australian consumers Sathye (2003) found that consumers were unaware about the possibilities, advantages/disadvantages involved with card business. Guiltinan and Donnelly (2003) identify information about the benefits of using a product/service as an essential service/product promotion strategy. Hence, for adoption of internet banking, it is necessary that the banks offering this service make the consumers aware about the availability of such a product and explain how it adds value relative to other products of its own or that of the competitors.

Perceived Usefulness is the degree to which a person believes that using a particular system would enhance his or her job performance; while Perceived Ease of Use is the degree to which a person believes that using a particular system would be free of effort (Davis, 2003). These two beliefs create a favorable behavioral intention toward using the Information Technology that consequently affects its self-reported use (Davis *et al.*, 2003). Application of innovation complexity result to low adoption of the system. Cheung (2002) defined complexity as the degree to which an innovation is considered relatively difficult to understand and use with negatively influence to adoption of Internet. Complexity is also considered as the exact opposite of ease of use, which has been found to directly impact the adoption of the internet (Lederer *et al.*, 2001). Cooper and Zmud (2006) pointed out that a system that requires less technical skills and operational efforts will be more likely to be adopted and in turn generate better performance.

The importance of the card business users' banking needs relates to the advantages that accrue to the users of the technology in question. According to Tornatzky and Klein (2002) relative advantage is an important factor in determining adoption of new innovations. In general, perceived relative advantage of debit and credit usage is positively related to its rate of adoption (Rogers, 2003). Agarwal and Prasad (1998) showed that relative advantage of an innovation is positively related to its rate of adoption. Similarly, as debit and credit usage allow customers to access their banking accounts from any location and at any time of the day, it gives advantage to customers to be able to manage their finances properly and in a more convenient way.

On the importance of trialability, Agarwal and Prasad (1998) stated that potential adopters of new technology, who are allowed to experiment with it, would feel comfortable with it and thus be more likely to adopt it. According to Tan and Teo (2001) if customers are given the chance to try the innovation, it will minimize certain unknown fears, especially when customers found that mistakes could be rectified and thus providing a predictable situation. Consumers' evaluation of performance risk is based on their knowledge and cognitive abilities in a certain product domain (Littler and Melanthiou, 2006). Asymmetry in online banking information and the lack of personal contact prevent the consumer from correctly evaluating the characteristics of the product, decreasing confidence (Ba, 2001). One of the problems with financial services is that customers are unable to try out them before adoption. Some banks have responded to this need by developing websites which allow potential users to try out debit and credit services (Gerrard & Cunningham, 2003). The opportunity to conduct a trial may confirm how easy it is to use internet banking and provides the necessary confidence to consumers with high perceived performance risk.

The Technology Acceptance Model (TAM) suggests that a prospective user's overall feelings or attitudes toward using a given technology-based system or procedure represent major determinants as to whether or not he/she will ultimately use the system (Davis, 2003). Lockett and Litter (2007) presented a study of the adoption of card

business services in the UK using a model of the perceived innovation attributes and the personal characteristics of adopters and non-adopters. Their results indicated that the most important perceived positive attribute of internet banking was its 24-hour-a-day availability, whereas complexity and risk of service were the two negative attributes.

Howcroft (2002) revealed that younger consumers value the convenience or time saving potential of debit and credit card more than older consumers. Younger consumers also regarded the lack of face-to-face contact as less important than older consumers. These authors further found the educational levels of respondents did not affect the use of smart cards or online banking. However, Karjaluoto (2002) found a typical user of credit card in Finnish market highly educated, relatively young and wealthy person with good knowledge of computers and especially, the internet. The results of their study proposed that, demographic factors have an impact on card usage in banking behaviour. He further found that attitude towards card usage banking and actual behaviours were both influenced by prior experience of computers and technology as well as attitudes towards computers.

2.4 Security and Performance of Retail Banking

The importance of security and privacy to the acceptance of online banking and other related services has been noted in many banking studies (Howcroft et al., 2002). To be more precise, privacy and security were found to be significant obstacles to the adoption of debit and credit usage in Australia (Sathye, 2003). Roboff and Charles (2006) found that people have a weak understanding of online banking security risks, although they are aware of the risks. Furthermore, they found that consumers often trust that their bank is more concerned about privacy issues and will protect them. Finally, they argue that although consumers' confidence in their bank is strong, their confidence in technology is weak (Howcroft et al., 2002).

Gerrard and Cunningham (2003) found security concerns over debit and credit card acceptance being high in both adopters and non-adopters in Singapore. Research by Lee,

(2005) on USA consumers showed greater concern among prospective adopters than current adopters over transaction security and monetary benefits when choosing card acquiring business based on banking service. Cheng (2006) found perceived web security to be a significant determinant of customer's acceptance of debit and credit usage. Customers tend to increase purchases only if they perceive that credit card number and other sensitive information is safe.

One of the important barriers to electronic transactions is consumer disappointment and frustration at violations of consumer privacy. Gerrard and Cunningham (2003) found that consumers worry that the bank may share customer profiles with other companies in the banking group and, thus, use the information to try and sell additional products. Debit and credit card users want to control all aspects of their personal data collection (Pikkarainen, 2004). User perceptions of the credibility of security and privacy may affect card business use intention (Pikkarainen *et al.*, 2004). Aladwani's study (2001) found that potential online banking customers ranked internet security and customers' privacy as the most important future challenges facing banks. Therefore, perceived fears of divulging personal information and feelings of insecurity have a negative influence on debit and credit use (Howcroft *et al.*, 2002).

Wong (2004) pointed that consumer attitude has affected trust and perceived risk towards credit card usage. An obstacle to credit card usage has been lack of security and privacy over the internet (Quelch and Klein, 1996). This has led many to view credit card usage as a risky undertaking. Trust and perceived risk reduction are very critical factors in credit card usage since they reduce the social complexity for the credit card usage and drive to the achievement of electronic goals and without them; there is a failure of such goals and relations (Kobsa, 2002). Users want to control what kind of data is collected, the purpose, length of time it is recorded, and reasons why it is processed (Kobsa, 2002). Gathering and recording user data without consumers' awareness is a major concern (DePallo, 2000). Trust, security and privacy are multi-dimensional constructs and need further explanation. The concentration is only on the aspects consumers are most

concerned about, which are interest in the level of confidence in the technology and willingness to adopt the online banking service, as provided.

Poor attitude and security issues have caused the rate of debit and credit card usage in Uganda to be low for example it was concluded that the predictive potential of debit and credit card user in Kampala is still low at 30%, 40% less than the prediction by 2010, (Namirembe, 2009). Maurer (2008) purported that although there has been a rapid diffusion of new mobile devices by commercial banks and internet banking, acceptance of acquiring debit and credit card among the customers have not been widely adopted by bank customers. This may be due to lack of trust, poor customer's attitude and perceived risk towards the services. Likewise, Bwonditi (2010) pointed that customers have been complaining that reversing a transaction, stopping a payment after discovering a mistake, or a refund may not be possible. Customers have also reported that there is no real need for card acquiring business services because it is associated with e-bank fraud where only a username and password stand between your money and a fraudster (Luarn & Lin, 2005).

2.5 Competition and Performance of Retail Banking

The emergence of new banking technology has created highly competitive market conditions, which have had a critical impact upon consumer behavior. Internet banking providers must, therefore, attempt to better understand their customers and their attitudes toward technology in general. If they succeed, banks will be able to influence and even determine consumer behavior, which will become a major issue in creating competitive advantage in the future. The interaction between the adoption and marketing of electronic delivery channels by the banks and the changing customer segments is creating new environments for distribution channels (Mols, 2008).

With the rapid diffusion of the Internet, card business in cyberspace is fast becoming an alternative channel to provide banking services and products. Card usage is now being considered as a strategic weapon and will revolutionize the way banks operate, deliver,

and compete against one another, especially when competitive advantages of traditional branch networks are eroding rapidly (Seitz, 2008). Indeed, the emergence of debit and credit cards has prompted many banks to rethink their IT strategies in order to stay competitive. Customers today are demanding much more from banking services. They want new levels of convenience and flexibility (Birch & Young, 2007) on top of powerful and easy to use financial management tools and products and services that traditional retail banking could not offer. Card business has allowed banks and financial institutions to provide these services by exploiting an extensive public network infrastructure (Ternullo, 2007).

Despite the many potential benefits, many teething problems will need to be addressed before card usage can become widely adopted. It is believed that, in the future, usage of debit and credit cards will recede in importance as a strategic application to become a competitive necessity that must be adopted by most if not all banking and financial institutions. Holak and Lehmann (2000) pointed that consumer acceptance models are valuable to managers as they help the to organize their learning about consumers and their behaviors, banks are able to acquire a better understanding and build a stronger relationship with them. The battle for customers has never been fiercer than it is today. Therefore, banks must understand who their customers are and how they behave. It is only through this knowledge of consumer that banks can satisfy the demands of consumers today and achieve a competitive edge over their competitors (Lai, 2005).

Debit and credit banking is the newest delivery channel in many developed countries and there is a wide agreement that the new channel will have a significant impact on the bank market (Jayawardhena and Foley, 2000). According to Nehmzow (1997) card business offers the traditional players in the financial services sector the opportunity to add a low cost distribution channel to their numerous different services. He continues that card business also creates a threat to traditional banks' market share, because it neutralizes so many of their competitive advantages in having a traditional branch bank network.

Sheshunoff (2000) says further that the single most important driving force behind the implementation of full service of card business by banks is the need to create powerful barriers to customer exiting. He argues that once a customer moves to full service Internet banking, the likelihood of that customer moving to another financial institution is significantly diminished. The main reasons for this behavior can be found in the consumer behavior theory: switching always requires much time and effort from the individual consumer. He concluded that the competitive advantage of Internet banking for banks is very significant.

2.6 Theoretical Framework

The chapter presents a theoretical review; the study is grounded on Technology Acceptance Model. The model is relevant since it explains why individual tend to accept innovation of information systems. Technology Acceptance Model (TAM), introduced by Davis (1989), is an adaptation of the Theory of Reasoned Action (TRA) specifically tailored for modeling user acceptance of information systems. The goal of TAM is to provide an explanation of the determinants of computer acceptance that is general, capable of explaining user behavior across a broad range of end-user computing technologies and user populations, while at the same time being both parsimonious and theoretically justified. Ideally one would like a model that is helpful not only for prediction but also for explanation, so that researchers and practitioners can identify why a particular system may be unacceptable, and pursue appropriate corrective steps.

A key purpose of TAM, therefore, is to provide a basis for tracing the impact of external factors on internal beliefs, attitudes, and intentions. TAM was formulated in an attempt to achieve these goals by identifying a small number of fundamental variables suggested by previous research dealing with the cognitive and affective determinants of computer acceptance, and using TRA as a theoretical backdrop for modeling the theoretical relationships among these variables.

TAM posits that two particular beliefs, perceived usefulness (PU) and perceived ease of use (PEOU) are the primary relevance for computer acceptance behavior. PU is defined as the degree to which a prospective user believes that using a particular system would enhance his or her job performance. This follows from the definition of the word “useful”: “capable of being used advantageously”. Within an organizational context, people are generally reinforced for good performance by raises, promotions, bonuses, and other rewards (Pfeffer, 1982; Vroom, 1964). A system high in perceived usefulness, in turn, is one for which a user believes in the existence of a positive use-performance relationship.

PEOU refers to the degree to which a prospective user believes that using a particular system would be free of effort. This follows from the definition of “ease”: “freedom from difficulty or great effort”. Effort is a finite resource that a person may allocate to the various activities for which he or she is responsible. All else being equal, an application perceived to be easier to use than another is more likely to be accepted by users (Davis 1989). In the past decade, TAM has become well established as a robust, powerful, and parsimonious model for predicting user acceptance.

2.7 Conceptual Framework

Framework refers to the main structure or skeleton that not only gives form and shape to the whole system, but also supports and holds together all the other elements in a logical configuration. In this research, the conceptual framework was the concise description of the phenomenon under study accompanied by visual depiction of the variables under study (Mugenda, 2008). Banking has always been a highly information intensive activity that relies heavily on information technology (IT) to acquire, process, and deliver the information to all relevant users. Not only is IT critical in the processing of information, it provides a way for the banks to differentiate their products and services. Banks find that they have to constantly innovate and update to retain their demanding and discerning customers and to provide convenient, reliable and expedient services. The independent

variables include awareness, security and competition while the dependent variable is performance of retail banking.

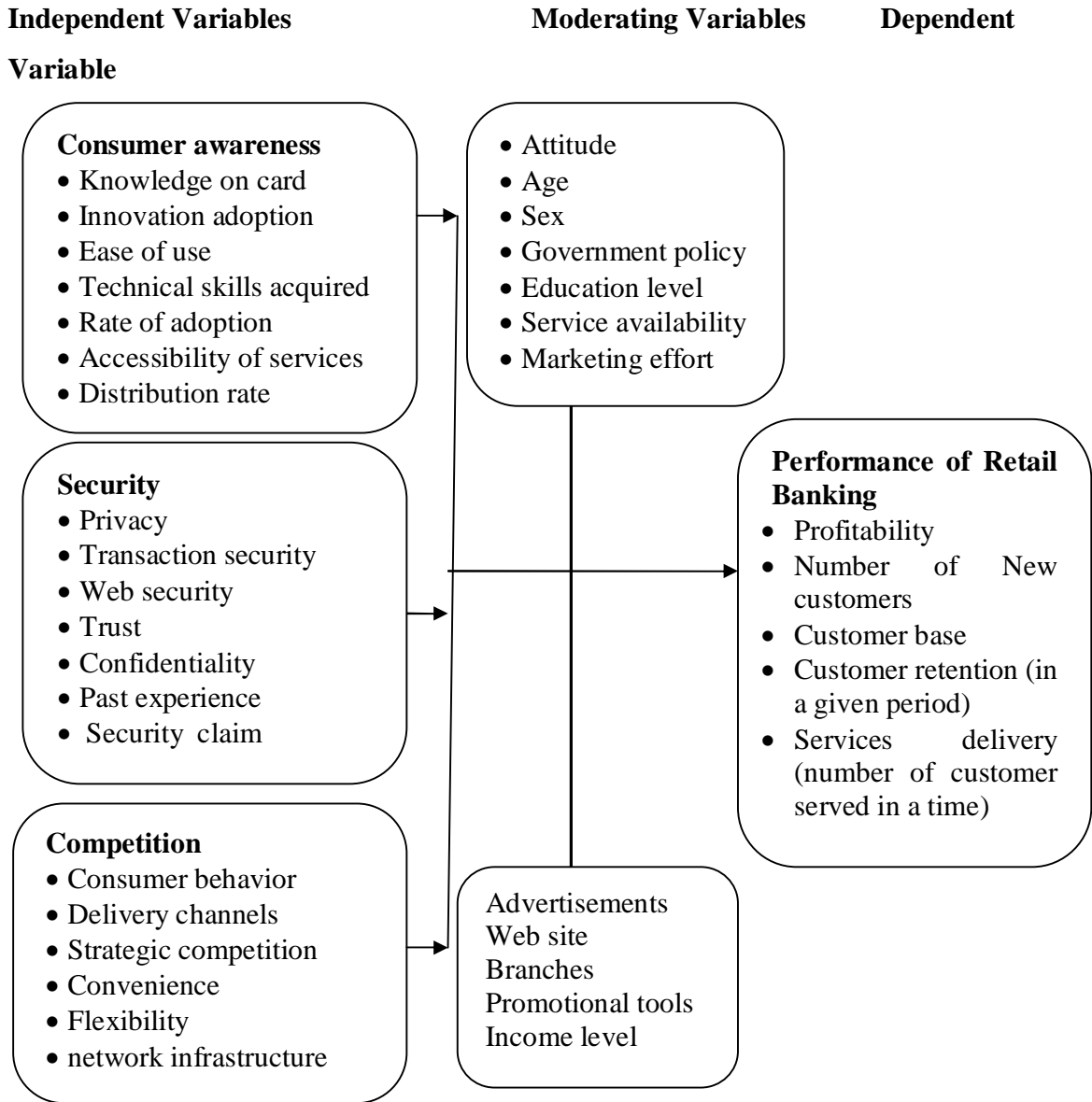


Figure 1 Conceptual Framework

2.8 Summary of Literature Review and the Research Gap

This chapter looks at the literature review which includes the discussion of previous studies done by other scholars in relation to card business. Since the introduction of the Internet in 1969, it has evolved from the sole domain of the computer nerd and the academic to a mainstream channel of communication (Nehmzow, 1997). Recently, it has been rapidly gaining popularity as a potential medium for electronic commerce (Ooi, 1999). The rapid growth of the Internet has presented a new host of opportunities as well as threats to business. Today, the Internet is well on its way to become a full-fledged delivery and distribution channel and among the consumer-oriented applications riding at the forefront of this evolution is electronic financial products and services. Abaasa (2007) pointed that many commercial banks in Uganda have valued the importance of electronic banking in improving the profitability and the overall efficiency of their business. They have similarly allocated substantial resources for internet banking adoption and begun to build infrastructures to support a more reliable and quicker transfer of information to reach their customers.

From the available literature, Sathye (1999) investigates internet banking adoption by Australian consumers and identifies security concerns and lack of awareness as the main obstacles to adoption. Gerrard and Cunningham (2003) found security concerns over internet banking high in both adopters and non-adopters in Singapore. Research by Lee (2005) on USA consumers showed greater concern among prospective adopters than current adopters over transaction security and monetary benefits when choosing an internet based banking service. Cheng, (2006) found perceived web security to be a significant determinant of customer's acceptance of online banking. Customers tend to increase purchases only if they perceive that credit card number and other sensitive information is safe. Ndiwalana (2008) finds that the rate of adoption of debit and credit card business has not risen as strongly as expected. Some researchers (Chiu, 2005) identify attitudes towards internet banking to be the consumer's positive or negative feelings related to accomplishing the banking behavior on the internet. It can therefore be inferred that customer attitudes can affect the adoption of internet banking.

The chapter also presents a theoretical review; the study is grounded on Technology Acceptance Model. The goal of TAM is to provide an explanation of the determinants of computer acceptance that is general, capable of explaining user behavior across a broad range of end-user computing technologies and user populations, while at the same time being both parsimonious and theoretically justified. The study also represents the conceptual framework by explain relationship between independent variables and dependent variable. Finally, the study shows the gap that the study intended to bridge, traditional branch-based retail banking remains the most widespread method for conducting banking transactions in the country today as well as any other country. However, card business is rapidly changing the way personal financial services are being designed and delivered. Now, commercial banks in Kenya are trying to introduce cyber card business systems to improve their operations and to reduce costs. Despite all their efforts aimed at developing better and easier banking systems, these systems remained largely unnoticed by the customers, and certainly were seriously underused in spite of their availability. Therefore, there is a need to understand users' acceptance of card business, and a need to identify the factors that can affect their intention to use card business. This issue is important because the answer holds the clue that will help the banking industry to formulate their marketing strategies to promote new forms of card business systems in the future.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides an overview of the research methodology. It includes research design, target population to be studied, details of the sample size and sampling procedure, research instrument to be used, measures of validity and reliability, data collection procedure, data analysis technique and ethical consideration.

3.2 Research Design

Orodho (2003) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. According to Kombo and Tromp (2006) research design can be thought of as the structure of research. This study will employ a case study to investigate the influence of card acquiring business on the performance of retail banking in KCB Kenya. A case study is a strategy of investigating a phenomenon within its real life context. This research problem will be studied through the use of descriptive research design. According to Kothari (2007) descriptive survey research design is a type of research used to obtain data that can help determine specific characteristics of a group. A descriptive survey involves asking questions (often in the form of a questionnaire) of a large group of individuals either by mail, by telephone or in person. The main advantage of descriptive survey research is that it has the potential to provide the study with a lot of information obtained from quite a large sample of individuals.

For this research, primary data will be gathered. The primary data will be derived from the answers the participants will express during the survey process to determine the key variables. The main focus of this study will be quantitative. However some qualitative approach will be used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study. This method concerns the intense investigation of problem solving situations in which problems are relevant to the research problem. The underlining concept is to select several targeted

cases where an intensive analysis identified the possible alternatives for solving the research questions on the basis of the existing solution applied in the selected case study. The researcher attempts to describe and define a subject, often by creating a profile of group of problems (Cooper & Schindler, 2003).

3.3 Target Population

Target population as described by Borg and Grall (2009) is a universal set of study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result. The target population of this study will be Kenya Commercial Banks while the study population will be staffs working in the headquarters and customers and KCB branch in Limuru. The staff will be selected from the following departments, that is, Finance, Operations, Internal Audit, Card Centre, Customer Service and Contact Centre since they deal directly with the day to day operations of the said bank within and they usually deal with transaction and issues of cards. The customers are targeted to give insight opinion on card use where limuru represents the opinion of those in rural and remote area. Mugenda and Mugenda (2003) explained that the target population should have observable characteristics to which the study intends to generalize the result of the study. This definition assumes that the population was not homogeneous. According to KCB (2014) there is 362 staff working in KCB headquarter and Limuru branch in the above said departments. From the two (2) KCB branches, the possible number of respondents is 362 from Finance, Operations, Internal Audit, Card Centre, Customer Service and Contact Centre 20 customers will be targeted in each bank.

Table 3.1 Target Population

| | Finance | Operations | Internal Audit | Card Centre | Customer Service | Contact Centre | Total |
|-----------------|-----------|------------|----------------|-------------|------------------|----------------|--------------|
| KCB Headquarter | 43 | 98 | 28 | 62 | 41 | 44 | 316 |
| KCB Limuru town | 5 | 14 | 4 | 8 | 7 | 8 | 46 |
| Total | 48 | 112 | 32 | 70 | 48 | 52 | 362 |

3.4 Sample Size and Sampling Procedures

This section presents the methods and techniques that will be used for sampling, the procedure of sampling and eventually how the final study sample will be reached from the target population and the details of how data it will be obtained, processed and analyzed.

3.4.1 Sample Size

Sample size is finite part of a statistical population whose properties are studied to gain information about the whole. Sampling is selecting a given number of subjects from a defined population as representative of that population. Any statements made about the sample should also be true of the population. It is however agreed that the larger the sample the smaller the sampling error. Where external validity is important, one need to carry out purposive sampling from properly defined population. From the target population of three hundred (362) respondents the researcher selects a sample of 72 respondents in 6 departments while 10 respondents will be selected randomly in each bank during the data collection process contributing to 92 respondents. These respondents are targeted since they are directly working in departments that are perceived to be oriented in dealing with banks performance therefore aligned to the study research objectives.

3.4.2 Sampling Procedure

The sampling procedure describes the list of all population units from which the sample will be selected (Cooper & Schindler, 2003). The technique is applied so as to obtain a representative sample when the population does not constitute a homogeneous group. The population is made up of strata of different departments in banks. Sample of responding staff will be drawn from all two branches of KCB banks. Based on Krejcie and Morgan's (1970) table for determining sample size, for a given population of 362, a sample size of 72 respondents would be appropriate to adequately represent a cross-section of the population at 95% confidence level.

Table 3.2 Krejcie and Morgan’s Table for Determining Sample Size

| | Finance | Operations | Internal Audit | Card Centre | Customer Service | Contact Centre | Total |
|-----------------|-----------|------------|----------------|-------------|------------------|----------------|--------------|
| KCB Headquarter | 9 | 20 | 6 | 12 | 8 | 9 | 63 |
| KCB Limuru town | 1 | 3 | 1 | 2 | 1 | 2 | 9 |
| Total | 10 | 22 | 6 | 14 | 10 | 10 | 72 |

3.5 Research Instrument

The study will use a questionnaire to collect primary data. The questionnaire will be used to collect data from the sampled staffs in the selected departments within the bank. Questionnaires are appropriate for studies since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals (Mellenbergh, 2008). The questionnaire will comprise of both open and close-ended questions. Saunders (2003) stated that a questionnaire is useful in obtaining objective data because participants are not manipulated in any way by the study. According to Saunders (2003) questionnaires have the added advantage of being less costly and using less time as instruments of data collection. The data instrument will address the four research objectives. It will be subdivided into two sections; the first section of the questionnaire enquired general information about the respondents, while the second section will answer the four objectives.

3.6 Pilot Testing

The questionnaires will be reviewed by the researcher’s professional peers and the research supervisor and then tested on a small pilot sample of respondents with similar

characteristics as the study respondents. The pilot sample will consist of 7 management staffs from the same selected banks. The pilot group will be done through random sampling. Mugenda and Mugenda (2003) suggest that the piloting sample should be 1 to 10% of study sample depending on the study sample size. Piloting will help in revealing questions that could be vague which allows for their review until they convey the same meaning to all the subjects (Mugenda and Mugenda, 2003).

3.6.1 Validity of the Instrument

Validity is the quality of a data gathering instrument that enables it to measure what it is supposed to measure. Creswell (2008) notes that validity is about whether one can draw meaningful and useful inferences from scores on the instrument. To ensure content validity, the instruments will be reviewed by the research supervisors and other research experts. Content validity yields a logical judgment as to whether the instrument covers what it is supposed to cover. Content validity ensures that all respondents understand the items on the questionnaire similarly to avoid misunderstanding. Response options will be provided for most of the questions to ensure that the answers given are in line with the research questions they are meant to measure.

3.6.2 Reliability of the Instrument

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trial (David, 1999). Reliability answers the question “Are scores stable over time when the instrument is administered a second time (Creswell, 2003). To ensure reliability, the researcher will use split-half technique to calculate reliability coefficient (Spearman coefficient) which should be within the recommended reliability coefficient of 0.7-1 (Nachmias & Nachmias 1996). This will involve scoring two-halves of the tests separately for each person and then calculating a correlation coefficient for the two sets of scores. The instruments will be split into the odd items and the even items. Statistical Program for Social Sciences (SPSS) will be used to calculate the reliability of the instrument.

3.7 Data Collection Procedure

After consent is given by the University of Nairobi to collect data, the researcher will coordinate data collection process after seeking permission from local authorities. The researcher will involve three research assistances to help in distribution of question to the targeted respondents. The research assistants will be taken through training to clearly understand the research instruments, purpose of the study and ethics of research. The questionnaires will be administered through drop and pick later method.

3.8 Data Analysis

Data will be cleaned, coded, entered and analyzed using Statistical Package for Social Science (SPSS, Version 17.0). SPSS will be used because it is fast and flexible and provides more accurate analysis resulting in dependable conclusions. Technically, data processing implies editing, classification, coding and tabulation of collected data so that they are amenable to analysis (Kothari, 2007). Data analysis involves computation of certain measures along with searching for patterns of relationships that exist between the dependent variable and independent variables. The data will be analyzed according to variables and objectives of the study. Descriptive statistics will be used to present the findings. Descriptive analysis will involve use of frequency distribution tables and cross tabulation which will be used to generate values between dependent and independent variables used in the study. In addition, the researcher will use multiple regression analysis (Karl Pearson's Coefficient Correlation) to establish the relationship between the dependent and independent variables.

The regression equation is:

$$Y = \beta_0 + \beta_1 A_1 + \beta_2 S_2 + \beta_3 C_3 + \alpha$$

Where: **Y** is the dependent variable (profitability in the banking industry in Kenya),

β_0 is the regression coefficient/constant/**Y**-intercept,

β_1 , β_2 and β_3 are the slopes of the regression equation,

A_1 is the awareness

S_2 is the Security,

C_3 is Competition,

α is an error term normally distributed about a mean of 0 and for purpose of computation, the α is assumed to be 0.

3.9 Ethical Considerations

While conducting the study, the researcher will ensure that research ethics are observed. Participation in the study will be voluntary. Privacy and confidentiality will be observed by ensuring that respondents are never requested to indicate their personal details when filling the questionnaire. The objectives of the study will be explained to the respondents with an assurance that the data provided will to be used for academic purpose only.

3.10 Operational Definition of Variables

The operationalization of variables is as shown in table 3.1 below;

Table 3.1 Operationalization of Variables

| Objectives | Independent Variables | Indicators | Measurement scale | Scale | Tools of analysis | Type of analysis |
|---|------------------------------|--|--------------------------|--------------------|---|--------------------------------|
| To establish how the level of awareness of card acquiring business influences the performance of retail banking in KCB Kenya. | level of awareness | <ul style="list-style-type: none"> • Knowledge on card • Innovation adoption • Ease of use • Technical skills acquired • Rate of adoption of services • Accessibility of Distribution rate | -Nominal | Nominal ordinal | Frequency distribution tables & percentages | Descriptive Inferential |
| To assess how security concerns in the card acquiring business influence the performance of retail banking in KCB Kenya | Security concerns | <ul style="list-style-type: none"> • Privacy • Transaction security • Web security • Trust • Confidentiality • Past experience • Security claim | -Nominal | Nominal ordinal | Frequency distribution tables & percentages | Descriptive Inferential |

| | | | | | | |
|---|-------------------------------|---|-----------|--------------------|---|----------------------------|
| To establish how competition influence the performance of retail banking in KCB Kenya | Competition | <ul style="list-style-type: none"> • Consumer behavior • Delivery channels • Strategic competition • Convenience • Flexibility • network infrastructure | -Interval | Nominal ordinal | Frequency distribution tables & percentages | Descriptive Inferential |
| Objectives | Dependent Variables | Indicators | -Nominal | Scale | Tools of analysis | Type of analysis |
| | Performance of Retail Banking | Profitability Customer base No of transactions No of new customers Reduced costs | -Nominal | Nominal ordinal | Frequency distribution tables & percentages | Descriptive Inferential |

CHAPTER FOUR

RESEARCH FINDINGS

4.1 Introduction

This chapter presents the findings and results of the study in the order of the research objectives. It begins by analysing the demographic characteristics of the sample, investigates how the sample understands card business within KCB and reviews factors that affect card acquiring business such as awareness, security and competition. Lastly, the chapter analyses the banks retail banking performance for the last three years. The results are based on a response rate of 94% (n=51).

4.2 Demographic Characteristics of the Sample

4.2.1 Response rate

Table 4. 1: Response rate

| Category | Frequency | Percentage |
|-----------------|------------------|-------------------|
| Responded | 48 | 94 |
| Did not respond | 3 | 6 |
| Total | 51 | 100 |

Figure 4. 1: Response Rate

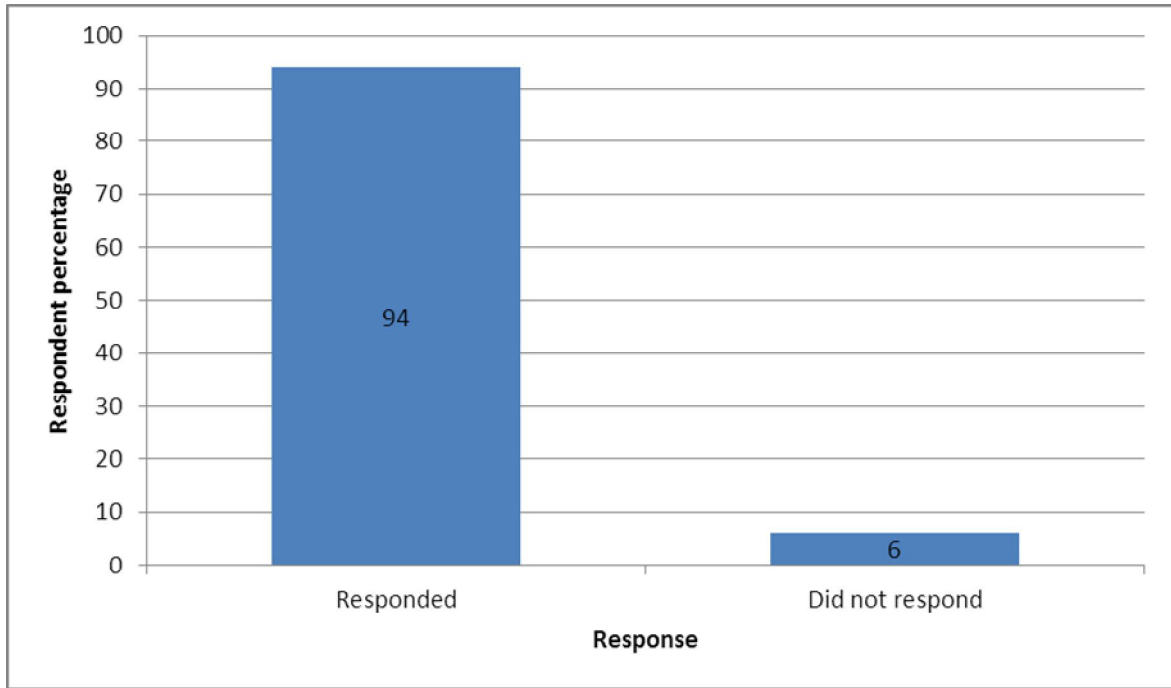


Table 4.1 and Figure 4.1 show that response rate was high at 94%. Only 6% of the administered questionnaires were returned unanswered or with errors.

2.2.2 Type of respondents

Table 4. 2: Type of respondents

| Category | Frequency | Percentage |
|--------------|-----------|------------|
| KCB Staff | 20 | 41 |
| KCB Customer | 28 | 59 |
| Total | 48 | 100 |

Figure 4. 2: Type of respondents

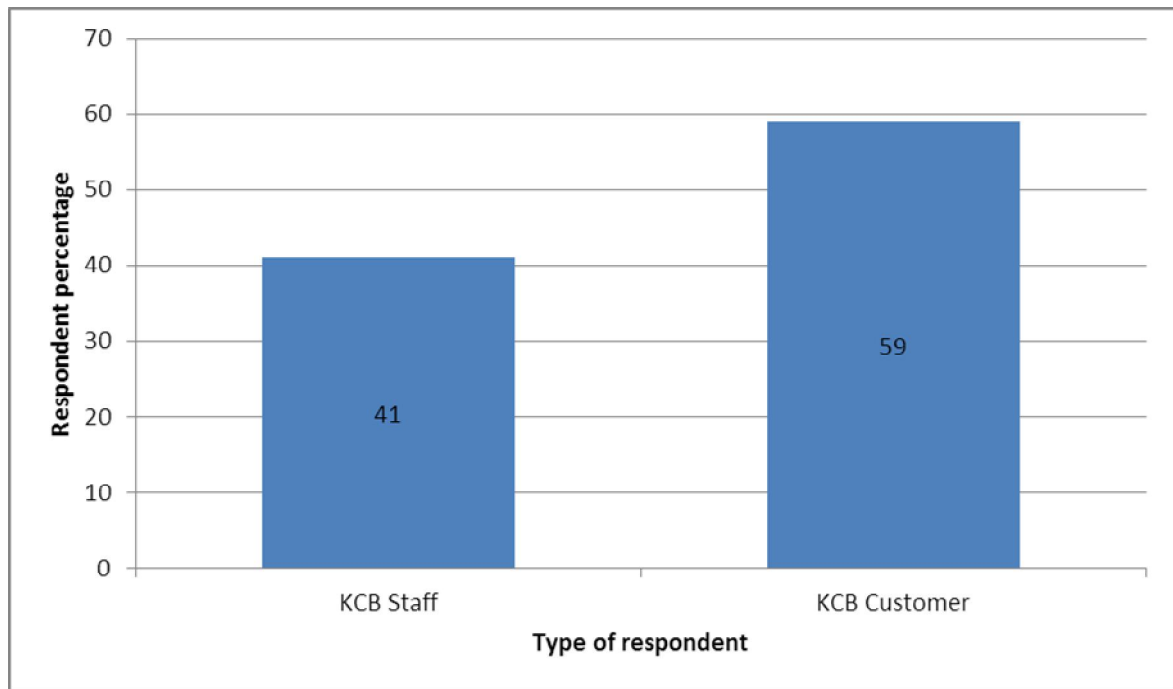


Table 4.2 and Figure 4.2 shows that majority of the respondents were KCB customers (59%) while the KCB staff constituted 41% of the sample.

4.2.3 Staff respondents departments

Table 4. 3: Staff respondents departments

| Category | Frequency | Percentage |
|---------------------|-----------|------------|
| Finance | 1 | 5 |
| Audit | 3 | 15 |
| Card centre | 5 | 25 |
| Customer experience | 2 | 10 |
| Operations | 2 | 10 |
| Contact centre | 4 | 20 |
| Others | 3 | 15 |
| Total | 20 | 100 |

Figure 4. 3: Staff Respondents Departments

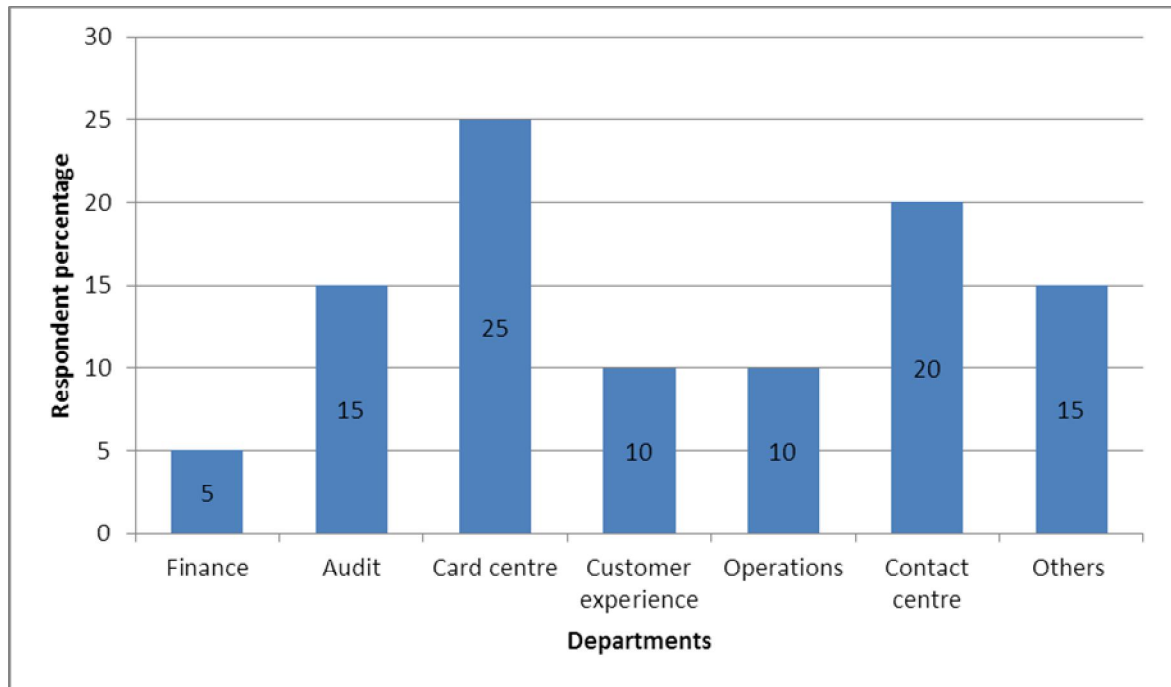


Table 4.3 and figure 4.3 shows that majority of the staff respondent were in card centre department (25%) followed by contact centre at 20%. Finance and audit departments constituted of 5% and 15% respectively.

4.2.4 Respondents (staff and customer) highest level of education

Table 4.4: Respondents (staff and customer) highest level of education

| Category | Frequency | Percentage |
|---------------|-----------|------------|
| Post graduate | 6 | 12 |
| Graduate | 20 | 42 |
| Diploma | 15 | 31 |
| Certificate | 7 | 15 |
| Total | 48 | 100 |

Figure 4.4: Respondents (staff and customer) highest level of education

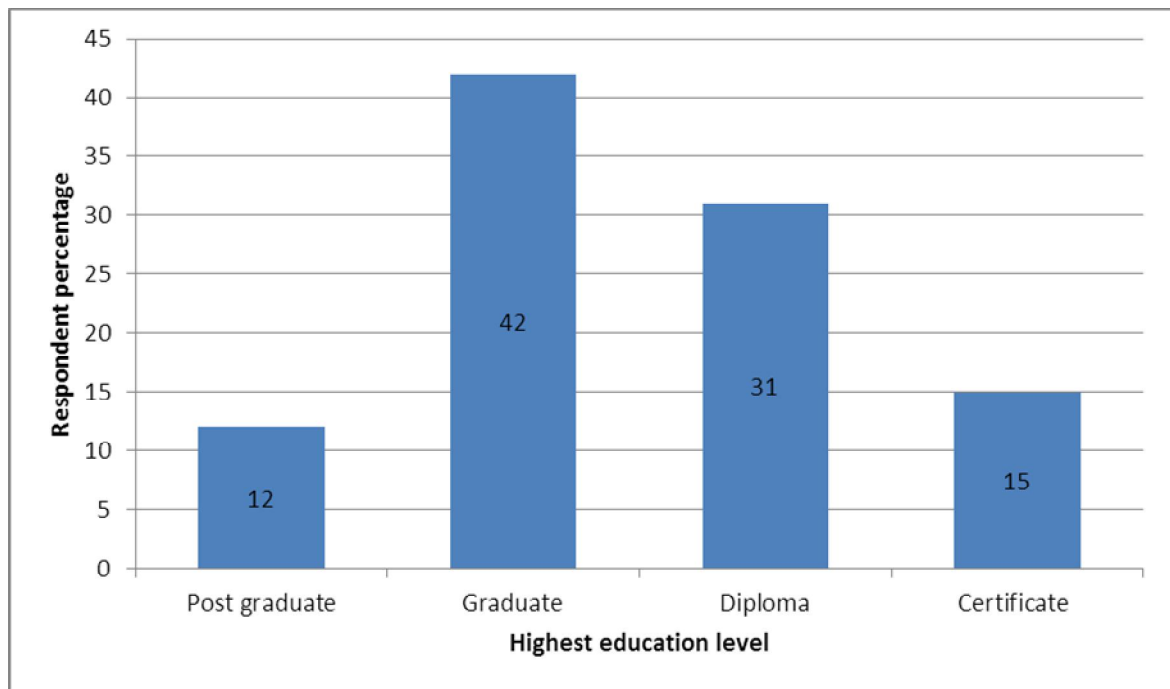


Table 4.4 and figure 4.4 shows that majority of the respondents were graduates at 42% followed by diploma holders at 31%. Certificate holders and post graduates were at 15% and 12% respectively.

4.2.5 Respondents (staff) years of work at KCB

Table 4.5: Respondents (staff) years of work at KCB

| Category | Frequency | Percentage |
|---------------|-----------|------------|
| 1-5 years | 7 | 35 |
| 6 – 10 years | 4 | 20 |
| 10 – 15 years | 5 | 25 |
| Over 16 years | 4 | 20 |
| Total | 20 | 100 |

Figure 4.5: Respondents (staff) years of work at KCB

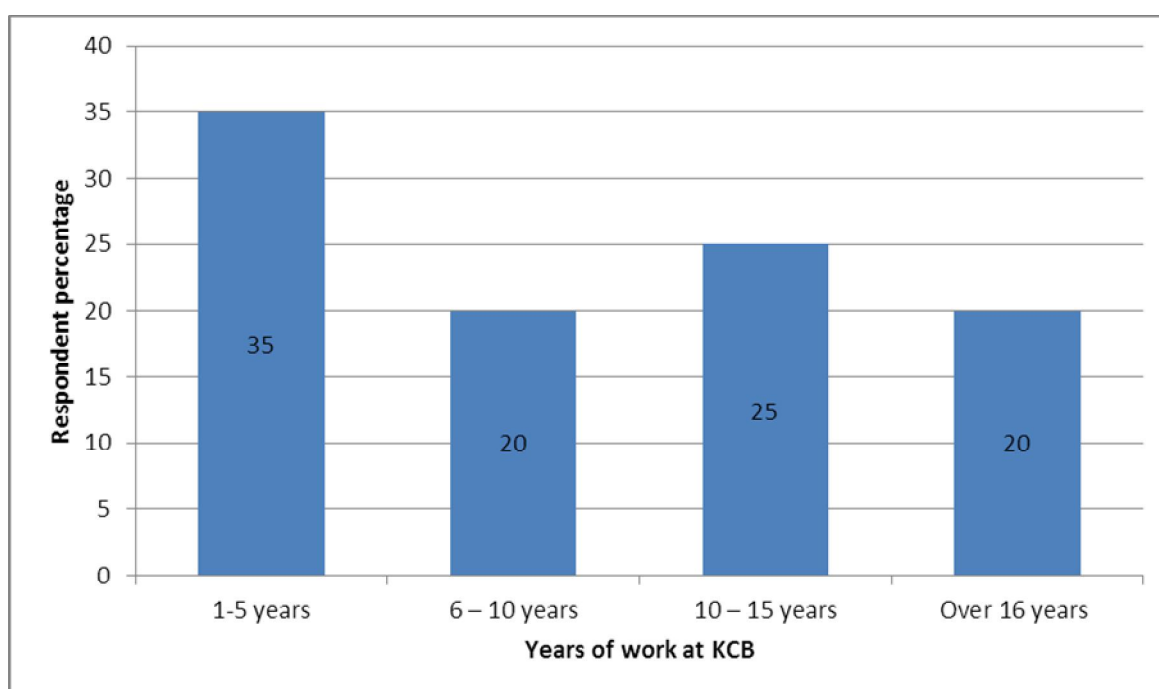


Table 4.5 Figure 4.5 show that 35% of the employees have worked for less than 5 years at KCB. This was followed by those who had worked for a period between 10 and 15 years (25%). Those who have worked for over 16 years constituted 20% of the respondents.

4.2.6 Respondents (Customers) banking years KCB

Table 4.6: Respondents (Customers) banking years KCB

| Category | Frequency | Percentage |
|---------------|-----------|------------|
| 1-5 years | 19 | 68 |
| 6 – 10 years | 4 | 14 |
| 10 – 15 years | 3 | 11 |
| Over 16 years | 2 | 7 |
| Total | 28 | 100 |

Figure 4.6: Respondents (Customers) banking years KCB

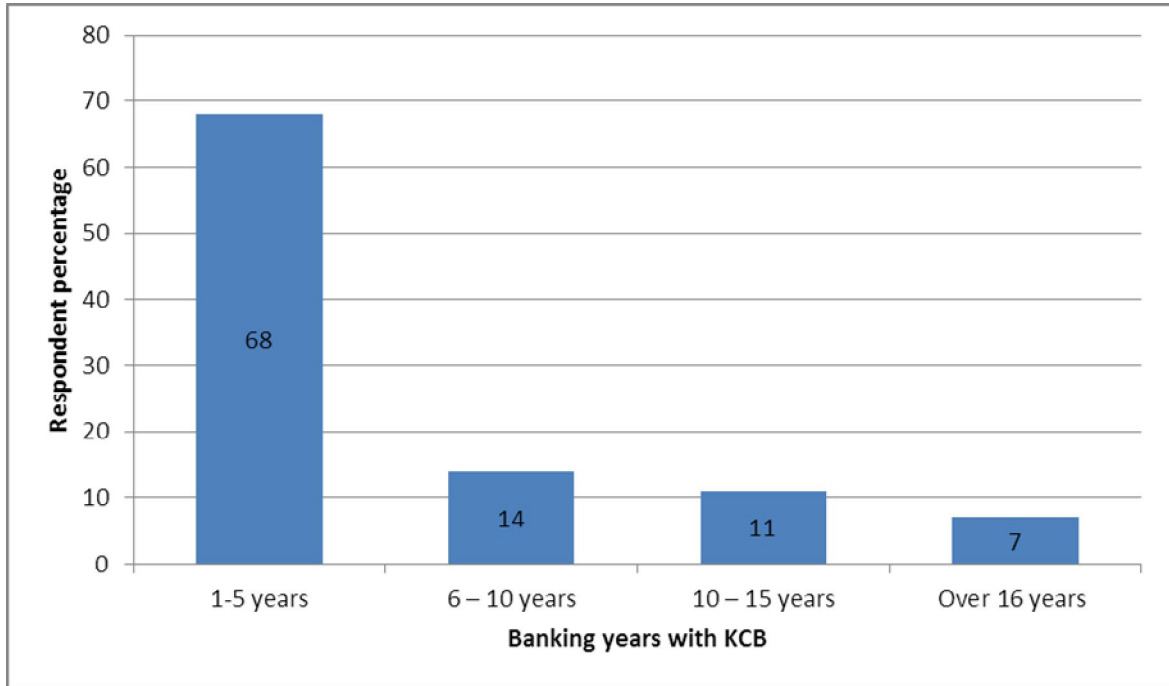


Table 4.6 and figure 4.6 shows that majority of the respondents (68%) have banked with the bank less than five years. The respondents who have banked for the longest period of over 16 years constituted 7%.

4.2.7 Respondents (staff) position in the bank

Table 4.7: Respondents (staff) position in the bank

| Category | Frequency | Percentage |
|-------------|-----------|------------|
| Team leader | 4 | 20 |
| Manager | 5 | 25 |

| | | |
|--------------|----|-----|
| Clerk | 8 | 40 |
| Supervisor | 3 | 15 |
| Total | 20 | 100 |

Figure 4.7: Respondents (staff) position in the bank

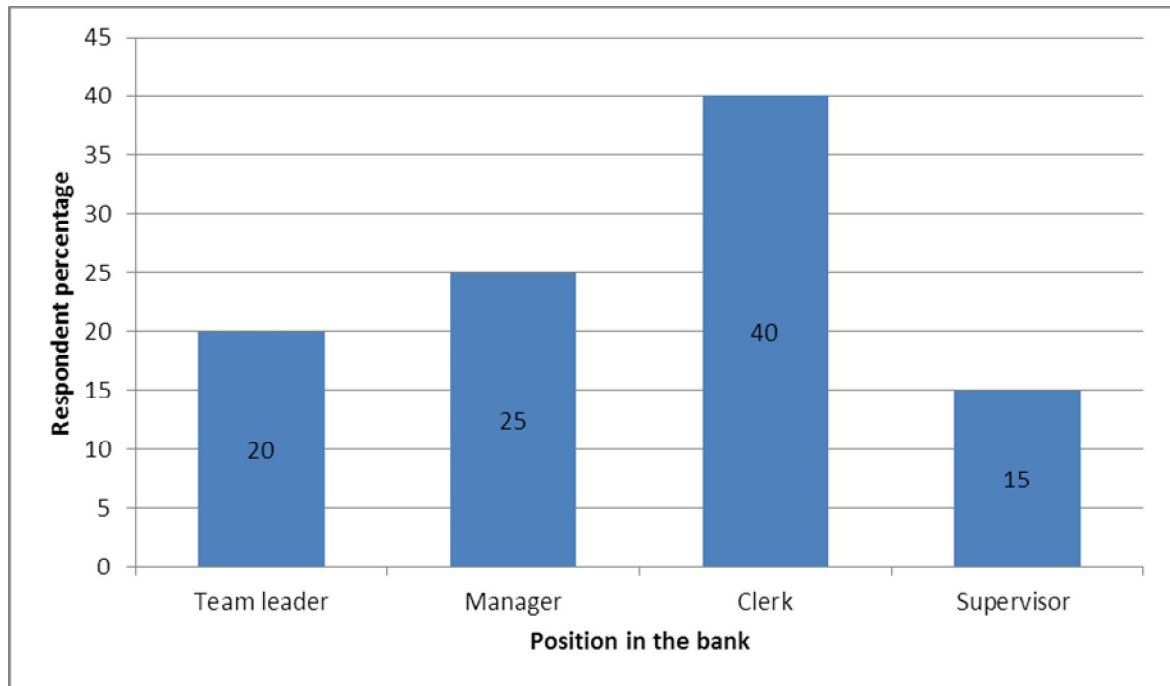


Table 4.7 and Figure 4.7 show that clerks constituted 40% of the respondents. The others are managers and team leaders at 25% and 20% of the sample respectively.

4.2.8 Respondents (Customers) card ownership

Table 4.8: Respondents (Customers) card ownership

| Category | Frequency | Percentage |
|------------------|-----------|------------|
| Debit card (ATM) | 10 | 36 |
| Credit card | 6 | 21 |

| | | |
|---------------------------------|----|-----|
| Prepaid card | 2 | 7 |
| Both credit card and debit card | 10 | 36 |
| Total | 28 | 100 |

Figure 4.8: Respondents (Customers) card ownership

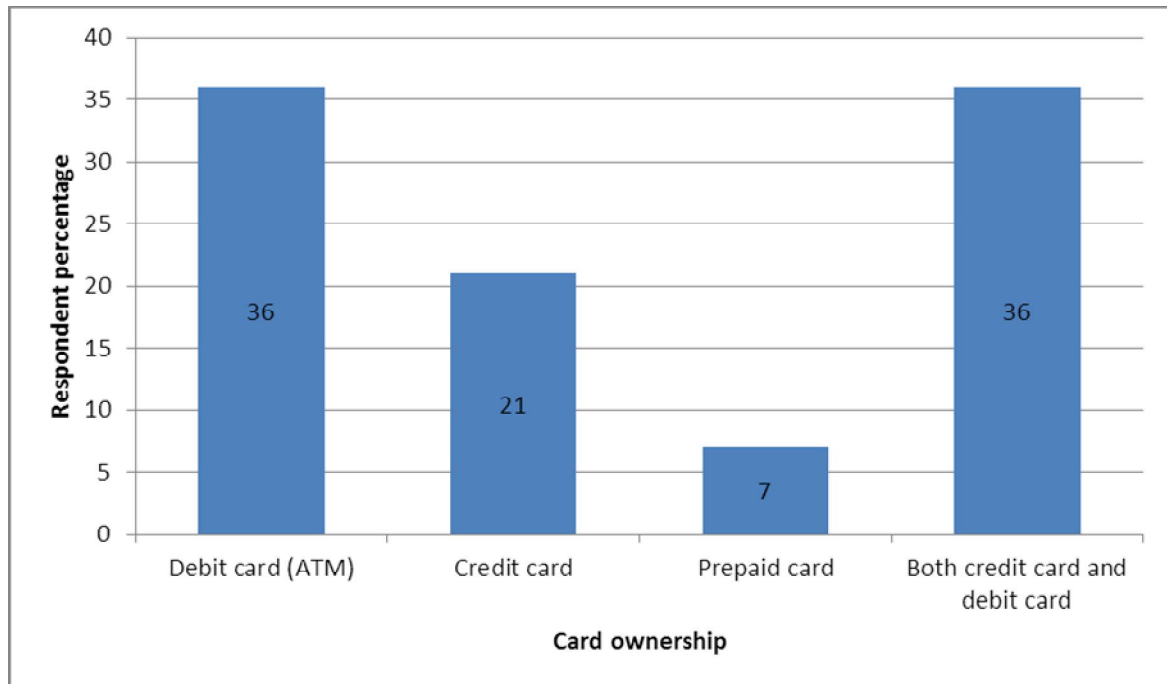


Table 4.8 and figure 4.8 shows that majority of the respondents have debit cards at 36% and those having both credit card and debit cards were at 36%. Those with credit card only and prepaid cards were at 21% and 7% respectively.

4.3 Awareness

4.3.1 Source of card business awareness

Table 4.9 Respondents (customers) source of card use awareness

| Source | Yes | Percentage |
|--------|-----|------------|
| | | |

| | | |
|--------------------------|----|------|
| Friend | 3 | 10.7 |
| From the bank website | 10 | 35.7 |
| Road show | 1 | 3.5 |
| Message through my phone | 10 | 35.7 |
| Television advert | 3 | 10.7 |
| From the bank attendants | 1 | 3.5 |
| Total | 28 | 100 |

Table 4.9 show that an equal number of the respondents at 35.7% received information on card business from the bank website and messages through their phones. Those who received awareness through friends and bank attendants were at 10.7% and 3.5% respectively.

4.3.2 Respondents understanding on the banks awareness creation

Table 4.10: Respondents (Customers) understanding on the banks awareness creation

| Category | Frequency | Percentage |
|------------------------|------------------|-------------------|
| To a very low extent | 1 | 3.5 |
| To a low extent | 1 | 3.5 |
| To a moderate extent | 2 | 7 |
| To a great extent | 20 | 72 |
| To a very great extent | 4 | 14 |
| Total | 28 | 100 |

Figure 4.9: Respondents (Customers) understanding on the banks awareness creation

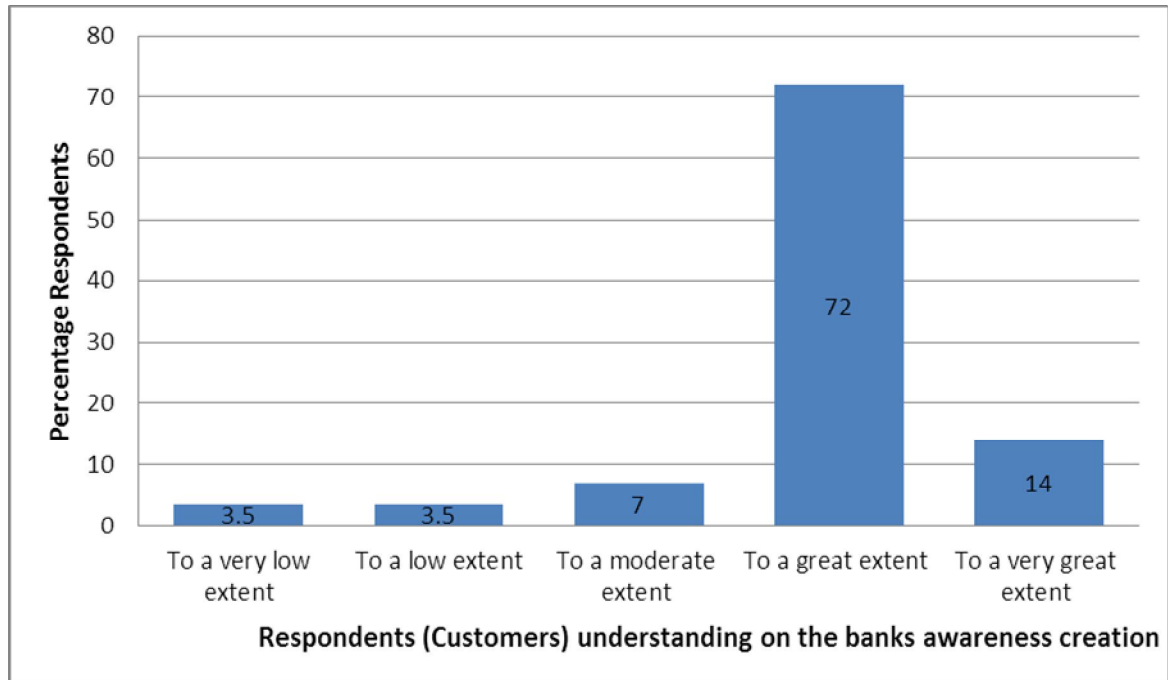


Table 4.10 and Figure 4.9 show that 14% of the respondents fully understand awareness creation of the card business and 72% of the respondents have partial understanding while 3.5% and 7% understand at a low extent and moderate extent respectively.

Table 4.11: Respondents (staff) understanding on the extent to which consumer awareness influence performance

| Category | Frequency | Percentage |
|----------------------|-----------|------------|
| To a very low extent | 2 | 10 |
| To a low extent | 3 | 15 |
| To a moderate extent | 3 | 15 |
| To a great extent | 10 | 50 |

| | | |
|------------------------|----|-----|
| To a very great extent | 2 | 10 |
| Total | 20 | 100 |

Figure 4.10: Respondents (staff) understanding on the extent to which consumer awareness influence performance

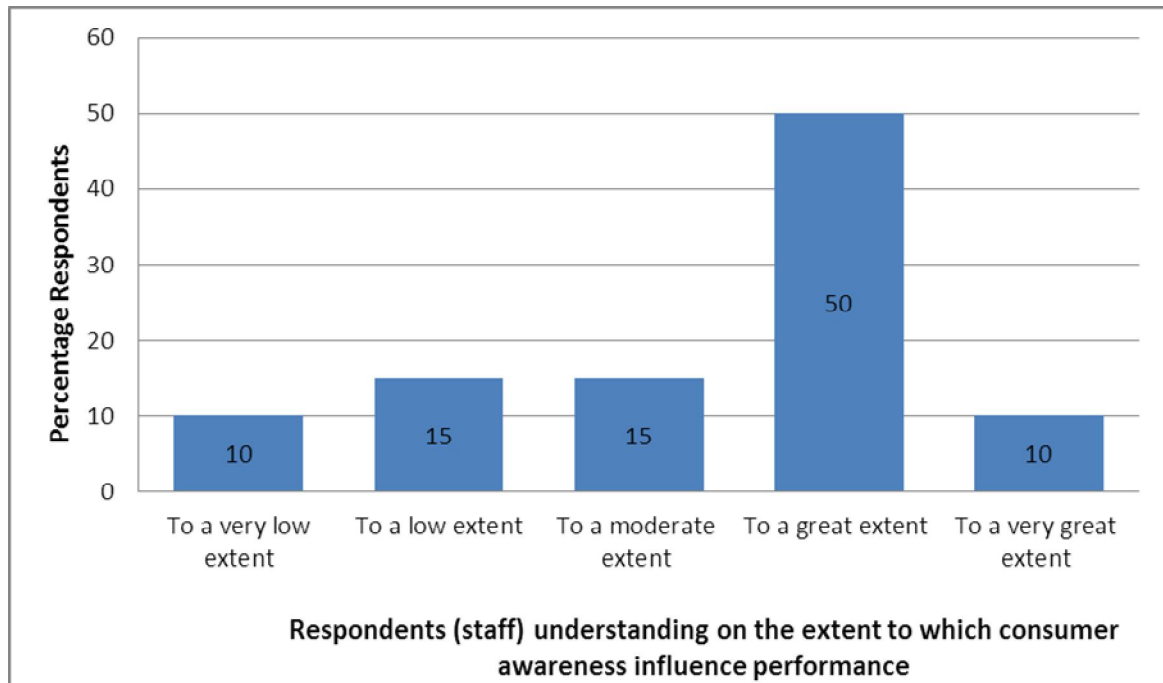


Table 4.11 and Figure 4.10 show that 10% of the respondents fully understand how awareness creation of the card business influences retail banking performance and 50% of the respondents have partial understanding while 15% and 7% understand at a low extent and a very low extent respectively.

4.3.3 Respondent's perception on aspects of awareness that hinder use of card business

Table 4.12 Respondent's (staff) perception on aspects of awareness that hinder use of card business

| | Very low extent 1 | Low extent 2 | Moderate extent 3 | Great extent 4 | Very great extent 5 | Total | Mean | Ranking |
|--|------------------------------|-------------------------|------------------------------|---------------------------|--------------------------------|--------------|-------------|----------------|
| Customer has a great influence on the adoption of credit cards as they ultimately decide on whether they will use the card based on their individual needs | 0(0) 0 | 3(15) 30 | 2(10) 30 | 10(50) 200 | 5(25) 125 | 20 | 3.85 | 9 |
| Low awareness of innovation in banking services is a major factor in causing people not to adopt card business | 2(10) 10 | 5(25) 50 | 6(30) 90 | 7(35) 140 | 2(10) 50 | 20 | 3.40 | 10 |
| Information about the benefits of using a product/service as an essential service/product promotion strategy | 0(0) 0 | 2(10) 20 | 3(15) 45 | 10(50) 200 | 5(25) 125 | 20 | 3.90 | 4 |

| | | | | | | | | |
|---|-------------|---------------|-------------|---------------|--------------|----|------|---|
| Our bank offering card business service and it creates consumers aware about the availability of this product and explain how it adds value relative to other products of its own or that of the competitors. | 0(0) 0 | 0(0) 0 | 2(10) 30 | 12(60) 240 | 6(30) 150 | 20 | 4.20 | 2 |
| Perceived usefulness and perceived ease of use of debit and credit card create a favorable behavioral intention toward using the Information Technology that consequently affects its self-reported use | 0(0) 0 | 0(0) 0 | 0(0) 0 | 14(70) 280 | 6(30) 150 | 20 | 4.30 | 1 |
| Complexity use of debit and credit card result to low adoption of the system | 0(0) 0 | 3(15) 30 | 2(10) 30 | 10(50) 200 | 5(25) 125 | 20 | 3.85 | 8 |
| Availability of debit and credit usage allow customers to access their banking accounts from any location and at any time of the day | 3(15) 15 | 10(50) 100 | 4(20) 60 | 3(15) 60 | 0(0) 0 | 20 | 2.35 | |

| | | | | | | | | |
|---|-----------|-------------|-------------|---------------|--------------|----|------|---|
| Our customers are allowed to experiment use of debit and credit and those who feel comfortable with it are more likely to adopt it | 0(0) 0 | 0(0) 0 | 0(0) 0 | 16(80) 320 | 4(20) 100 | 20 | 4.20 | 3 |
| Our customers are allowed to experiment use of debit and credit and those who feel comfortable with it are more likely to adopt it | 0(0) 0 | 2(10) 20 | 3(15) 45 | 10(50) 200 | 5(25) 125 | 20 | 3.90 | 5 |
| Lack of personal contact prevent the consumer from correctly evaluating the characteristics of the product, decreasing confidence | 0(0) 0 | 0(0) 0 | 4(20) 60 | 14(70) 280 | 2(10) 50 | 20 | 3.90 | 6 |
| Wealthy person with good knowledge of computers consumers value the convenience or time saving potential of debit and credit card more than older consumers | 0(0) 0 | 0(0) 0 | 5(25) 75 | 13(65) 260 | 2(10) 50 | 20 | 3.85 | 7 |

Values in parentheses () are row percentages, while values outside parentheses are frequencies.

Table 4.12 shows that 80% of the respondents agree to a great extent that the customers are allowed to experiment use of debit and credit and those who feel comfortable with it are more likely to adopt it. 30% of the respondents agree to a very

great extent that perceived usefulness and perceived ease of use of debit and credit card create a favorable behavioral intention toward using the Information Technology that consequently affects its self-reported use. Only 10% of the respondents agree to a very low extent that low awareness of innovation in banking services is a major factor in causing people not to adopt card business. 50% of the respondents agree to a low extent that availability of debit and credit usage allow customers to access their banking accounts from any location and at any time of the day.

On ranking the aspects on the basis of mean, the aspects, in order of popularity, were rated as Perceived usefulness and perceived ease of use of debit and credit card create a favorable behavioral intention toward using the Information Technology that consequently affects its self-reported use, Our bank offering card business service and it creates consumers aware about the availability of this product and explain how it adds value relative to other products of its own or that of the competitors, Our customers are allowed to experiment use of debit and credit and those who feel comfortable with it are more likely to adopt it, Information about the benefits of using a product/service as an essential service/product promotion strategy, Our customers are allowed to experiment use of debit and credit and those who feel comfortable with it are more likely to adopt it, lack of personal contact prevent the consumer from correctly evaluating the characteristics of the product, decreasing confidence, Wealthy person with good knowledge of computers consumers value the convenience or time saving potential of debit and credit card more than older consumers, complexity use of debit and credit card result to low adoption of the system, customer has a great influence on the adoption of credit cards as they ultimately decide on whether they

will use the card based on their individual needs and low awareness of innovation in banking services is a major factor in causing people not to adopt card business.

4.4 Security

4.4.1 Reported card claims

Table 4.13 Number of card claims reported in the last six months

| Number of case | Frequency | Percentage |
|---------------------|-----------|------------|
| Zero claims | 0 | 0 |
| 1 to 15 claims | 2 | 10 |
| 16 to 30 claims | 3 | 15 |
| 31 to 45 claims | 3 | 15 |
| 45 to 60 claims | 10 | 50 |
| More than 60 claims | 2 | 10 |
| Total | 20 | 100 |

Table 4.13 shows that majority of the respondents at 50% cited that between 45 to 60 claims have been reported within the last six months.

4.4.2 Respondents perception on how security influences the retail banking performance

Table 4.14 Respondents (staff) perception on how security influences the retail banking performance

| Statement | Strongly | Disagree | Neutral | Agree | Strongly | Total | Mean | Ranking |
|-----------|----------|----------|---------|-------|----------|-------|------|---------|
|-----------|----------|----------|---------|-------|----------|-------|------|---------|

| | disagree 1 | 2 | 3 | 4 | agree 5 | | | |
|--|-----------------------------|-------------|-------------|---------------|--------------------------|----|------|---|
| Most of our customers have a weak understanding of online banking security risks, although they are aware of the risks. | 0(0) 0 | 1(5) 10 | 3(15) 45 | 10(50) 200 | 6(30) 150 | 20 | 4.05 | 3 |
| Our bank creates trust among consumers by being more concerned about privacy issues and protecting them from any risk related to card business | 0(0) 0 | 0(0) 00 | 0(0) 00 | 14(70) 280 | 6(30) 150 | 20 | 4.30 | 1 |
| Perceived web security is a significant determinant of customer's acceptance of debit and credit usage | 0(0) 0 | 1(5) 10 | 4(20) 60 | 11(55) 220 | 4(20) 100 | 20 | 3.90 | 5 |
| Customers tend to increase purchases only if they perceive that credit card number and other sensitive information is safe | 0(0) 0 | 0(0) 0 | 3(15) 45 | 15(75) 300 | 2(10) 50 | 20 | 3.95 | 4 |
| One of the important barriers to electronic transactions is consumer disappointment | 3(15) 15 | 4(20) 40 | 4(20) 60 | 5(25) 100 | 4(20) 100 | 20 | 3.15 | 9 |

| | | | | | | | | |
|---|-------------|-------------|-------------|---------------|--------------|----|------|----|
| and frustration at violations of consumer privacy | | | | | | | | |
| Consumers worry that the bank may share customer profiles with other companies in the banking group | 0(0) 0 | 1(5) 10 | 4(20) 60 | 11(55) 220 | 4(20) 100 | 20 | 3.90 | 6 |
| An obstacle to credit card usage has been lack of security and privacy over the internet | 0(0) 0 | 4(20) 40 | 2(10) 30 | 10(50) 200 | 4(20) 100 | 20 | 3.70 | 7 |
| Poor attitude and security issues have caused the rate of debit and credit card usage to be low | 0(0) 0 | 0(0) 0 | 1(5) 15 | 16(80) 320 | 3(15) 75 | 20 | 4.10 | 2 |
| Rapid diffusion of new mobile devices by commercial banks and internet banking have resulted customers not to have accept debit and credit card | 1(5) 5 | 2(10) 20 | 4(20) 60 | 9(45) 180 | 4(20) 100 | 20 | 3.65 | 8 |
| Customers complains that reversing a transaction, stopping a payment after discovering a mistake, or a refund may not be possible | 3(15) 15 | 4(20) 40 | 3(15) 45 | 8(40) 160 | 2(10) 50 | 20 | 3.10 | 10 |

Values in parentheses () are row percentages, while values outside parentheses are frequencies.

Table 4.14 shows that 80% of the respondents agree that Poor attitude and security issues have caused the rate of debit and credit card usage to be low is an aspect of security that influences the retail banking performance. 30% of the respondents strongly agree that Most of our customers have a weak understanding of online banking security risks, although they are aware of the risks and our bank creates trust among consumers by being more concerned about privacy issues and protecting them from any risk related to card business are aspects of security that influences the retail banking performance. Only 5% of the respondents strongly disagree that rapid diffusion of new mobile devices by commercial banks and internet banking have resulted customers not to have accept debit and credit card is an aspect of security that influences the retail banking performance. 20% of the respondents disagree that an obstacle to credit card usage has been lack of security and privacy over the internet is an aspect of security that influences the retail banking performance.

On ranking the aspects on the basis of mean, the aspects, in order of popularity, were rated as Our bank creates trust among consumers by being more concerned about privacy issues and protecting them from any risk related to card business, Poor attitude and security issues have caused the rate of debit and credit card usage to be low, Most of our customers have a weak understanding of online banking security risks, although they are aware of the risks, Customers tend to increase purchases only if they perceive that credit card number and other sensitive information is safe, Perceived web security is a significant determinant of customer's acceptance of debit and credit usage, Consumers worry that the bank may share customer profiles with other companies in the banking group, an obstacle to credit card usage has been lack of security and privacy over the internet, One of the important barriers to electronic

transactions is consumer disappointment and frustration at violations of consumer privacy and Customers complains that reversing a transaction, stopping a payment after discovering a mistake, or a refund may not be possible.

Table 4.15 Respondents (customers) perception on aspects of insecurity that hinder use of card business

| | Very low extent 1 | Low extent 2 | Moderate extent 3 | Great extent 4 | Very great extent 5 | Total | Mean | Ranking |
|---|------------------------------|-------------------------|------------------------------|---------------------------|--------------------------------|--------------|-------------|----------------|
| I worry that the bank may share customer profiles | 0(0) 0 | 0(0) 0 | 3(10.71) 32.14 | 15(53.57) 214.28 | 10(35.71) 178.57 | 28 | 4.25 | 1 |
| I want to control all aspects of my personal data collected | 0(0) 0 | 0(0) 0 | 3(10.71) 32.14 | 20(71.42) 285.71 | 5(17.85) 89.28 | 28 | 4.07 | 3 |
| Internet risk and privacy is the most challenges hindering me to frequently use card business | 0(0) 0 | 0(0) 0 | 3(10.71) 32.14 | 18(64.28) 257.14 | 7(25) 125 | 28 | 4.14 | 2 |
| I feel so much exposed when giving out data and I need reasons why it is processed | 0(0) 0 | 4(14.28) 28.57 | 4(14.28) 42.85 | 15(53.57) 214.28 | 5(17.85) 89.28 | 28 | 3.75 | 6 |

| | | | | | | | | |
|--|--------------------|---------------------|---------------------|---------------------|-------------------|----|------|---|
| I have negative attitude towards use of debit and credit card | 5(17.85) 17.85 | 20(71.42) 142.85 | 3(10.71) 32.14 | 0(0) 0 | 0(0) 0 | 28 | 1.92 | 7 |
| I have encountered reverse of transaction, stopping of payment and no refund was made | 27(96.42) 96.42 | 1(3.57) 7.14 | 0(0) 0 | 0(0) 0 | 0(0) 0 | 28 | 1.03 | 8 |
| E-bank fraud has been rampant hence I have to be sensitive when applying for card business | 0(0) 0 | 0(0) 0 | 5 (17.85) 53.57 | 20(71.42) 285.71 | 3(10.71) 53.57 | 28 | 3.92 | 4 |
| It is not a guarantee of username and password privacy | 0(0) 0 | 0(0) 0 | 10(35.71) 107.14 | 14(50) 200 | 4(14.28) 71.42 | 28 | 3.78 | 5 |

Values in parentheses () are row percentages, while values outside parentheses are frequencies.

Table 4.15 shows that 71.42% of the respondents agree to a great extent that E-bank fraud has been rampant hence I have to be sensitive when applying for card business and that I want to control all aspects of my personal data collected as aspects of insecurity that hinder use of card business. 35.71% of the respondents agree to a very great extent that a worry that the bank may share customer profiles is an aspect of

insecurity that hinder use of card business. 96.42% of the respondents agree to a very low extent that they have encountered reverse of transaction, stopping of payment and no refund was made. 71.42% of the respondents agree to a low extent that they have negative attitude towards use of debit and credit card.

On ranking the aspects on the basis of mean, the aspects, in order of popularity, were rated as I worry that the bank may share customer profiles, Internet risk and privacy is the most challenges hindering me to frequently use card business, I want to control all aspects of my personal data collected, E-bank fraud has been rampant hence I have to be sensitive when applying for card business, It is not a guarantee of username and password privacy, I feel so much exposed when giving out data and I need reasons why it is processed, I have negative attitude towards use of debit and credit card and I have encountered reverse of transaction, stopping of payment and no refund was made.

4.4.3 Respondents (Customers) understanding on how security and privacy influence use of business card

Table 4.16: Respondents (Customers) understanding on how security and privacy influence use of business card

| Category | Frequency | Percentage |
|------------------------|------------------|-------------------|
| To a very low extent | 1 | 3.57 |
| To a low extent | 1 | 3.57 |
| To a moderate extent | 3 | 10.71 |
| To a great extent | 15 | 53.57 |
| To a very great extent | 8 | 28.57 |

| | | |
|--------------|----|-----|
| Total | 28 | 100 |
|--------------|----|-----|

Figure 4.11: Respondents (Customers) understanding on how security and privacy influence use of business card

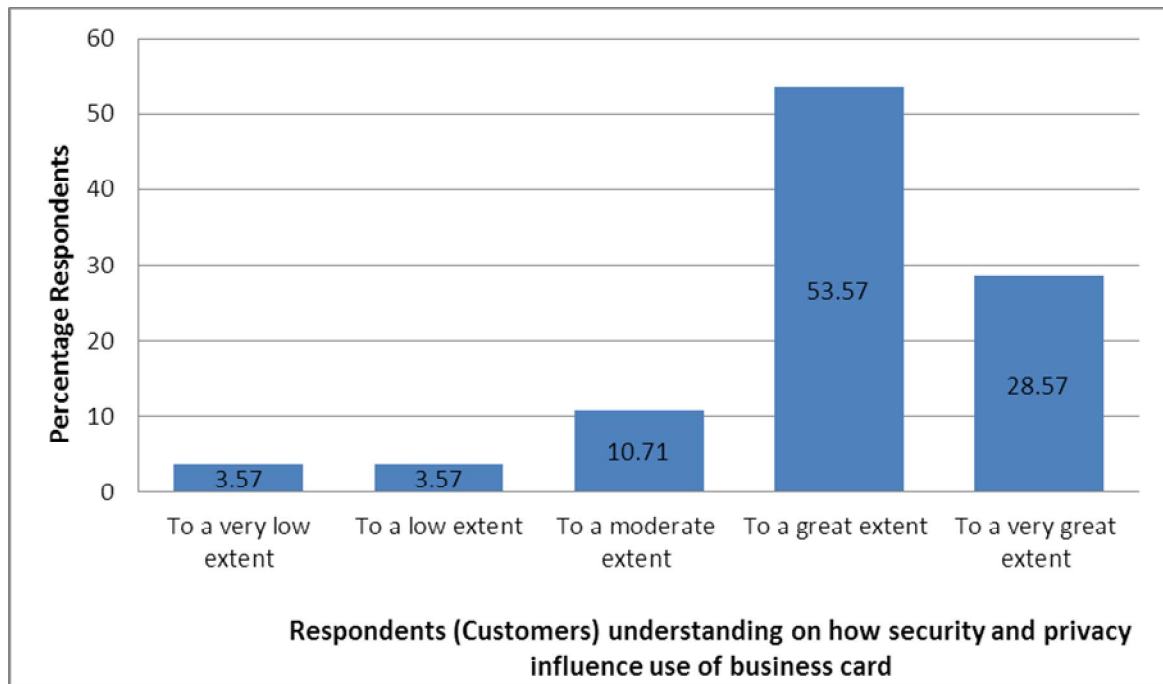


Table 4.16 and Figure 4.11 show that 28.57% of the respondents fully understand how security and privacy influence use of business card and 53.57% of the respondents have partial understanding while 3.57% and 10.71% understand at a low extent and a moderate extent respectively.

Table 4.17: Respondents (staff) understanding on the extent to which security and privacy influence the performance of retail banking

| Category | Frequency | Percentage |
|------------------------|-----------|------------|
| To a very low extent | 1 | 5 |
| To a low extent | 2 | 10 |
| To a moderate extent | 2 | 10 |
| To a great extent | 10 | 50 |
| To a very great extent | 5 | 25 |
| Total | 20 | 100 |

Figure 4.12: Respondents (staff) understanding on the extent to which security and privacy influence the performance of retail banking

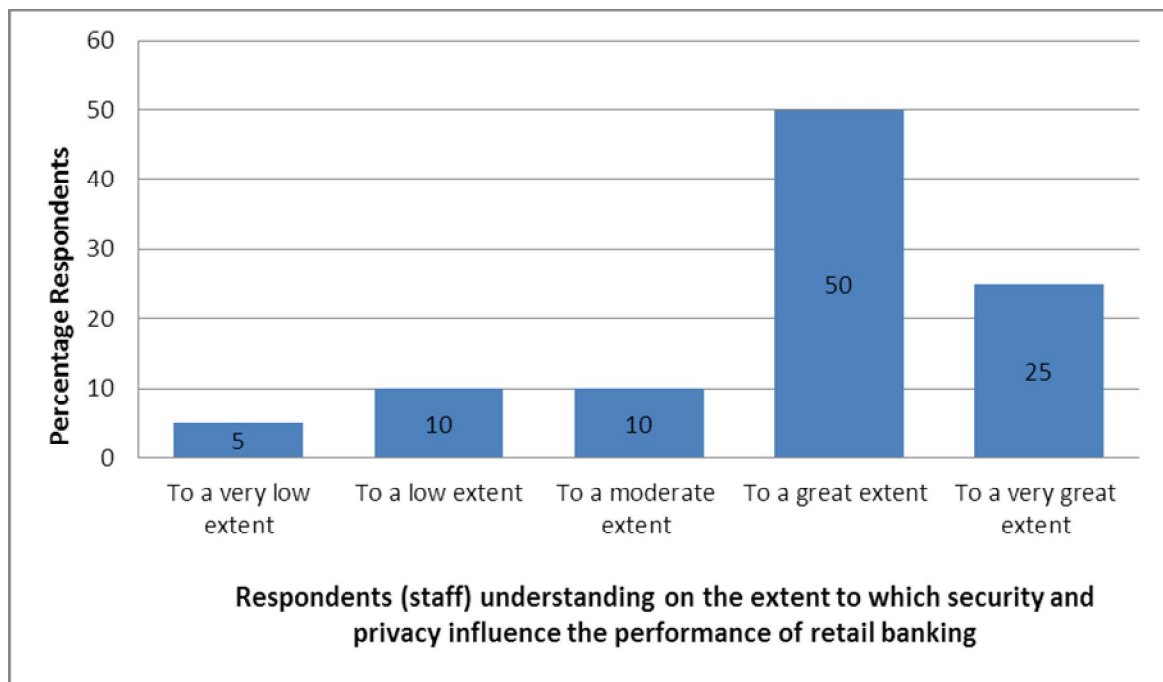


Table 4.17 and Figure 4.12 show that 25% of the respondents fully understand how security and privacy influence the performance of retail banking and 50% of the

respondents have partial understanding while 5% and 10 % understand at a low extent and a moderate extent respectively.

4.5 Competition

4.5.1 Respondent's perception on aspects of competition that influence retail banking performance

Table 4.18: Respondent's (customer) perception on aspects of competition that influence retail banking performance

| | Strongly disagree 1 | Disagree 2 | Neutral 3 | Agree 4 | Strongly agree 5 | Total | Mean | Ranking |
|--|------------------------|------------------|---------------------|---------------------|---------------------|-------|------|---------|
| I use my card in paying goods in supermarket | 0(0) 0 | 0(0) 0 | 3(10.71) 32.14 | 20(71.42) 285.71 | 5(17.85) 89.28 | 28 | 4.07 | 2 |
| I order for good then I pay upon delivery to me | 18(64.28) 64.28 | 0(0) 0 | 10(35.71) 107.14 | 0(0) 0 | 0(0) 0 | 28 | 1.71 | 5 |
| I do not carry cash instead I use my card to pay for good | 2(7.14) 7.14 | 2(7.14) 14.28 | 8(28.57) 85.71 | 10(35.71) 142.85 | 6(21.42) 107.14 | 28 | 3.57 | 4 |
| My bank card is acceptable to most of the shops and petrol station | 0(0) 0 | 0(0) 0 | 8(28.57) 85.71 | 20(71.42) 285.71 | 0(0) 0 | 28 | 3.71 | 3 |
| I prefer the KCB card over the other banks card | 0(0) 0 | 2(7.14) 14.28 | 4(14.28) 42.85 | 2(7.14) 28.57 | 20(71.42) 357.14 | 28 | 4.42 | 1 |

Values in parentheses () are row percentages, while values outside parentheses are frequencies.

Table 4.18 shows that 71.42% of the respondents agree that their bank card is acceptable to most of the shops and petrol station and that they use their cards in paying goods in supermarket. 71.42% of the respondents strongly agree that they

prefer the KCB card over the other banks card. 7.14% strongly disagree that they do not carry cash instead they use their card to pay for good. 35.71% of the respondents are neutral on whether they order for good then they pay upon delivery to them.

On ranking the aspects on the basis of mean, the aspects, in order of popularity, were rated as I prefer the KCB card over the other banks card, I use my card in paying goods in supermarket, My bank card is acceptable to most of the shops and petrol station, I do not carry cash instead I use my card to pay for good and I order for good then I pay upon delivery to me.

Table 4.19: Respondents (staff) perception on aspects of competition that influence performance of card business

| Statement | Strongly disagree 1 | Disagree 2 | Neutral 3 | Agree 4 | Strongly agree 5 | Total | Mean | Ranking |
|--|------------------------|---------------|--------------|---------------|---------------------|-------|------|---------|
| Our bank attempt to better understand its customers and their attitudes toward technology in general | 0(0) 0 | 1(5) 10 | 3(15) 45 | 10(50) 200 | 6(30) 150 | 20 | 4.05 | 4 |
| Our banks is able to influence and even determine consumer behavior, which is becoming a major issue in creating competitive advantage in the future | 0(0) 0 | 0(0) 0 | 0(0) 0 | 14(70) 280 | 6(30) 150 | 20 | 4.30 | 1 |
| With the rapid diffusion of the Internet, card business in cyberspace is fast becoming an alternative channel to provide banking | 0(0) 0 | 1(5) 10 | 4(20) 60 | 11(55) 220 | 4(20) 100 | 20 | 3.90 | 6 |

| | | | | | | | | |
|---|-----------|------------|-------------|---------------|--------------|----|------|---|
| services and products | | | | | | | | |
| Card usage is now being considered as a strategic weapon and will revolutionize the way banks operate, deliver, and compete against one another | 0(0) 0 | 0(0) 0 | 0(0) 0 | 16(80) 320 | 4(20) 100 | 20 | 4.20 | 2 |
| Card business has allowed banks and financial institutions to provide financial services by exploiting an extensive public network infrastructure | 0(0) 0 | 1(5) 10 | 4(20) 60 | 11(55) 220 | 4(20) 100 | 20 | 3.90 | 5 |
| Consumer acceptance of innovation in the financial services enhance banks to acquire a better understanding and build a stronger relationship with them | 0(0) | 0(0) | 1(5) 15 | 16(80) 320 | 3(15) 75 | 20 | 4.10 | 3 |

Values in parentheses () are row percentages, while values outside parentheses are frequencies.

Table 4.19 shows that 80% of the respondents agree that Card usage is now being considered as a strategic weapon and will revolutionize the way banks operate, deliver, and compete against one another and that Consumer acceptance of innovation in the financial services enhance banks to acquire a better understanding and build a

stronger relationship with them. 30% of the respondents strongly agree that their bank attempt to better understand its customers and their attitudes toward technology in general and also strongly agree that their banks is able to influence and even determine consumer behavior, which is becoming a major issue in creating competitive advantage in the future. None of the respondents strongly disagreed with the given aspects. Only 5% of the respondents are neutral that Consumer acceptance of innovation in the financial services enhance banks to acquire a better understanding and build a stronger relationship with them.

On ranking the aspects on the basis of mean, the aspects, in order of popularity, were rated as Our banks is able to influence and even determine consumer behavior, which is becoming a major issue in creating competitive advantage in the future, Card usage is now being considered as a strategic weapon and will revolutionize the way banks operate, deliver, and compete against one another, Consumer acceptance of innovation in the financial services enhance banks to acquire a better understanding and build a stronger relationship with them, Our bank attempt to better understand its customers and their attitudes toward technology in general, Card business has allowed banks and financial institutions to provide financial services by exploiting an extensive public network infrastructure and With the rapid diffusion of the Internet, card business in cyberspace is fast becoming an alternative channel to provide banking services and products.

4.5.2 Respondents understanding on how use of card business enhances competition

Table 4.19: Respondents (Customers) understanding on how use of card business enhances competition

| Category | Frequency | Percentage |
|------------------------|------------------|-------------------|
| To a very low extent | 1 | 3.57 |
| To a low extent | 1 | 3.57 |
| To a moderate extent | 2 | 7.14 |
| To a great extent | 20 | 71.42 |
| To a very great extent | 4 | 14.28 |
| Total | 28 | 100 |

Figure 4.13: Respondents (Customers) understanding on how use of card business enhances competition

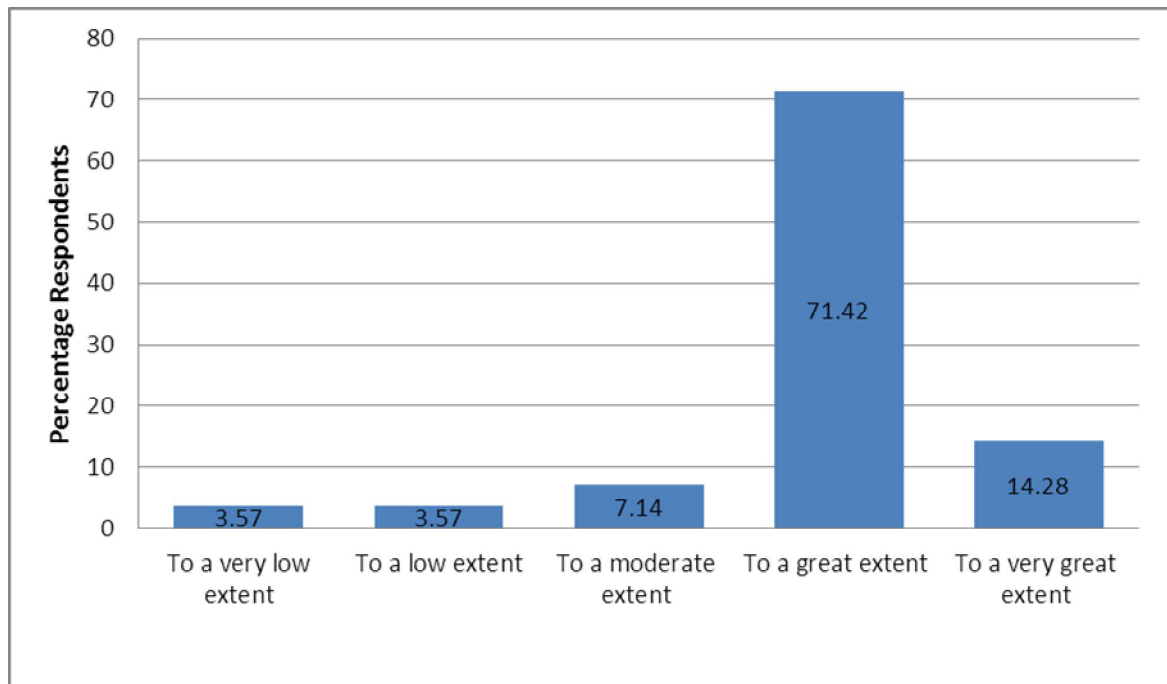


Table 4.19 and Figure 4.13 show that 14.28% of the respondents fully understand how on how use of card business enhances competition and 71.42% of the respondents have partial understanding while 3.57% and 7.14 % understand at a low extent and a moderate extent respectively.

Table 4.20: Respondents (staff) understanding on the extent to which competition influence performance of retail banking

| Category | Frequency | Percentage |
|------------------------|-----------|------------|
| To a very low extent | 1 | 5 |
| To a low extent | 1 | 5 |
| To a moderate extent | 2 | 10 |
| To a great extent | 10 | 50 |
| To a very great extent | 6 | 30 |
| Total | 20 | 100 |

Figure 4.14: Respondents (staff) understanding on the extent to which competition influence performance of retail banking

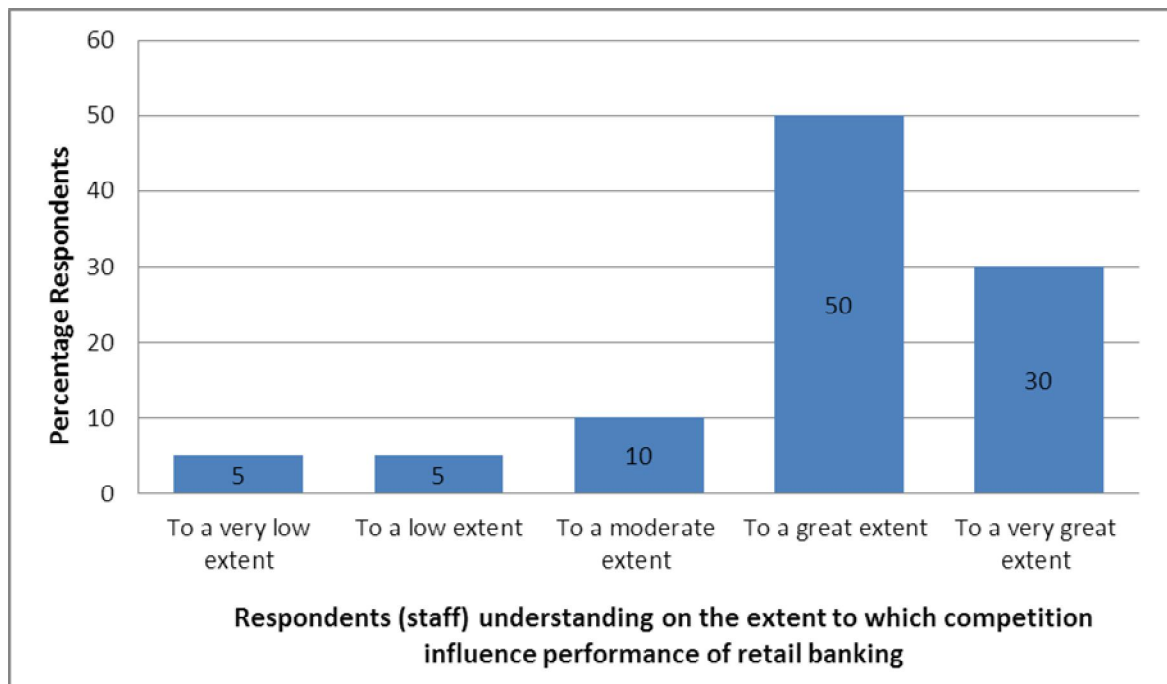


Table 4.20 and Figure 4.14 show that 30% of the respondents fully understand how competition influence performance of retail banking and 50% of the respondents have partial understanding while 5% and 10% understand at a low extent and a moderate extent respectively.

4.6 Retail banking performance

Table 4.21: Respondents (staff) perception of the aspects of retail banking performance for the last three years

| | Greatly decreasing 1 | Decreasing 2 | Constant 3 | Increasing 4 | Greatly increasing 5 | Total | Mean | Ranking |
|--|-------------------------|-----------------|---------------|-----------------|-------------------------|-------|------|---------|
| | | | | | | | | |

| | | | | | | | | |
|----------------------------|-----------|-----------|-------------|---------------|--------------|----|------|---|
| Profitability | 0(0) 0 | 0(0) 0 | 2(10) 30 | 10(50) 200 | 8(40) 200 | 20 | 4.30 | 3 |
| Attraction of new customer | 0(0) 0 | 0(0) 0 | 2(10) 30 | 11(55) 220 | 7(35) 175 | 20 | 4.25 | 4 |
| Customer base | 0(0) 0 | 0(0) 0 | 4(20) 60 | 10(50) 200 | 6(30) 150 | 20 | 4.10 | 5 |
| Productivity | 0(0) 0 | 0(0) 0 | 0(0) 0 | 12(60) 240 | 8(40) 200 | 20 | 4.40 | 1 |
| Customer retention | 0(0) 0 | 0(0) 0 | 0(0) 0 | 13(65) 260 | 7(35) 175 | 20 | 4.35 | 2 |
| Effective services | 0(0) 0 | 0(0) 0 | 2(10) 30 | 14(70) 280 | 4(20) 100 | 20 | 4.10 | 6 |

Values in parentheses () are row percentages, while values outside parentheses are frequencies.

Table 4.21 shows that 70% of the respondents agree that there has been increasing in the effectiveness of services over the last three years. 40% of the respondents cite that there has been a great increase in both profitability and productivity. 20% of the respondents cited that customer base has been constant in the last three years.

On ranking the aspects on the basis of mean, the aspects, in order of popularity, were rated as Productivity, Customer retention, Profitability, Attraction of new customer, Customer base and Effective services.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings of the research, discusses the results, draws conclusions and makes recommendations influence of card acquiring business on the performance of retail banking.

5.2 Summary of Findings

Significant findings that arose from the study were;

The aspects of awareness that affect performance of card business in order of popularity were: Perceived usefulness and perceived ease of use of debit and credit card create a favorable behavioral intention toward using the Information Technology that consequently affects its self-reported use, Our bank offering card business service and it creates consumers aware about the availability of this product and explain how it adds value relative to other products of its own or that of the competitors, Our customers are allowed to experiment use of debit and credit and those who feel comfortable with it are more likely to adopt it, Information about the benefits of using a product/service as an essential service/product promotion strategy, Our customers are allowed to experiment use of debit and credit and those who feel comfortable with it are more likely to adopt it, lack of personal contact prevent the consumer from correctly evaluating the characteristics of the product, decreasing confidence, Wealthy person with good knowledge of computers consumers value the convenience or time saving potential of debit and credit card more than older consumers, complexity use of debit and credit card result to low adoption of the system, customer has a great

influence on the adoption of credit cards as they ultimately decide on whether they will use the card based on their individual needs and low awareness of innovation in banking services is a major factor in causing people not to adopt card business.

The aspects on how security influences the retail banking performance in order of popularity were: Our bank creates trust among consumers by being more concerned about privacy issues and protecting them from any risk related to card business, Poor attitude and security issues have caused the rate of debit and credit card usage to be low, Most of our customers have a weak understanding of online banking security risks, although they are aware of the risks, Customers tend to increase purchases only if they perceive that credit card number and other sensitive information is safe, Perceived web security is a significant determinant of customer's acceptance of debit and credit usage, Consumers worry that the bank may share customer profiles with other companies in the banking group, an obstacle to credit card usage has been lack of security and privacy over the internet, One of the important barriers to electronic transactions is consumer disappointment and frustration at violations of consumer privacy and Customers complains that reversing a transaction, stopping a payment after discovering a mistake, or a refund may not be possible.

Aspects of insecurity that hinder use of card business in order of popularity were: I worry that the bank may share customer profiles, Internet risk and privacy is the most challenges hindering me to frequently use card business, I want to control all aspects of my personal data collected, E-bank fraud has been rampant hence I have to be sensitive when applying for card business, It is not a guarantee of username and password privacy, I feel so much exposed when giving out data and I need reasons why it is processed, I have negative attitude towards use of debit and credit card and I

have encountered reverse of transaction, stopping of payment and no refund was made.

Aspects of competition that influence retail banking performance in order of popularity were: I prefer the KCB card over the other banks card, I use my card in paying goods in supermarket, My bank card is acceptable to most of the shops and petrol station, I do not carry cash instead I use my card to pay for good and I order for good then I pay upon delivery to me.

Aspects of competition that influence performance of card business in order of popularity were: Our banks is able to influence and even determine consumer behavior, which is becoming a major issue in creating competitive advantage in the future, Card usage is now being considered as a strategic weapon and will revolutionize the way banks operate, deliver, and compete against one another, Consumer acceptance of innovation in the financial services enhance banks to acquire a better understanding and build a stronger relationship with them, Our bank attempt to better understand its customers and their attitudes toward technology in general, Card business has allowed banks and financial institutions to provide financial services by exploiting an extensive public network infrastructure and With the rapid diffusion of the Internet, card business in cyberspace is fast becoming an alternative channel to provide banking services and products.

Aspects of retail banking performance for the last three years in order of popularity were: Productivity, Customer retention, Profitability, Attraction of new customer, Customer base and Effective services.

5.3 Discussion

5.3.1 Awareness

The study sought to find out how awareness influences the performance of card business. The study found out that perceived usefulness and perceived ease of use of debit and credit card create a favorable behavioral intention toward using the Information Technology that consequently affects its self-reported use. This matches literature by Davis which states that perceived usefulness and perceived ease of use create a favorable behavioral intention toward using the Information Technology that consequently affects its self-reported use and the use of card business has got no exception (Davis *et al.*, 2003). The study also found out that the bank offers card business service and it creates consumers awareness about the availability of the product and explains how it adds value relative to other products of its own over that of the competitors. This matches literature by Pikkarainen which states that If the service can clearly show the benefits and how they address customers' needs, then customers are more likely to use it (Pikkarainen *et al.*, 2004). The study has also found out that Information about the benefits of using a product/service as an essential service/product promotion strategy.

Other attributes of awareness that came out of the study is that the bank uses mostly its websites and bulk text messages to create awareness to its customers. Majority of the customers at 80% agree to have embraced the use of cards in making transaction and they too believe that the bank has done enough awareness on card business adoption. The staff respondents are in agreement that the bank has created enough awareness on card use to its customers.

5.3.2 Security

The study sought to find out how security and privacy influences the use of card business in retail performance. The study found out that the bank creates trust among consumers by being more concerned about privacy issues and protecting them from any risk related to card business. This matches the literature by Roboff and Charles which states that consumers often trust that their bank is more concerned about privacy issues and will protect them hence increasing the use of card business (Roboff and Charles 2006). The study also found out that poor attitude and security issues have caused the rate of debit and credit card usage to be low. This matches literature by Pikkarainen which states that User perceptions of the credibility of security and privacy may affect card business use intention (Pikkarainen 2004). Other aspects of security that came out of the study are weak understanding of online banking security risks and perceived web security.

The study also sought to find out customers attributes of security that hinder the adoption of card business. The study found out that customers worry that the bank may share customer profiles and that Internet risk and privacy are challenges hindering them from frequently using card business. Most respondents cited that they would want to control all aspects of their personal data collected. Respondents (customers) cited that they do consider security issues when applying for the cards. The staff respondents cited that they agree that there is perceived risks related to card use and the study found out that 45 to 60 card business claims have been reported within the last six months.

5.3.3 Competition

The study sought to find out how competition influences the performance of card business. The study found out that the bank is able to influence and even determine consumer behavior, which is becoming a major issue in creating competitive advantage in the future and that card usage is now being considered as a strategic weapon and will revolutionize the way the bank operates, delivers, and competes against other banks. This matches Mols literature that states that the emergence of new banking technology has created highly competitive market conditions, which have had a critical impact upon consumer behaviour and that Internet banking providers must, therefore, attempt to better understand their customers and their attitudes toward technology in general (Mols, 2008).

The study also found out that the customers have other cards apart from KCB card but they prefer the KCB card over the other banks card and that they use their KCB cards in paying goods in supermarket. In addition, the respondents cited that their KCB card is acceptable to most of the shops and petrol station, and hence they do not carry cash instead they use their card to pay for goods. The customers also agree that introducing card business is a competitive advantage for the bank.

5.3.3 Retail banking performance

The study sought to find out the rate of various aspects of retail banking following adoption of card business within the last three years. The study found that there has been an increase in productivity, customer retention, profitability and attraction of new customer. The respondents cited that the productivity has been as a result of the

banks investment in technology and innovation which has seen a new internet banking platform launched in June 2013. In terms in customer retention, the respondents cited that it's as a result of customers having and increased trust not only with the card business but also increased satisfaction with the overall banks products. Increased profitability is as a result of the increased merchants who have adopted the card business.

5.4 Conclusion

Advances in information and communication technologies in particular, the growing use of the internet for business transaction, have had a profound effect on the banking industry. While this is a global phenomenon, creating a truly global marketplace, penetration of internet banking into less developed countries lags behind that of the developed Western countries. While poor economies, education and infrastructure are obvious factors in the slow adoption of technology in some developing countries, there are probably also other issues like awareness, security among other factors plays role.

Since the Card business entered the Kenyan market in the 1960, many commercial banks have embraced the use of cards for business transactions. However, the card business has not been fully exploited. Issues related to awareness, security and competition have been the core challenges. The success of card acquiring business is determined not only by banks or government support, but also by customers' awareness of it. Financial institutions are focusing on the awareness levels of their card holders, by advertising that they can use their cards for shopping without having to withdraw and carry cash to make purchases and this has had a positive effect on the card acquiring business as the value of transactions effected through cards.

The importance of security and privacy to the acceptance of online banking and other related services has been of more concern to the service providers. Today, the service providers are committed to make all the online interfaces secure to protect the interest of customer. The migration from a magnetic strip card to a chip card is a mile stone in the banking industry as far as security issues are concerned.

The emergence of card business technology has created highly competitive market conditions, which have had a critical impact upon consumer behaviour. It's worth noting that competition is one of the key challenges facing the banking industry today. KCB today offers a number of card services namely, credit cards, debit cards and prepaid cards. This has increased the competitive ability of the bank.

Therefore, this study concludes that awareness, security and competition influence the performance of card business within the banking industry.

5.5 Recommendations

Having established the three factors that affect the performance of card business within the banking industry, the study recommend that the three factors namely awareness, security and competition be addressed by the concerned service providers. The study calls for maximum awareness creation to market the card business through advertisements, social media and collaboration with other institutions that absorb the card business in huge volumes such as supermarkets, petrol stations and restaurants.

The study calls for the key players in the card business to invest in innovation on security matters affecting the card business to ensure that the customer cards and all details are safe. This can be done for instance through linking the customer card

transactions with the customer mobile number for the customer to receive a notification update every time the customer does a transaction.

Lastly, the study calls for the players in the card industry to ensure that their cards offer a diversity of services in order to stay competitive.

5.6 Suggestions for further studies

The study has examined the factors that affect the performance of card business in the banking industry. However, there is a need for more studies on all aspects of security not only in the card business but also on all other bank products. This study suggests for studies on the challenges that face the banking industries in their endeavour to maintain utmost security for its data base as a result of technological advancement.

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APPENDICES

Appendix I: Letter of Transmittal

CALEB MUASYA

P O Box

Nairobi.

4th March 2014

Dear Sir/Madam

RE: INFLUENCE OF CARD ACQUIRING BUSINESS ON THE PERFORMANCE OF RETAIL BANKING: A CASE OF KENYA COMMERCIAL BANK GROUP, KENYA. I am a Master of Arts student at the University of Nairobi and in my final year of study. As part of the requirement for the award of the degree of Master of Arts in Project Planning and Management, I'm undertaking a research project on **"influence of card acquiring business on the performance of retail banking: a case of Kenya commercial bank group, Kenya"**. In this regard, I'm kindly requesting for your support in terms of time, and by responding to the attached questionnaire. Your accuracy and candid response will be critical in ensuring objective research. It will not be necessary to write your name on this questionnaire and for your comfort, all information received will be treated in strict confidence. In addition, the findings of the study will surely be used for academic research purposes and to enhance knowledge in the field of Banking. Thank you for your valuable time on this.

Yours faithfully

CALEB MUASYA.

University of Nairobi

Appendix II: Questionnaire for the banking staff

Am studying Master of Project Planning and Management program at University of Nairobi and I have designed the following questionnaire about **INFLUENCE OF CARD ACQUIRING BUSINESS ON THE PERFORMANCE OF RETAIL BANKING: A CASE OF KENYA COMMERCIAL BANK GROUP, KENYA**. Kindly and humbly answer all the questions to the best of your knowledge. Indicate with a tick or filling in the space(s) provided.

SECTION A: GENERAL INFORMATION

Name of your Bank

1. Kindly indicate your department

Finance Card Centre Resource

Internal Audit (IT) Operations

Customer Service Contact Centre

Any others (specify)

2. Indicate the position that you hold in the organization?

Director Manager

Team Leader Departmental Head

Supervisor Technical Personnel

Any other (specify).....

3. How long have you worked in this Bank?

1- 5 years 6 – 10Years

10 – 15Years Above 16Years

4. What is your highest level of education?

Post Graduate [] Graduate []

Diploma [] Certificate []

Any other (specify).....

5. Do you think your organization reconsider Information Technology innovation in its operation?

Yes [] No []

SECTION A: AWARENESS

6. Does your bank organization create awareness of card business use to the consumer?

Yes [] No []

7. Indicate your level of agreement to the statement below relating to consumer awareness and their influence to performance of retail banking. Use a scale of 1-5, where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree.

| Statement | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Customer has a great influence on the adoption of credit cards as they ultimately decide on whether they will use the card based on their individual needs | | | | | |
| Consumers consider before adopting is the amount of information they have about internet banking | | | | | |
| Low awareness of innovation in banking services is a major factor in causing people not to adopt card business | | | | | |
| Information about the benefits of using a product/service as an essential service/product promotion strategy | | | | | |
| Our bank offering card business service and it creates consumers aware about the availability of this product and explain how it adds value relative to other products of its own or that of the competitors. | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| Perceived usefulness and perceived ease of use of debit and credit card create a favorable behavioral intention toward using the Information Technology that consequently affects its self-reported use | | | | | |
| Complexity use of debit and credit card result to low adoption of the system | | | | | |
| Availability of debit and credit usage allow customers to access their banking accounts from any location and at any time of the day | | | | | |
| Our customers are allowed to experiment use of debit and credit and those who feel comfortable with it are more likely to adopt it | | | | | |
| Lack of personal contact prevent the consumer from correctly evaluating the characteristics of the product, decreasing confidence | | | | | |
| Wealthy person with good knowledge of computers consumers value the convenience or time saving potential of debit and credit card more than older consumers | | | | | |

8. In your own opinion, indicate the extent to which consumer awareness and their influence to performance of retail banking?

- To a very low extent [] To a low extent []
 To a moderate extent [] To a great extent []
 To a very great extent []

SECTION B: SECURITY

9. Do you think perceived risk relate to banking services influence retail banking performance?

- Yes [] No []

| | | | | | |
|---|--|--|--|--|--|
| resulted customers not to have accept debit and credit card | | | | | |
| Customers complains that reversing a transaction, stopping a payment after discovering a mistake, or a refund may not be possible | | | | | |

12. To what extent do you think security and privacy influence to performance of retail banking?

- To a very low extent To a low extent
 To a moderate extent To a great extent
 To a very great extent

SECTION C: Competition

13. Does competition through use of card business influence retail banking performance?

- Yes No

14. Does technology advancement impacts to competitive advantage of your organization in the banking sector?

- Yes No

15. Kindly indicate your level of agreement to the statement aspect of competition and its influence to the retail banking performance. Use a scale of 1-5, where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree.

| Statement | 1 | 2 | 3 | 4 | 5 |
|--|----------|----------|----------|----------|----------|
| Our bank attempt to better understand its customers and their attitudes toward technology in general | | | | | |
| Our banks is able to influence and even determine consumer behavior, which is becoming a major issue in creating competitive advantage in the future | | | | | |
| With the rapid diffusion of the Internet, card business in cyberspace is fast becoming an alternative channel to | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| provide banking services and products | | | | | |
| Card usage is now being considered as a strategic weapon and will revolutionize the way banks operate, deliver, and compete against one another | | | | | |
| Card business has allowed banks and financial institutions to provide financial services by exploiting an extensive public network infrastructure | | | | | |
| Consumer acceptance of innovation in the financial services enhance banks to acquire a better understanding and build a stronger relationship with them | | | | | |

16. Kindly indicate the extent to which competition influence performance of retail banking?

- To a very low extent [] To a low extent []
 To a moderate extent [] To a great extent []
 To a very great extent []

SECTION D: RETAIL BANKING PERFORMANCE

17. How would you rate the following aspect of retail banking performance for the last three years (3). Where 1- greatly decreasing, 2- decreasing, 3- constant, 4 – increasing and 5 greatly increasing.

| | | | | | |
|----------------------------|--|--|--|--|--|
| | | | | | |
| Profitability | | | | | |
| Attraction of new customer | | | | | |
| Customer base | | | | | |
| Productivity | | | | | |
| Customer retention | | | | | |
| Effective services | | | | | |

18. Kindly give a brief justification for your answers above.
Profitability

.....
.....
.....

Attraction of new customer

.....
.....
.....

Customer base

.....
.....
.....

Productivity

.....
.....
.....

Customer retention

.....
.....
.....

Effective services

.....
.....
.....

19. In general, what would you recommend to be done on Card business in order to improve retail banking performance in your organization?

.....
.....
.....
.....
.....

THANK YOU FOR YOUR PARTICIPATION!!!!

Appendix III: Questionnaire for the Customers

INFLUENCE OF CARD ACQUIRING BUSINESS ON THE PERFORMANCE OF RETAIL BANKING: A CASE OF KENYA COMMERCIAL BANK GROUP, KENYA Am studying Master of Project Planning and Management program at University of Nairobi and I have designed the following questionnaire about the above topic. Kindly and humbly answer all the questions to the best of your knowledge. Indicate with a tick or filling in the space(s) provided.

Name of your Bank

- 1. For how long have you been customer of this bank?
1- 5 years [] 6 – 10Years []
10 – 15Years [] Above 16Years []
- 2. What is your highest level of education?
Post Graduate [] Graduate []
Diploma [] Certificate []
Any other (specify).....
- 3. Are you employed?
Yes [] No []
- 4. Which one of the following card do you have?
ATM card []
Visa card []
Debit and credit card []
None []
Any other (specify)
- 5. Which is your profession?
.....

SECTION A: AWARENESS

- 6. Do you embrace use of card in making transaction?
Yes [] No []
- 7. Do you think the bank is doing enough to create awareness of card business use?
Yes [] No []
- 8. Where did you get information about card use from?

| | Yes | No |
|--------------------------|-----|----|
| Friend | | |
| From the bank website | | |
| Road show | | |
| Message through my phone | | |
| Television advert | | |
| From the bank attendants | | |

9. To what extent do you think the bank is creating awareness on card use to the customers?

- To a very low extent To a low extent
 To a moderate extent To a great extent
 To a very great extent

SECTION B: SECURITY

10. In your own opinion do you consider security issue when using or applying for card business?

- Yes No

11. Have you ever experienced any problem when using your card?

- Yes No

12. If yes, explain

.....

13. Kindly indicate the extent to which the following aspects of insecurity hinder you to use card business. Use a scale of 1-5. Where 1= Very low extent, 2=Low extent 3=Moderate extent, 4=Great extent and 5=Very great extent,

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| I worry that the bank may share customer profiles | | | | | |
| I want to control all aspects of my personal data collected | | | | | |
| Internet risk and privacy is the most challenges hindering me to frequently use card business | | | | | |
| I feel so much exposed when giving out data and I need reasons why it is processed | | | | | |
| I have negative attitude towards use of debit and credit card | | | | | |
| I have encountered reverse of transaction, stopping of payment and no refund was made | | | | | |
| E-bank fraud has been rampant hence I have to be sensitive when applying for card business | | | | | |
| It is not a guarantee of username and password privacy | | | | | |

14. Kindly indicate the extent to which security and privacy influence you to use business card?

To a very low extent [] To a low extent []
 To a moderate extent [] To a great extent []
 To a very great extent []

SECTION C: Competition

20. Do you have other bank card apart from these?

Yes [] No []

21. Do you think the bank is having competitive advantage by introducing card business use?

Yes [] No []

22. Kindly indicate your level of agreement to the statement aspect of competition and its influence to the retail banking performance. Use a scale of 1-5, where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree.

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| I use my card in paying goods in supermarket | | | | | |
| I order for good then I pay upon delivery to me | | | | | |
| I do not carry cash instead I use my card to pay for good | | | | | |
| My bank card is acceptable to most of the shops and petrol station | | | | | |
| I prefer the KCB card over the other banks card | | | | | |
| Any other(specify)..... | | | | | |

23. Kindly indicate the extent to which you feel business card enhance competition of the bank?

To a very low extent [] To a low extent []
 To a moderate extent [] To a great extent []
 To a very great extent []

THANK YOU FOR YOUR PARTICIPATION

Appendix IV Schedules of Activities

| Activity | February 2014 | March 2014 | April 2014 | May 2014 | June 2014 |
|---------------------------|------------------|---------------|---------------|-------------|--------------|
| Project Proposal | | | | | |
| Questionnaire formulation | | | | | |
| Pilot Study | | | | | |
| Field Data Collection | | | | | |
| Data Analysis | | | | | |
| Report Writing | | | | | |
| Submission | | | | | |

Appendix V: Budget

| Item | Kshs |
|--|------------------|
| Proposal writing | 12,000.00 |
| Data Collection | 10,000.00 |
| Printing | 7,000.00 |
| Photocopying | 5,000.00 |
| Transport, logistics and communication | 9,500.00 |
| Subsistence | 7,000.00 |
| Computer time | 6,500.00 |
| Miscellaneous | 10,000.00 |
| TOTAL | 67,000.00 |