AN EVALUATION OF EXTERNAL COMMUNICATION STRATEGIES ADOPTED BY BANKS IN KENYA

BY

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DECLARATION

Student's Declaration

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

Signature.. Date..12/11/2012.........

Thomas Edgar Osama

Supervisor's Declaration

This project has been submitted for examination with my approval as a University Supervisor

Signature..Date ..19/11/2012..........................

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DEDICATION

This study is dedicated to my dad Christopher D. Osama, my mum Pauline Osama and the rest of our family members who despite their irrespective engagements gave me moral support of going back to school, the unknown Constituent who might one day benefit from it and to those who intend to undertake a degree course in the later years of their lives.

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ABSTRACT

The purpose of this research was to evaluate the external communication strategies adopted by banks in Kenya. The objectives of the study was to establish the external communication strategies used by banks in Kenya, their effectiveness and hindrances to effective communication. The study found out various external communication strategies adopted by banks in Kenya to communicate to external publics. For instance strategies used to communicate to external publics involves: web site, community social responsibility, sponsorships, sporting events, cause- related marketing and product publicity.

The literature review of the study gave an insight of the external communication strategies adopted by banks towards external publics. The study also gave a review of depositors' attitude towards banking with regard to bank failures and also the strategies targeting an increase in knowledge of customers.

The study used both primary and secondary methods of collecting information that is, using questionnaires and interviews. The research methodology and design involved both quantitative and qualitative data analysis. The population sample comprised of two hundred bank depositors and one hundred bank employees, with fifteen key informants from bank employees for in depth interviews. The sampling frame appropriate to this study was simple random sampling. The study revealed that banks employ different external communication strategies to make their communication to depositors and creditors effective, however a lot still needs to be done to make communication better as

evidenced by a number of respondents who thought that their banks communication strategies were ineffective.

The study recommends that, although banks are doing well in terms of informing depositors on useful information a lot still needs to be done for instance engaging services of opinion leaders when there's useful information to be passed across in rural areas. Making follow ups whenever information is sent to depositors and creditors, using public awareness campaigns to inform depositors, negotiating with government on infrastructure and also involving ICT in their day to day communication,

Finally the study concludes that a lot still needs to be improved to make communication better and effective, for instance banks need to make follow ups on useful information sent to depositors and creditors, also banks need to adopt ICT as a means of communication in its daily activities and finally banks need to involve opinion leaders in their rural communication.

CHAPTER ONE

INTRODUCTION

1.0 Financial Communication Globally

The notion that communication plays a vital role in influencing efficiency in the banking industry all over the world is indisputable. International banks such as Standard and Barclays rely heavily on communication to enhance and sustain their efficiency. This is further reinforced by the fact that these banks use sporting activities like football, athletics and golf to pass their messages across. Barclays has been using Manchester United football club to advertise their ambitious Man U Barclay Card promotion with success. Co-operative bank, on the other hand, sponsors Jambo junior account holders to a sumptuous retreat annually to promote the account.

Hutchins (2008) says that financial communication entails all of the strategies, tactics and tools used to share financial data and recommendations with investors and other interested parties. Around the world, companies need strong, proactive financial communication competencies to successfully help shape the evolution of capital markets for themselves and their industries.

As the study of financial communication continues to gain reasonable attention in financial literature, the problem of financial communication continues to bite in developing economies.

Reymann and Olson (2005) established that prior to electronic age, financial service providers used the postal service to communicate with customers and most communication between employees took place either over the telephone or in person.

The two scholars add that a bank would use its customer records to address an envelope and then stamp and seal it. Once mailed, the bank placed their trust in the delivery mechanisms to maintain the confidentiality of the information sent. With these traditional communication and information sharing mechanisms, the bank also generally trusted employees to keep all non public information private. These delivery mechanisms were fine in the past but transactions were slow and a loan from a customer's bank could take weeks and sometimes months to complete.

In the early 1980s in the United States, the closing process and payment of insured depositors in a deposit payoff was time-consuming, labor intensive, and methodical. The Federal Deposit Insurance Corporation (FDIC) had a small but dedicated staff of professional claim agents and bank liquidators, supported by senior Washington Headquarter experts, who came together to handle insured bank failures throughout the country. The FDIC's personnel were required to be available on 24-hour notice to travel from their existing failed bank receivership sites to any geographic location of the United States or its Commonwealth states. Because of the limited use of automation and modern communication technologies, most of the work was done manually (www.fdic.gov/bank: 2011).

However, in 1982 FDIC began to automate the deposit payoff process. They used portable computers to store the bank's depositor database. Switching from manual systems to computer database systems allowed the FDIC to be flexibility in creating lists of deposit accounts, enhance its record-keeping abilities, and increase its efficiency in handling bank failures. Automation increased accuracy while decreasing the amount of time needed to prepare for a deposit payoff. Although the automated system did not alter the basic steps necessary to identify depositors, determine insured and uninsured amounts, produce lists of deposits, and create checks, it saved considerable time in executing all of those steps (www.fdic.gov/bank: 2011).

These innovations in information communication technologies have increased developments in recent years and made it imperative for governments of developing nations to harness information technology for financial institutional transformation. The success of any financial institution depends on information technology and efficient electronic exchange (Tulien: 1997).

Wang et al (2003) claim that in the 1990s e-banking was under-utilized as business organizations used it only to market their products and services. Thornton and White (2001), who examined customer orientations and usage of financial distribution channels in the Australian financial industry, found that more recently most financial institutions, faced with competitive pressure after the introduction of deregulation in 1983, have rethought their strategies to take full advantage of Internet technology.

Tan and Teo (2000) note that the challenge to expand and maintain banking market share has influenced many banks to invest more in making better use of the Internet. The emergence of e-banking had made many banks rethink their Information Technology (IT) strategies in competitive markets. They suggest that the banks that fail to respond to the emergence of e-banking in the market are likely to lose customers and that the cost of offering e-banking services is less than the cost of keeping branch banking. This notion was also confirmed in a study conducted by Jasimuddin (2004) who examined the role of e-banking in Saudi Arabia. Jasimuddin indicated that the majority of Saudi banks had taken advantage of Internet technology to establish web sites but few offered e-banking services. He suggested that if the Saudi Arabian banking industry wished to be successful in the global economy it would need to integrate Internet technology into its banking strategy.

Broadie et al (2007) adds that e-banking is leading to a paradigm shift in marketing practices resulting in high performance in the banking industry. Delivery of service in banking can be provided efficiently only when the background operations are efficient. An efficient background operation can be conducted only when it is integrated by an electronic system. The components like data, hardware, software, network and people are the essential elements of the system.

Internet communication has revolutionized the global banking sector. The dynamic and flexible nature of this communication channel as well as its ubiquitous reach has helped in leveraging a variety of banking activities. New banking intermediaries offering entirely new types of banking services have emerged as a result of innovative e-business models.

The Internet has emerged as one of the major distribution channels of banking products and services for banks in the United States and in the European countries. The trend towards electronic delivery of banking products and services is occurring partly as a result of consumer demand and partly because of the increasing competitive environment in the global banking industry. The Internet has changed the customers' behaviors who are demanding more customized products/services at a lower price.

1.1 Background to the Study

Kenya is a country where a large percentage of the population lives in rural areas yet banks have failed to penetrate these markets even with the advancement of the new communication technology such as internet and mobile phones. Technological advances facilitate the rapid transmission of digitized information within and across borders, which is becoming increasingly important for successful banking transaction as financial services are largely informational in nature (Bradley and Steward: 2002).

Banking industry in Kenya is divided into three categories: banks, micro-finance institutions, foreign exchange bureaus and non-banks financial institutions. There are forty-six bank and non-bank financial institutions, fifteen micro-finance institutions and forty-eight foreign exchange bureaus. Thirty-five of the banks, most of which are small to medium sized, are locally owned. A few large banks most of which are foreign-owned, though some are partially locally owned, dominate the industry.

Though the banking business in its naïve form was in operation since ancient times the banking in its present form is of recent origin. It was only in the 19^{th} century that the modern joint stock commercial banking system developed in most of the leading countries, including enactment of laws and regulations to govern the Banking business.

1.1.1 Evolution of Banking in Kenya

Prior to the establishment of colonial rule in Kenya, there were four different items used as currency: Indian rupee and its coin, The Maria Teresa dollar, Cowrie shells and Beads and cloth.

Currency was introduced by colonialists because of trade along the East African coast with Arabs, Indians and Europeans. With the establishment of colonial government however, the need arose for a more convenient and standardized form of currency because the major objective of colonialism was the exploitation of the resources in the territory for the advancement of the home country. In 1888 the Imperial British East Africa began its plans to administer Kenya and Uganda and it introduced currency for the two territories. They introduced a silver rupee coin and the continuation of the Indian rupee that was already in circulation. The Indian Rupee was most widely used because of the trade along the coast with British India. In 1922 the East African shilling convertible with the British shilling was introduced as the primary unit of exchange which remained the currency for Kenya till independence. The establishment of the currency system for Kenya had a direct bearing on how banking would evolve. British commercial banks started operating in Kenya in the 1890s.

Throughout the advanced period and into the first half of the 1960s Kenya's banking sector was dominated by the British Banks. The first bank was the National Bank of India which was established in 1896. The bank later changed its name to National Grindlays Bank which is now known as Kenya Commercial Bank. It was joined by Standard Bank of South Africa in 1950 which later became the Standard Bank now the Standard Chartered Bank. Thereafter the National Bank of South Africa came into the country and later merged with two other British Banks to form Barclays Bank which later became Barclays Bank of Kenya.

Additional new banks started coming to Kenya such as: Bank of India, the Bank of Baroda, Habib Bank from Pakistan, Ottoman Bank from Turkey etc. However in 1983, the stage was set for Kenya's first post-independence banking crisis when several indigenous banks developed acute liquidity problems. In spite of the Treasury and Central Bank efforts to bail out the ailing institutions, one institution was closed in December 1984. This crisis and the failure exposed the inadequacy of the safety net and resolution mechanisms existing at the time. This in effect, precipitated amendments to the Banking Act in 1985 to expand the safety net and improve the bank failure resolution mechanism. The Deposit Protection Fund Board was established under section 22 of the Banking (Amendment) Act 1985 and became operational on 1st September 1986 as a deposit insurance scheme to provide cover for small depositors and act as liquidator to banks that could not be salvaged. (www.centralbank.go.ke: 2011)

The core mandate of the Deposit Protection Fund Board is to foster confidence in the financial system by ensuring that depositors' funds which are entrusted to licensed financial institutions are protected in the event that such institutions are declared insolvent. The operations of the Board are therefore steered in line with this core mandate. In this regard the Board collects premiums from licensed member institutions, invests the contributions, pays protected deposits, liquidates insolvent member institutions and pays dividends to creditors of institutions in liquidations upon realization of their assets (www.centralbank.go.ke: 2011).

The Fund provides limited protection to savers and attempts to foster public confidence in the banking industry by providing an environment conducive to orderly growth and expansion of the sector. However, despite efforts by the Deposit Protection Fund Board to inform depositors and creditors on when and where to lodge their claims, records show that a majority of depositors still fail to lodge claims on protected deposits and declared dividends, until they are barred by the statutory period of one year from accessing the funds.

1.1.2 Communication barriers in Kenyan Banking Sector

Financial service firms face greater communication challenges today than in the past because they are performing on an increasingly competitive and dynamic platform to offer a wide array of products. In this competitive environment it is crucial for banks to communicate their brand and products and to effectively leverage internal resources through convenient, accessible technology mediums. In Kenya, banks have installed modern computer systems in their firms to enhance communication with their clients. But some employees tend to resist change in the work place, and personnel will attempt to protect themselves from what they perceive as the negative impacts of change (Kirkpatrick: 2001). Studies have cited negative attitudes among managers as a major hindrance to change. Negative attitudes and lack of management commitment cause resistance to change reducing company's resource allocation and motivation to use the technology (Basu et al: 2002). Implementing web technology in the Kenya banking sector requires investment in expensive technologies.

Andohn and Babajide (2009) say that illiteracy among the older generation results to customers' inability to use internet communication in information dissemination between them and banks. Youth are more likely to use internet banking than the older citizens because they are more familiar with the internet but for older customers, there is need for banks to entice them through internet awareness programs. In Kenya, majority of the older generation would prefer to go physically to the bank than use the internet and this could be due to fear of loosing their money.

Information poverty is a significant and insidious obstacle to effective exploitation of information processing and other types of technology, especially in Kenya. Lack of adequate information regarding developments in other countries and other environments is often not noticed, and in the absence of new information, old techniques and procedures are continued without conscious knowledge of alternatives. Kenya may not be hurt in an absolute sense by lack of information but is negatively affected by any new measures. For example a majority of the population is illiterate and expecting them to adopt internet communication when transacting bank activities could make some clients opt for other banking institutions with more familiar old technologies.

Another communication challenge facing the banking system in Kenya is that customers frequently mistrust internet communication for three reasons: security of the system, distrust of service providers and worries about the reliability of internet services (Lee and Turban: 2001; Min and Galle: 1999). Security breaches can lead to numerous problems such as disruption of information access and infringement of personal information (Min and Galle: 1999). In internet communication security is one of the most important challenges because customers fear the risks involved in using the channel (Aladwani et al: 2001; Gerrard and Cunningham: 2003; Sathye: 1999).

Increased access to the internet has also opened up the country to fraudsters. According to financial services consulting firm, Deloitte, Kenyan financial institutions are reeling from nearly Kshs. 3 billion lost in fraud cases. The firm estimates that in 2010 alone, banks lost Kshs. 2.96 billion and only Kshs. 1.7 billion was recovered (Jevans: 2011). Systems that were originally expected to improve competitiveness have instead created loopholes for fraud. Fraudsters are deploying hi-tech tools and every small loophole in the system is being exploited (Basiye: 2011).

Lack of infrastructure remains another setback in information communication in the Kenyan banking system. Telephone line failures and power blackouts are frequently experienced. According to Green and Van Belle (2009) banks need to reinvent themselves by critically examining their existing infrastructures and focusing on the key areas that directly benefit their customers. This strategy requires banks to replace their traditional product and channel with a customer-centric approach, entailing enormous changes in corporate culture and operational procedures for most institutions. Perhaps the most critical challenge is to get customer service right, not just on the internet, all communication channels.

Banks in Kenya are still struggling to integrate customer data across all the points of contacts with customers. This requires that a core internet service offers comprehensive transaction, financial management and advice functionality. Unfortunately, this strategy requires an IT architecture which is often not possible given the banks' proprietary and legacy systems. This creates a vicious circle whereby the internet value proposition is too small to move customers online, and limits the financial viability of the internet channel. This in turn discourages the banks from investing sufficient funds to further develop the channel (www.commerce.uct.ac.za: 2010).

Despite large investment in infrastructure and technology among banks in Kenya, the supporting institutions such as the legal framework have not kept up with the technological changes. This has contributed to the lack of transparency, accountability and quality of service, thus increasing the probability of money laundering and other negative externalities. Evidence from more developed countries suggests that greater transparency and governance levels in the financial sector will not only raise the soundness of the banking sector, but also the overall competitiveness of the economy (www.gbata.com: 2010).

Concentration of e-communication in the banking sector in Kenya is evidently heavier in urban settings than in rural areas. Access is of concern in regions where network signals are sparse and weak. Operators focus mainly on the densely populated economic zones. If

Kenyan consumers are to use new technologies, the technologies must be reasonably priced. Otherwise, the acceptance of the new technology may not be viable from the standpoint of the consumer (Suganthi et al: 2001). Internet banking model offers advantages for both banks and customers. The Internet provides the banks with the ability to deliver products and services to customers at a cost that is lower than traditional modes of delivery.

1.2 Problem Statement

Communication can be considered a bridge between individuals and groups because it facilitates the establishment of a unity of purpose in the organization. Records show that many depositors in Kenya failed to collect their protected deposits and dividend cheques running into millions of shillings due to lack of information on the processing of their payments. The Business Daily (2007) opined that more than 21,000 small depositors with three collapsed financial institutions, namely; Trust Bank, Prudential Building Society and Euro Bank risked losing Sh105 million for good, if they did not make claims immediately.

The Euro Bank account, for example, had Kshs. 11 million to be paid to 1,306 depositors or 57 per cent of the total number of depositors who had not picked their cheques. A bank officer at DPFB at the time told the Business Daily that in some cases there were no responses from depositors in spite of publicity through media and private correspondence. Similarly in 2009, Kenya Finance bank (in liquidation) declared its third dividend payout totaling Kshs. 103 million to be paid out to former depositors', creditors and shareholders. Only a third of the money was claimed despite numerous efforts by the institution to inform them on the payout. This problem seems to point to the fact that there must be an existing gap in the process of communicating to bank customers in Kenya. This study proposes to investigate the external communication strategies employed by banks in Kenya to establish whether the systems being used by banks to communicate to customers are efficient.

1.3 Objective of the study

1.3.1 To establish the external communication strategies used by banks in Kenya.

1.3.2 To establish effectiveness of the external communication strategies used by banks in Kenya.

1.3.3 To identify hindrances to external communication strategies by banks in Kenya.

1.4 Research Questions

1.4.1What external communication strategies are employed by banks in Kenya.

1.4.2 How effective are these external communication strategies of banks.

1.4.3 What constraints hinder effective external communication by banks in Kenya.

1.5 Scope and Limitations

The study was restricted to bank employees and bank depositors within the Central Business District due to their accessibility and fair representation.

The limitations underlying this study arose because of inadequate time available to the bank employees due to time limitations from the employers. Also time constraint of bank customers and bank restrictions not to issue questionnaires to customers inside the bank premises was a challenge but the researcher successfully overcome the challenge by issuing the questionnaires outside the bank premises. Most bank employees were uncooperative and unwilling to be interviewed during working hours due to bank rules and regulations. However the researcher managed to conduct interviews with the bank employees outside bank premises. The researcher also faced literature limitation on financial communication in Kenya. To overcome this, the researcher had to source for literature on financial communication from other countries which helped to augment the gaps. Inadequate funds to cater for the research expense are other factors that contributed to these limitations which the researcher managed to overcome by borrowing some finances from the 'chama'.

1.6 Justification and Significance of the study

1.6.1 Justification

Meuter and Curran (2005) state that bank failures give rise to a number of widespread fears among one being that depositors may suffer losses whether insured or not. Depositors are likely to suffer a loss in credit value or a loss in liquidity due to a bank failure. As observed in Kenya for instance, weaknesses in the banking system triggered a crisis of confidence in other domestic financial institutions and led to a large-scale flight of foreign capital and a severe currency crisis. Additional consequences of a severe banking crisis can include derailed macroeconomic stabilization programs, growth slowdowns and increased poverty.

However, Okan and Erdal (2007) argue that public awareness dimension which carries a vital significance in the efficient implementation of the deposit insurance system has been missing in the deposit insurance system. There is need to investigate the communication systems used by banks in Kenya to establish if there are gaps that may contribute towards lack of awareness among bank customers on events that might affect their deposits.

1.6.2 Significance

The study will facilitate an increase in the general knowledge of financial communication and how it affects the performance of banks. The research has also added to the scarcely available information on external communication strategies adopted by banks in Kenya.

To the communication scholars and researchers this study forms a foundation for future researchers who would like to pursue a study in the area of mobile phone communication and its effectiveness on banking activities in rural areas.

The study will also help banks to review their external communication strategies with its creditors, depositors and shareholders.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.0 Introduction

This chapter presents the communication strategies used by banks in their communication to external publics.

The chapter also gauges if the external communication strategies adopted by banks are effective.

Finally the chapter also identifies the hindrances to external communication by banks in Kenya.

2.1 Communication strategies at the at the Deposit Protection Fund Board

Strategy involves matching the activities of an organization to the environment in which it operates, so that there is a 'strategic fit' in where there is an attempt to identify the opportunities in the environment in which the organization works, and then tailoring the strategy of the organization to capitalize on these (Hannagan: 2002).

Organizations usually develop and implement strategies at three main levels: corporate, business and functional. However, a communication strategy is cross – cutting within the entire organization and its role remains vital for attainments of the firm's objectives and retaining its competitive advantage. Communication strategy oils the information flow involved in planning, directing, organizing and controlling of a company's strategy-related decisions and actions (Pearce and Robinson, 2005). The Deposit Protection Fund Board employs various strategies in communicating to their external publics.

2.1.1 Communication to External Publics

Consumers of a product or a service constitute the most important public for any financial institution. If a financial institution fails in attracting and building lasting relationship with consumers of its products and services, it can go out of business (Center and Jackson: 2003). According to Jefkins (1992), organizations have various strategies and tactics for communicating to external publics. Mass media such as newspapers, magazines, radio, television and books constitute the most economical and effective method of communicating with huge diverse and widely dispersed audiences (Cutlip et al.: 1994).

2.1.2 Web Site

Most banks in Kenya have over the years developed their web sites to enhance communication with depositors as well as the general public. Depositors or the public may interrogate the site to seek information on services rendered by the banks as well as allied issues. Through the Web Site, the organization allows users to make use of sound and moving pictures. They also allow the user to download specific information that he or she needs. Web Site can also be used to handle crisis situations (Kotler and Armstrong: 2006).

2.1.3 Community Social Responsibility

Banks in Kenya have been at the forefront of sponsoring charitable activities and supporting worthy causes. For instance Equity bank has introduced new innovative products aimed at supporting the agricultural sector in Kenya. Among these products is Kilimo Biashara, Mifugo Biashara, Uvuvi Biashara, Warehouse receipting and many others. Equity has also signed strategic partnerships with milk processing companies, tea factories, coffee factories and horticultural companies. The partnerships are aimed at deepening farmers' access to financial services, and commercializing agriculture.

Also as an affiliate of the Aga Khan Development Network (AKDN), the Diamond Trust Bank's Corporate Social Responsibility (CSR) program is anchored on the continuing commitment to improve the quality of living conditions and opportunities for the disadvantaged without regard to their faith, origin or gender. Central to their Vision, Mission, and Values is supporting communities in which their employees and customers live and work. Their CSR activities are embedded in the ongoing regional network expansion. For example during the Kenyans for Kenya campaign, DTB employees contributed cash which the bank matched to make a total of Ksh 2,000,000. This amount, together with boxes of clothes, shoes, and canned food was handed over to Red Cross CEO Abass Gullet by Group CEO Nasim Devji. The DTB contribution was used to construct green houses (by Red Cross) in the affected areas. (www.dtbk.dtbafrica.com, 2011).

In July 2003, the Deposit Protection Fund Board approved an annual Community Support Programme towards charitable contributions to organizations involved in community activities. This social responsibility initiative raises public awareness of the Fund's objectives and creates confidence in its mandate. It's against this background that, on 2nd February 2010, the Director of DPFB, Ms. Rose Detho, on behalf of the Chairman of DPFB's Philanthropic Fund, led members to the Nairobi Hospice to donate drugs for use by the patients. The Hospice is a registered charitable organization, started by the Irish

Sisters of charity together with some local professionals in 1988. (www.centralbank.go.ke, 2011).

KCB has also strengthened its ability to effectively support the communities by launching the KCB Foundation, a charitable trust with the mandate to carry out the Bank's community support initiatives. The Foundation is led by a Board of Directors and has in place structures to ensure it achieves its vision to be the most responsible and responsive provider of social investment support to deserving communities in the region.KCB has supported several community initiatives including the annual KCB Community Day, which is the main occasion for KCB to support environmental conservation. During this time the staff from all branches separately invest in the future of Kenya by planting trees in 56 forest sites across Kenya, thereby contributing to improving the water catchments. (web.thikamunicipal.com, 2007).

2.1.4 Sponsorships

Sponsorship events are popular because they give the company a high visibility among key audiences. They generate news coverage, bring audiences together and provide a focal point for marketing efforts and sales campaign. It is also a more cost effective strategy than advertising campaign for example the Standard Chartered Bank marathon like many other big marathons is a charity fundraising event held annually. The marathon's major objective for sponsoring the Nairobi marathon is to raise monies for Seeing is Believing, a Standard Chartered Bank initiative for eradicating avoidable blindness in children under the age of nine years. Through runners contribution efforts, over 800 children have had their sight restored.

2.1.5 Sporting events

Sporting events are extremely popular and well funded by many corporations. Through sponsorship of popular sporting events, organizations attract the recognition of huge audiences and also reach specialized audiences. For example, manufacturers for affluent customers tailor their sponsorship to meet the special needs of their up market customers. Wilcox et al. (1992) quotes an official of Lexus, the luxury car division of Toyota, on why they sponsor polo championships, "Involvement in this event allows us to position the Lexus product line in the proper demographic segment." (www.emeraldinsight.com, 2011).

2.1.6 Cause- related marketing

Companies dealing in highly competitive products and services often strive to distinguish themselves by supporting causes that appeal to various market segments. The American Express, for example, promised its customers that if they used its credit card for purchases, 1 percent of the bill would be given to the stature of liberty restoration campaign cause (Wilcox et al: 1992). Cause-related activities are used by corporations to communicate a company's values and corporate philosophy. (www.emeraldinsight.com, 2011).

2.1.8 Product publicity

If presented properly, products can be newsworthy and can catch the eyes of reporters and editors. Companies have found that product publicity is a cost effective way of reaching potential consumers. Product publicity can be accomplished by placing information on new products in food, auto, real estates, business, travel and sports pages.

2.2 Depositors' attitude towards banking with regard to bank failures

Babalola Samson (2009) observes that in case of bank failure, banks regulatory authorities and management ought to give attention to the publics' perception of the banking industry in the interest of the economy; as the economic health of a nation hinge on the efficiency of financial institutions. Bank failures give rise to a number of widespread fears. Among these is the fear of depositors loosing there funds if uninsured, they may suffer losses in the current value of their deposits and that, whether insured or not, they may not have full and immediate access to the current value of their accounts so that their deposits are effectively frozen. This further shows that the bank authorities are not sufficiently informing their customers that there deposits are protected and that's why the fears are arising among the customers hence reinforcing the communication problem that exists between the bank and its depositors.

Attitude towards banking could therefore be a critical factor in achieving efficiency and effectiveness in the industry. While evaluation could initiate distortions and inaccuracies into a person's perception process (Casselden and Hampson: 1990), distortions may arise from the tendency of forming relatively consistent characteristics with a few pieces of information. According to Klein and Kunda (1992), individuals that are motivated to hold a particular belief about an issue will selectively search for information that will support the belief they want to hold. It means that customers that hold negative bias about a bank are more prone to search for information to confirm their biases about such bank.

Banking as a service industry is fundamentally hinged on trust, sustained by attitude and managed by complex financial management skills and psychology of human relations.

The more the customer trusts the service provider as research indicates, the higher the perceived value of the relationship (Walter et al.: 2002). Gounaris (2005) says that the quality of bank service is influenced indirectly by trust. Although trust is the cornerstone of the banking industry, the perceptual factors influence the customer's choice of a bank. Moreover, for development process, the banking industry is a catalytic agent (Popoola: 2000), which makes a healthy banking system a must for a nation's growth while a near or total distress banking industry is injurious to a nation. The crisis of confidence experienced by the banking industry in Nigeria led to the liquidation of some of the banks (Brown: 1998).

O'Grada and White (2003) state that in 1854, emigrants experienced an unwarranted run that can be traced to mimetic behavior among inexperienced, uninformed depositors. This run, however, was easily handled by the bank, which was able to pay off depositors and restore confidence. In contrast, the run in 1857 was an imitative response to the behavior of informed, sophisticated depositors who were running for a reason, and that run resulted in suspension of convertibility. Furthermore, in both of these episodes, mimesis was not sudden: "In neither 1854 nor 1857 did depositors respond to a single signal that led them to crowd into banks all at once. Instead, panics lasted a few weeks, building and sometimes ebbing in intensity, and only a fraction of all accounts were closed" (p. 215).

The authors show that contagion can be a real contributor to bank distress, but they also show that runs based on random beliefs tend to dissipate with little effect, while runs based on legitimate signals tend to grow in importance over time. The fact that runs are not sudden, and that many depositors do not participate in them at all, is important, since it implies the ability of events to unfold over time; that is, for a form of collective learning among depositors to take place during panics.

Various consumer researchers had found evidence for the negative information, compared to positive information, on consumers' attitudes (e.g., Folkes & Kamins, 1999). For instance, researches in product-evaluation contexts indicated that negative information lead to less favorable evaluation of targets of negative information. Similarly, study by Ahluwalia, Burnkrant, and Unnava (2000) showed that consumers resort to lack of enthusiasm, as it is easier to analyze negative information than positive information especially when there is much negative information. Equally, elaborate positive information is likely to facilitate consumers' opportunity and motivation to engage in more appraisal of that information (Bailey, 2004). Hence it is assumed that inability of customers to withdraw their money as at when due, may have an adverse impact on customers' banking attitudes.

2.3 Strategies targeting an increase in knowledge of customers

Hayek (1945) it has been acknowledged that knowledge is dispersed and that making something useful out of it revolves around co-ordination. This also goes for consumer knowledge. Further, knowledge is not only dispersed, it is often also fallible and very seldom it comes in "ready to use" packages. This is most certainly the case with consumer knowledge. With the Internet and the on-line age, most financial institutions in Kenya are increasingly becoming aware of the potential advantages of collecting consumer knowledge. Some have even managed to develop useful associations with consumers by exploiting opportunities represented by novel Information and

Communication Technologies. A specific study of a firm, its products, and "its" consumers show how consumer feedback in several cases has assisted the firm in improving its product design. Finally is argued that a social innovation complementary to the technical innovation of the Internet is in fact responsible for the efficient and meaningful use of this technology itself (www.druid.dk/conferences, 2010).

2.4 Theoretical Frame work

2.4.1 Systems theory

This study will be modeled on the systems theory of organizations as developed by Ludwig Von Bertalanffy in the early 1950s. It emerged as part of the intellectual turmoil following World War II although the roots are much older.

Ludwig Von Bertalanffy (1975) defines a system as a "set of elements standing in interrelations among themselves and with the environment"-because they are interrelated they exhibit interdependence. The systems boundary is defined by communication flows, that of the units in the system as well as the external environment. It imports information from its environment, transforms or processes this "raw material" and exports the finished product back into its environment (Njuguna: 2005).

West and Turner (2000) argue that systems captured the attention of communication researchers because it changed the focus from the individual in isolation to an organization or the universe in general. Simply defined, an organization is composed of two or more people engaged in pursuing a common goal, which needs the input of each person's exertions, energy and skills to accomplish the goals or objectives that made them come together in the first place.

A well defined organizational structure is characterized by specialization, division of labour and focused areas of responsibility. Structures are regular patterns of activity that control individual behavior within an organization and consequently the outputs of the organization. Functions refer to utility in achieving specified goals and objectives.

An open systems theory employs feedback mechanism in order to provide certain degree of self regulation, so that deviations from equilibrium are constantly being corrected. The systems schools of organization theories view an organization as an open system that inputs and outputs to the environment across the boundaries, thus creating a continuous interdependence between the organization and its immediate environment.

The openness of an organization is determined by the degree to which the system exchanges information with its environment as illustrated in the figure below:

The systems theory is basically concerned with the problems of relationships, of structures and of interdependence, rather than with the constant attributes of the objects (Katz and Kahn: 1966). Financial institutions Deposit protection fund rely, like other organizations relies on communication from various quarters to make decisions and fulfill its core mandate. The systems theory would enable deposit protection fund to innovate and re-innovate programs to realize the importance each part makes to the whole, and the necessity of eliminating the parts that make negative contributions. To coordinate these activities, smooth flow of information among them is necessary. Communication channels used need to address the diversity of the recipients in financial institutions deposit protection fund, including the message they wish to disseminate. This calls for effective and appropriate structures and sound communication policy.

Therefore, the need to assess the effectiveness of what is in place is paramount, with a view to recommending further appropriate changes to make the 'glue' stick better. However, in adopting the systems theory of organizations for this study, the researcher took cog naissance of its inherent shortcomings. The inter-relations among parts of a system have to be recognized and understood by "all" people involved. The theory also requires a shared vision so that all banks and people in deposit protection fund have an idea of what they are trying to accomplish. It requires a cohesive effort from all participants, a task that is not easy to achieve especially where "all" is involved.

2.4.3 The 2-Step Flow Theory

In 1948, Paul Lazarsfield, Bernard Berelson and Hazel Gaudet revealed evidence suggesting that the flow of mass communication is less direct than previously supposed.

The research on how information flows in a society was conducted by Carl Hoveland and others in the Erie County, Ohio on the 1940 US Presidential elections (Lowery's Dc fleur: 1988). This was named the Decatur study after the city in which it was conducted. The study sought to evaluate the level and impact of interpersonal communication in the diffusion of campaign messages. On the basis of that research, it was found that media, particularly radio had a powerful reach. Interpersonal communication plays an important role in facilitating diffusion of campaign messages among members of social groups. Essentially, what Lazarfield discovered is that many voters regard family members and close friends, and not the mass media, as major influences in decision making process.

These people of influence, who pass on information received in media to other people in society, were coined Opinion leaders. The researchers found that "crystallizers" or those who had a 'don't know' opinion as to who to vote for, tended to vote the way their friends and colleagues voted, thus the presence of opinion leaders act as intermediaries between messages and general public. This deviated from early communication studies that depicted media as having an all powerful influence or' audience as the study found out that media effects are selective depending on the selective perception of audiences. Harold Lasswell, conducted persuasion research at the Yale in 1953 and found out that people are persuaded differently and that interpersonal relationships in financial institutions are likely to be influenced differently by information that is passed to them from one person to another.

The theory assumes that individuals are not equal in the face of media campaigns, but have different roles in the communication process. However, the media are based on a clear dichotomy into either active or passive roles. Roles in communication are interchangeable despite their being opinion leaders, some individuals can be "followers" on some subjects, "leaders" on others. Assumption that "opinion leaders" and "followers" share some characteristics leaves out a large group that neither attends to mass media, nor discusses with those who do. There can be direct influence from the media to individuals exposed and not necessarily from opinion-leader to be gone through.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

In this chapter the research process is described in relation to the research design, target population, data collection methods, field work procedure, data analysis and scope and limitations. Additionally the considerations that have influenced the choice of methods and approaches will be presented.

3.1 Research Design

The study was conducted using primary data. The research design employed a questionnaire survey and key informant interviews for data collection. These methods were necessary to establish the perceptions of bank customers and their knowledge on the role of banks in ensuring that customers are paid their protected deposits after bank failures.

3.2 Target Population

The research was conducted among within the Nairobi Central Business District. The total numbers of financial institutions in Kenya at the time of sampling were 46. Out of the 46 institutions, ten banks were selected through simple random sampling to participate in the study. Since each bank had several thousands of customers, another random sampling procedure was necessary to reduce the number of respondents and key informants to a manageable number. The final number of respondents arrived at was 20 bank depositors and 10 bank staff from each of the ten selected banks. They were each issued with a questionnaire. Fifteen key informants were picked from the ten institutions through a simple random procedure for in-depth interviews.

3.3 Data Collection Methods and Instruments

The researcher employed questionnaires and interview guide. The questionnaires had structured and open ended questions example age, gender, employment while the interviews had discussion points which included topics on the effectiveness of communication on customers. Questionnaires for bank employees were dropped off in the bank premises and collected after two days while for bank depositors were filled and collected on the spot. In-depth interviews were held with banking staff with the help of the interview guide.

3.4 Data Analysis

Once data was collected it was organized in a systematic manner to facilitate analysis. In quantitative data analysis which involved numerals, the researcher collected data analyzed it statistically and transformed data into graphs, figures, bars and pie charts which was used to represent respondent age brackets, educational level and gender. This analysis prevented personal bias by the researcher keeping a 'distance' from participating subjects and employing subjects unknown to him. This method also involved a greater number of subjects, and enhanced the researcher's generalisation of the results, it also allowed accuracy of results and it was easy to analyze using computer software.

In qualitative data analysis which is a form of explanation, understanding or interpretation of the people and situations investigating. Data was collected and analyzed through thematic analysis and comparative analysis. For example, by analysing interview data the researcher attempted to identify for instance: why certain respondents had a particular point of view. Qualitative analysis also simulated respondents' experiences where a detailed picture was built on some of the respondents' feelings about certain issues or actions.

CHAPTER FOUR

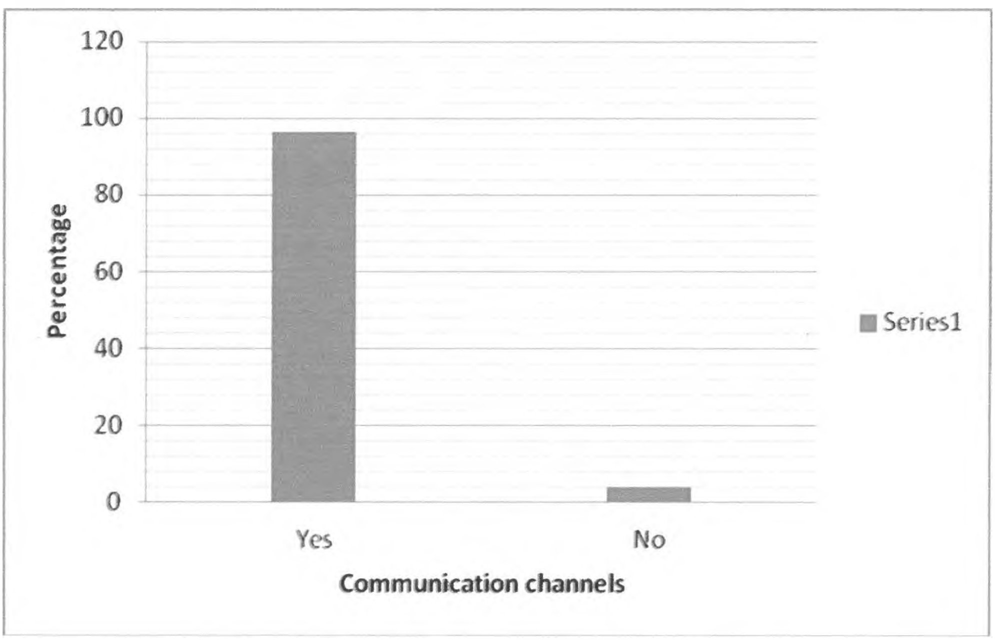
DATA ANALYSIS

4.1 Introduction

The purpose of this chapter is to give a comprehensive analysis of the findings of this study. Data was collected using the methodologies outlined in chapter 3. As a genesis to the interpretation, it is worth noting that the respondents possessed diverse characteristics' that are fundamental in determining how representative or unbiased the sample was.

4.1.1 Communication Channels

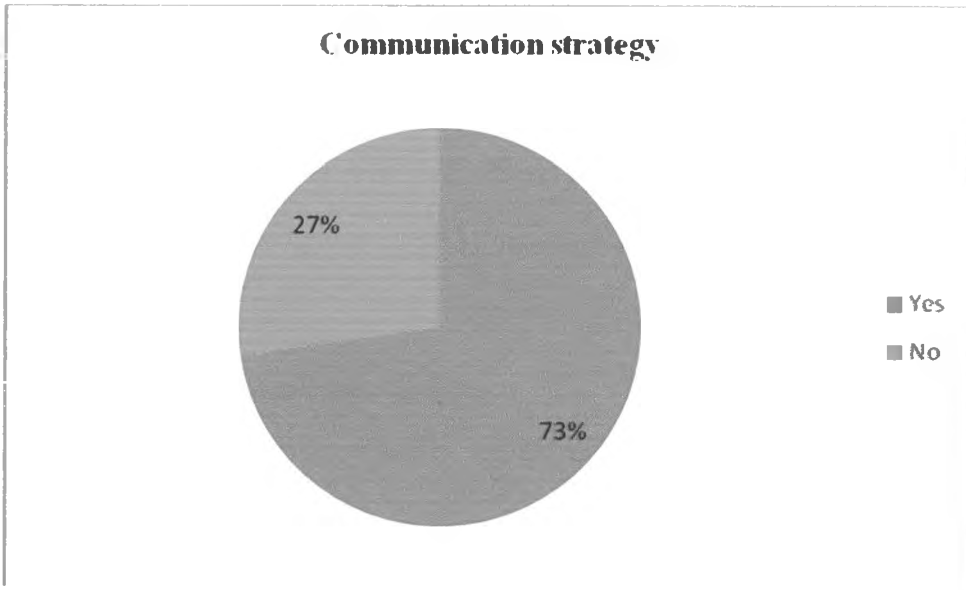
Figure 2. Communication Channels



According to figure 2 on whether the banks have effective communication channels with their customers elicited the following response from the banking employees. 96.3% said "yes" while 3.7% said "no". This confirms indeed banks do have a communication channels that they use to inform depositors. The one who said "no" could be working in the bank yet unaware of how customers are informed on useful information or even could be a new employee or maybe misunderstood the question. Also according to the findings from key informants, banks employ various communication channels such as, e-mails, facebook, twitter, letters, media, postas, public campaigns and even road shows which are done every month by most banks to ensure customers receive useful information. The modes are used depending on the targeted location for instance in Cities they can employ e-mails but in rural areas they would prefer campaigns, use of opinion leaders, radios, or even sporting activities as they are the preferred mode of communication. These modes at times come with challenges especially message distortion and the large sums of money involved. However most bank customers' agree that banks do have effective communication channels as evidenced by the rating of the communication strategy where 47.6% respondents rated it as "average", 42.7% rated it as good, 8.5% rated it as poor and 1.2% of the respondent rated it as fair.

4.2 Communication strategy

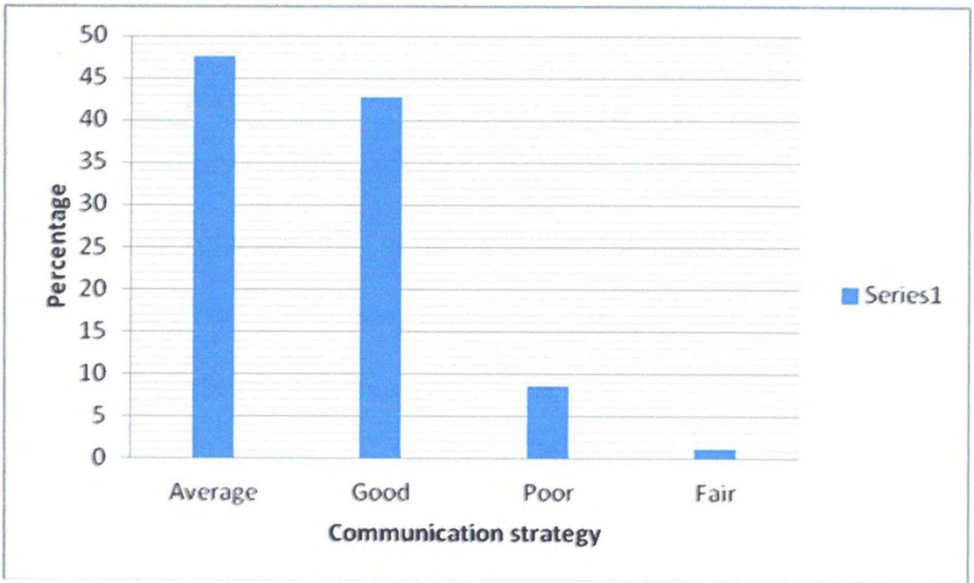
Figure 3. Communication Strategy



The question on whether the respondents feel their bank has an effective communication strategy elicited the following response. 72.7% respondents answered in the affirmative while 27.3% respondents disagreed. As figure 3 indicates that although the banks are doing well in terms of informing depositors on useful information as seen in figure 3 above a lot still needs to be improved to keep most of their customers well informed as indicated by the percentage that disagreed. Some of the respondents that disagreed felt that their bank's communication was not effective as most information communicated by the bank was not received on time and incase it is received its already time barred for example one of the respondent said that he has never received any useful information from his bank since he moved to his rural area and most of the time he is the one who comes to enquire if there's any relevant or useful information. The affirmative response can be attributed to the fact that majority of the banking public are literate and can easily get access to information.

The question asking the banking public how they rate their banks communication strategy elicited the following response. 47.6% respondents rated it as "average", 42.7% rated it as good, 8.5% rated it as poor and 1.2% of the respondent rated it as fair.

Figure 4. Communication Strategy

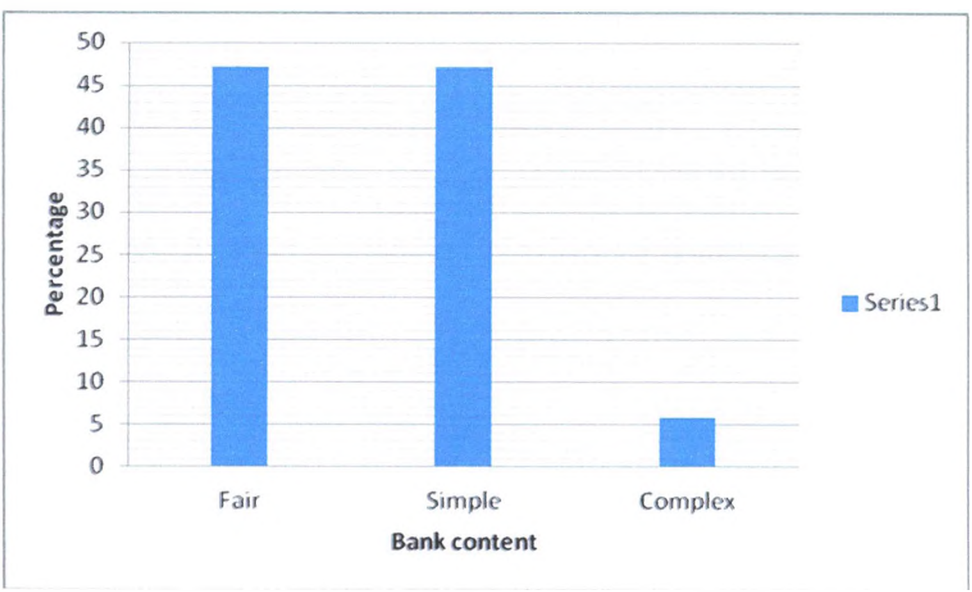


As figure 4 indicates the largest percentage 47.6% of the banking public rated their banks' communication strategy as "average" followed by 42.7% who rated their banks' strategy as "good" while 8.5% rated their banks' strategy as "poor" and 1.2% of the respondents rated it as fair . This still gives the banks a vote of approval on their communication strategy even though it would mean more improvement still needs to be done, for instance the 8.5% respondents that rated their banks communication strategy as poor could be new depositors, or even illiterate and are unaware of how their banks communicate useful information hence public awareness is needed by the banks so as t enlighten depositors on how they send useful information to their customers. For instanc some of the communication strategies employed by the Deposit protection Fund Board i: through its literature publication, involvement in charity and communal work. participation in Agricultural and Trade shows whereby DPFB lays out its mission and vision to the general public, participation in sporting activities such as Standard Chartered marathon and also involvement in different conference and seminars among other activities.

4.2.1 Bank content

The question on content used when information is communicated by the bank received the following response. 47.1% said it is communicated in a fair way, another 47.1% of the respondent said it is communicated in a "simple" way, while 5.9% of the respondents said it is communicated in "complex" form,

Figure 5. Bank content

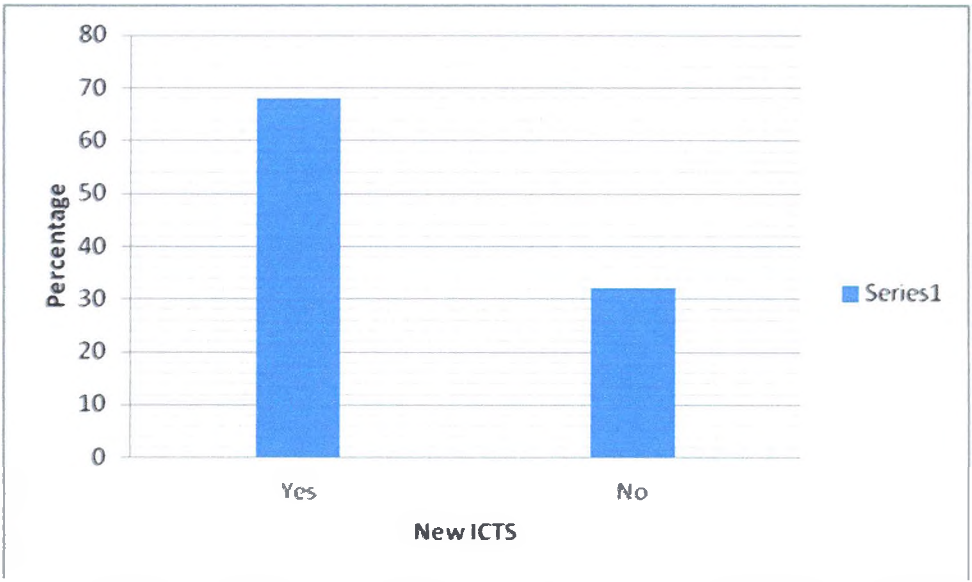


As figure 5 indicates that the complexity of the content used by the banks in their communication to their depositors was 47.1% said it's communicated in a "fair" way and the same number also said it's communicated in a "simple" way while 5.9% said it was "complex", This is a positive vote on the banks on how they present their content and also because majority of the respondents are educated and well informed. For example during the interview informant one an employee of Co- operative bank said that most banks employ both English and Kiswahili when communicating to their depositor. However at times banks even go to the extent of using local dialects to inform their customers on useful information. By using the local languages informant two of Barclay's bank says "that the message is understood better". informant one with KCB bank said that their bank segments its audience in terms of educated and uneducated and its through this that they determine which language to use when informing their clients for instance in Nairobi they would prefer to use English or Kiswahili which is the preferred mode of communication as its used by the majority of depositors but when it comes to rural areas they would use the local dialect spoken in that area as most customers would prefer to be addressed in the local dialect. However the Deposit Protection Fund and other financial institutions need to improve on their content especially on involvement of the local dialect as most of the literature communicated are done in English and Kiswahili. Through involvement of the local dialect this will ensure that information is passed and received by even the less educated members of the society.

4.2.2 New ICTS

The following results were obtained when the respondents were asked if banks employed new information communication technology in informing customers to create awareness. 68% of the respondents agreed that they have used the new ICT in informing their clients while 32% of the respondent reported that they have never used the new ICT to inform bank depositors on useful information .

Figure 6. New ICTS



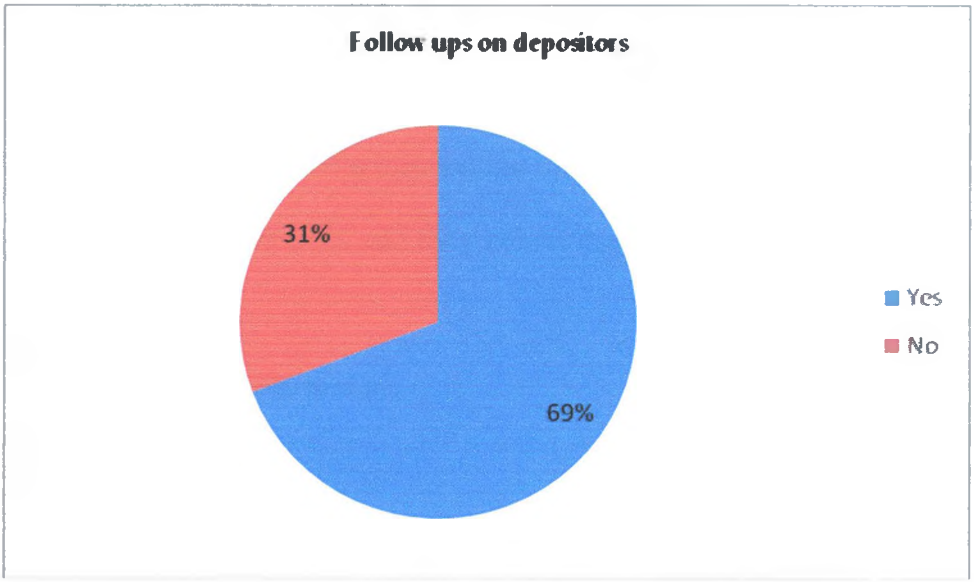
As figure 6 shows that out of the 25 banking employees who responded to the question to whether they employ ICT when informing banking depositors. 68% of the respondent answered they have used the new ICT to inform bank depositors on useful information while 32% of the respondents disgreed that they have never involved the new ICT in informing their depositors. This implies that although majority of the banks are adopting ICT to communicate to their customers a few banks are still reluctant to adopt ICT. For instant Informant three of Barclays bank said that majority of banks have opted for the new communication such as e- banking in order to remain relevant and also because it reaches a diverse audience within the shortest time possible and it's also easy to get feedbacks from the customers whenever a problem occurs.

Barclays bank has even opened up a facebook page to reach its diverse customers and the banking publics have responded positively by using the social site to communicate to the employees. Although informant two of KCB appreciates the technology but says it comes with a number of challenges such as fraudsters hacking into customer's accounts for information also the older generations are unwilling to adopt e-communication as they prefer coming to the bank physically to enquire about certain information rather than to receive it via e-mail. Informant two of Co-operative bank adds that to satisfy the older generation banks still employ the old systems of communication such as letters, postas to communicate to some of its depositors. Also some banks failure to adopt to new communication technology could be attributed to the challenges involved such as lack of infrastructures such as electricity, the huge finances involved to run and maintain the system, the high risk involved such as bank fraud, high level of illiteracy and poverty in the country and also fear and failure of the bank depositors to adopt to the new systems.

4.2.3 Follow ups on depositors

The figure shows that 69% of the depositors agreed that their banks do make follow ups on useful information whereas 31% disagreed that their banks don't make follow ups to ensure they receive useful.

Figure 7. Follow ups on depositors

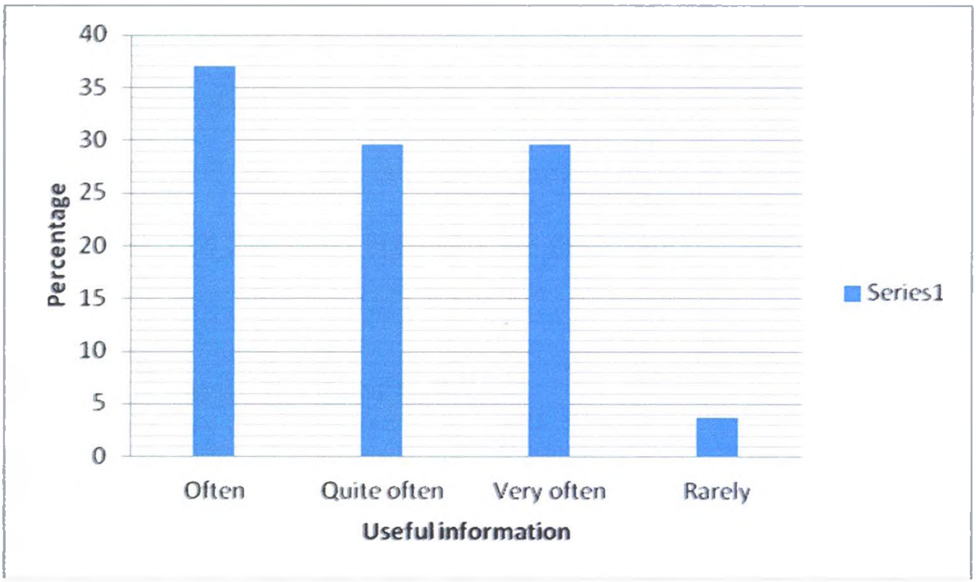


As figure 7 above indicates that 69% of the depositors agreed that their banks do make follow ups on useful information whereas 31% disagreed that their banks don't make follow ups to ensure they receive useful information. These shows that at least more and more follow ups ought to be done by banks if they are to ensure that their customers receive useful and rightful information once it's sent. From the findings it's a good sign banks do make follow ups. On follow ups informant one of Barclays bank states that they mostly call up their customers to enquire if they received the useful information which was communicated to them via either mail or post office but adds that at times they face some challenges especially if the depositor changed his or her address, phone number or even the e-mail address without informing the bank. The Deposit protection Fund follows up on its depositors by using letters, e-mails and phone calls to ensure that the depositors of a collapsed bank receive information communicated. However this follow up are done within a period of one year so as not to go against the law.

4.2.4. Useful Information

Figure 8 below shows how the banking employees inform the public on important information. The following results were obtained; 37% of the respondent said they inform depositors on useful information often, 29.6% said they do it quite often also very often had 29.6% and 3.7% said they inform depositors rarely on useful information.

Figure 8. Useful information

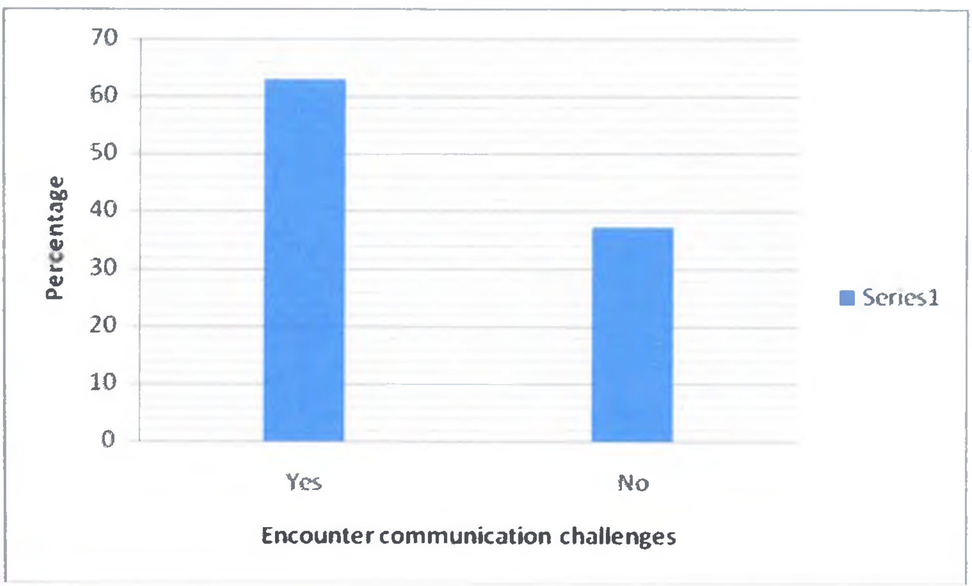


As the above figure shows how the banking employees inform the public on important information. This could be a proof that many banks do inform their customers on useful information but a lot still needs to be done by the banks to make the communication to depositors as often as possible as evidenced by the number of respondents who receive information rarely. Informing depositors on important information as often as possible prevents depositors from receiving stale information or even prevent depositors from disagreeing that their banks communication strategy is ineffective as observed in figure 3 where 27.3% of respondents felt that their bank's communication was not effective as most information communicated by the bank was not received on time and incase it's received its already time barred for example one of the respondent said that he has never received any useful information from his bank since he moved to his rural area and most of the time he has to travel to the City to enquire if there's any relevant or useful information from his bank.

4.2.5 Communication Challenges

The banking employees' response to the question on whether they encounter any communication challenges from the clients elicited the following response 63% of the respondent said they do encounter communication challenges while 37% of the respondents said they don't encounter communication challenges.

Figure 9. Communication Challenges

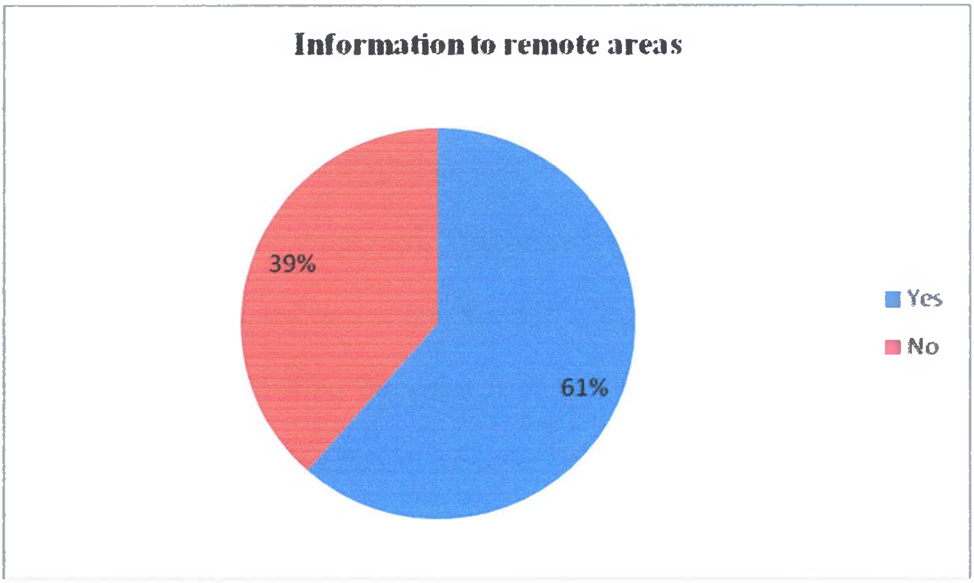


As figure 9 shows quite a number of bank employees do encounter communication challenges. This is a proof that although banks do communicate to their customers they face various communication challenges such as unavailability of infrastructure like telephone lines, electricity and this could be some of the reasons as to why depositors fail to receive useful information when it's communicated. Also huge finances involved to run and maintain the system, the high risk involved such as bank fraud, high level of illiteracy and poverty in the country and fear of failure by the bank depositors to adapt to the new ways of communication. Informant two of KCB adds that, the use of the new technology which comes with a number of challenges such as fraudsters hacking into customer's accounts for information and also the unwillingness of the older generation to adopt e-communication which saves a lot of time and its convenient and efficient to use as opposed to the letters which takes time are also some of the challenges faced.

4.2.6. Information to Remote Areas

In the figure below, the following results were obtained when the respondents were asked if they provide useful information to remote areas. 61.5% said they do communicate useful information to remote areas while 38.5% said they do not communicate useful information to remote areas.

Figure 10. Information to Remote Areas



From the results above it is partially right that many banks do communicate useful information to remote areas as evidenced while some do not. The ones that don't communicate to remote areas could be attributed to a number of challenges such as lack of proper infrastructure like electricity and also due to poverty and illiteracy in remote areas. For instance informant one from Barclays bank says they face a number of challenges when communicating to depositors from remote areas. Some of the challenges he says include: message distortions and the large sums of monies involved due to the use of letters, media, postas, public campaigns and even road shows which are done every month by the bank. Informant one of KCB further adds that some customers when they move to rural areas even change their addresses and their locations without informing their respective banks and this makes it even more difficult for the bank to inform them on useful information and even at times a number of their customers check there mails once in a month and even others could go for months without checking their mails and when they do probably the information communicated is already stale.

4.3 Other Findings

4.3.1 State of Employment or Education

As figure 11 below indicates out of the 86 banking public, 39.5% are formally employed, 38.4% are in informal employment, 11.6% are in school/college/university and 10.5% are neither in school nor employed. This shows that most account holders with banks are literate individuals and only a few are not. It's an indication that depositors don't have a problem in understanding the content of the messages apart from a few illiterate who might also rely on interpretation from the literate individuals. Similarly as shown in chart 8, out of the 28 banking employees who responded to the study all the 100% were university graduates. This shows that most bank employees are educated people who can easily understand issues and even advice or communicate to their consumers with much ease.

Figure 11. Employment education (depositors)

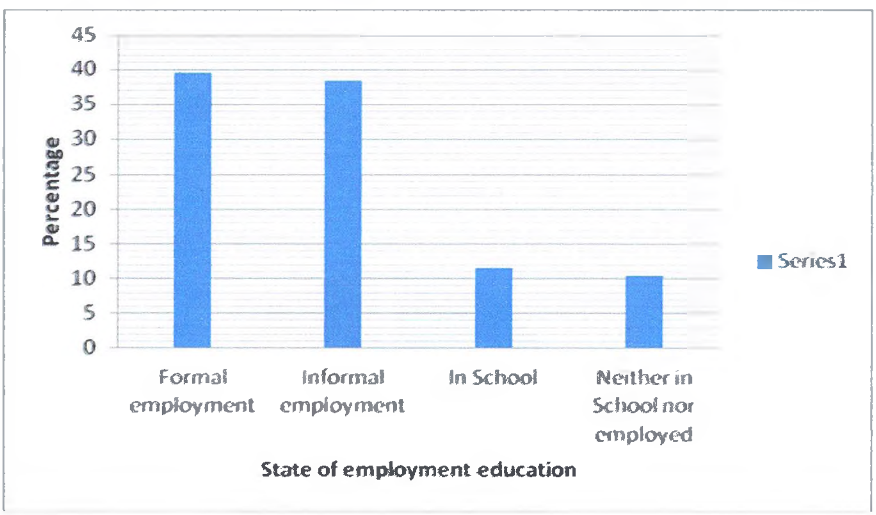
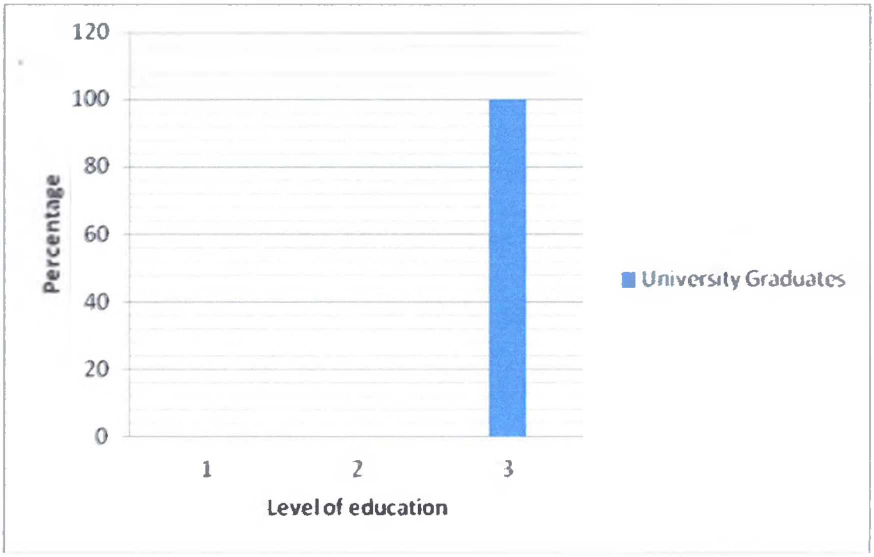


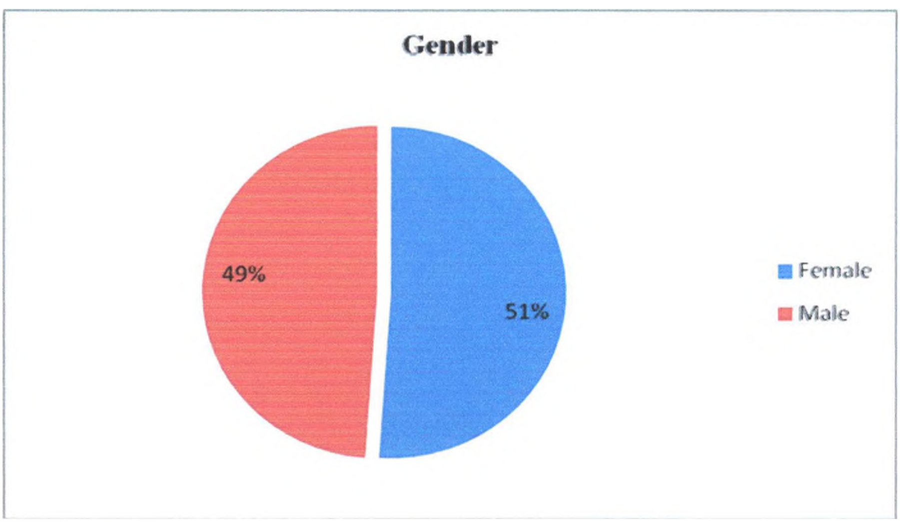
Figure 12. Employment education (bank employees)



4.3.2 Gender

From a total of 88 banking public respondents 51.1% of the respondents were female gender while 48.9% were of male gender. This shows that most respondents with bank accounts were of female sex.

Figure 13. Gender



4.3.3. Age

As figure 14 shows from 88 bank depositors 63.6% are aged between 26 and 35 followed by under 25 years at 19.3%, then between 36-45 at 9.1% and above 45 years at 8%. This shows that most of the respondents with bank accounts were young people while a few are made up of the older generation as shown in figure 14. Similarly as shown in figure 15 where the respondents are made up of bank employees most of the employees as shown are young individuals with 74.1% aged between 26-35 years, 18.5% below 25 years and 7.4% between 36-45 years.

Figure 14. Age- Depositors

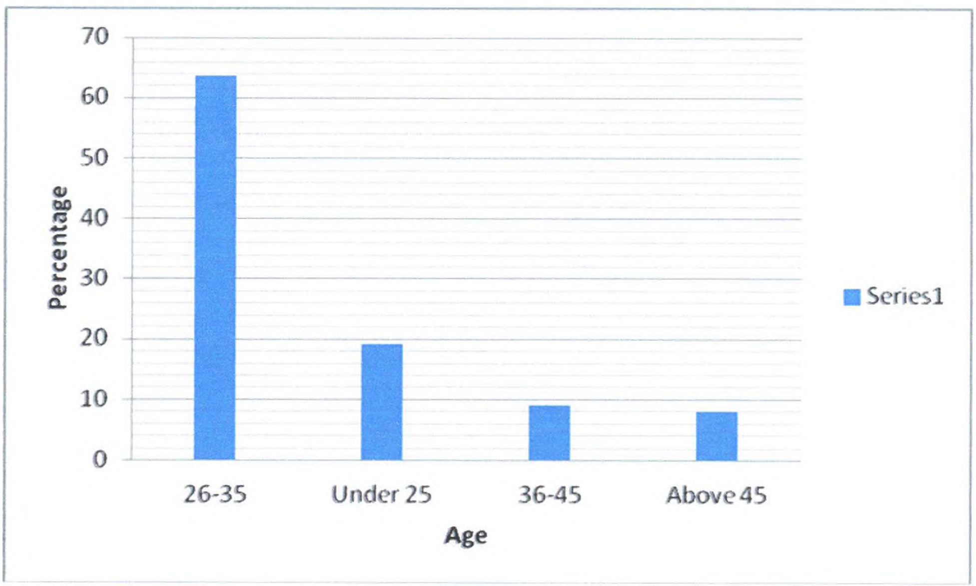
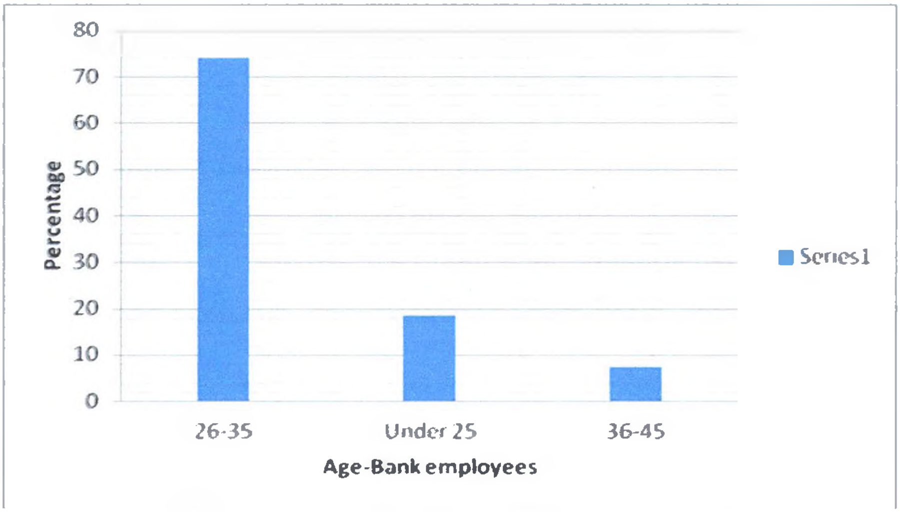


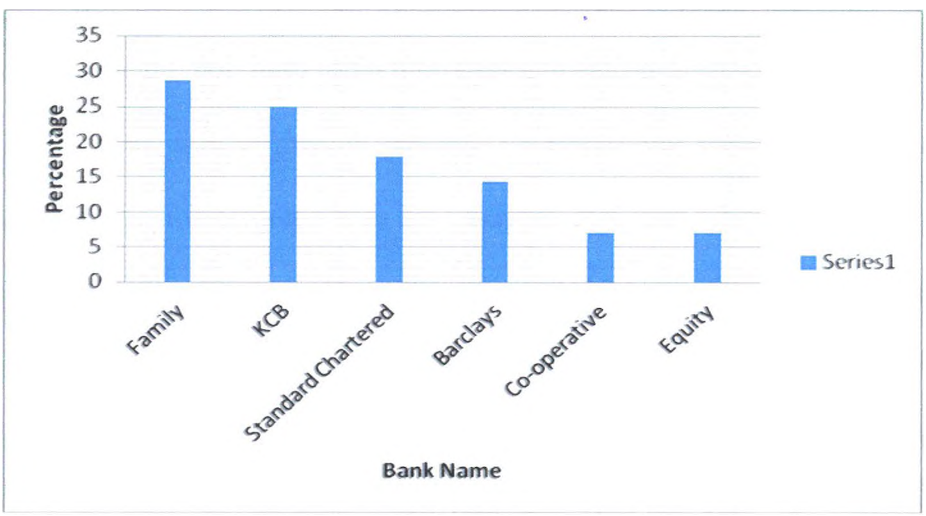
Figure 15. Age-Bank employees



4.3.4. Bank Name

Although the study targeted a sample of employees from 10 local banks, employees from 6 banks were obtained. Family bank had 8 (28.6%) employees who responded to the questionnaire followed by KCB with 7 (25.0%) Standard Chartered Bank had 5 (17.9%) who responded to the questionnaire, Barclays bank had 4 (14.3%) respondents while Co-operatives and Equity Banks each had 2 (7.1%).

Figure 16. Respondents bank name



CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 Discussions of findings

Several external communication strategies are employed by banks in Kenya depending on the targeted audience. For instance in Cities banks tend to employ e-mails, facebook, twitter, but in rural areas they would prefer public campaigns, use of opinion leaders, radios talk shows, or even sporting activities such as 'boda boda' races. Unfortunately these modes of communication at times come with a lot of challenges such as message distortion and the large sums of money involved which scares away some banks from venturing into rural areas.

From the research findings, it is shown that although banks In Kenya do have effective communication strategies that they employ when communicating relevant information to depositors as shown by the 72.7% of the respondents who answered in the affirmative, a lot still needs to be improved on as indicated by 27.3% of respondent who thought that there banks do not have effective communication strategies. For instance banks can improve their communication strategy by employing various communication channels depending on the targeted area for example in Cities where majority of depositors are literate and are able to access information they can involve, e-mails, facebook, twitter, letters, media, postas etc and in rural settings they can involve opinion leaders, radios talk shows, public campaigns and even road shows. Unfortunately these modes at times come with challenges such as, message distortion and the large sums of money involved.

The researcher also established that some of the hindrances to effective external communication by banks in Kenya were lack of follow ups by some banks. Most banks don't make follow ups on information communicated to ensure that the targeted audience receives the intended information this makes depositors miss useful and relevant information. Financial institutions need to make follow ups whenever useful information is sent to depositors this will ensure that the target audience actually receive the relevant information and incase the information wasn't received by the depositors then it can be repackaged and resend again.

Complexity of the language hinders some depositors from receiving useful information. Although majority of depositors felt that the language used by the banks was fair and simple a few thought the language wasn't favorable among the illiterate depositors especially most of them who reside in rural areas as they prefer there local dialects as opposed to English or Kiswahili. Most banks need to involve local languages whenever they are communicating to rural depositors as it is there preferred medium of communication.

Another hindrance to ineffective communication was change of addresses by bank depositors. Some depositors change their addresses without informing their relevant banks and this make it impossible for the banks to communicate to them whenever there's information to be passed across. Also unavailability of infrastructure like telephone lines, electricity are some of the reasons as to why depositors fail to receive useful information when it's communicated. Also huge finances involved to run and maintain the system, the high risk involved such as bank fraud, high level of illiteracy and poverty in the country and fear of failure by the bank depositors to adapt to the new ways of communication.

5.2 Recommendations

As figure 2 indicates that although banks are doing well in terms of informing depositors on useful information more still needs to be done especially on those depositors who leave in rural areas or small town where access to information is limited. For example financial institutions can enhance their accessibility to information by engaging services of opinion leaders whenever there's useful information to be passed across.

For banks to be effective in their communication, the public must be informed about the benefits and limitations of the scheme regularly and also follow ups made time and again. According to the findings on figure 8 most banks inform depositors on useful information as often as possible as approved by the bank employees however they also need to ensure that they make follow ups on information communicated as from the findings of figure 7 indicates some banks dont make follow ups on useful information. Although the costs of regular follow ups on useful information to the public may be considerable high, the need for awareness should not be underestimated. Many countries with established systems have widely publicized the terms and conditions of financial institutions coverage to ensure depositors awareness to limit the probability of bank 'runs' in the event of a bank failure. It is also important to make sure that depositors are aware of coverage limitations regarding amounts and account.

The governement needs to develop proper infrastructures like roads, telephone lines and electricity in remote areas of the country as this will enhance and improve effective communication between banks and its depositors in rural areas. Most banks shy away from remote areas due to factors beyond their control as evidenced from the findings of figure 4 where quite a number of bank employees said they do not communicate useful information to remote areas as often as possible yet a large number of their depositors stay in those areas.

Banks need to rely more on the new ICT if they are to improve communication with their depositors and creditors. For instance from the findings of figure 6, 32% of banks don't involve ICT in their day to day communication yet from the findings of figure 11 its shown that most of the bank depositors are the young people who are ICT savvy.

5.3 Conclusion

The study hypothesized that the external communication strategies employed by banks to inform depositors to collect their payouts or lodge dividend claims could be flawed and therefore be the reason why most depositors often fail to lodge their claims on time. From the findings of figure 3 it was discovered that although banks do have effective external communication strategies as approved by the high number of respondents a lot still needs to be done to make communication better, for instance making follow ups on information sent as the finding of figure 7 reveal that 31% of bank employees don't make follow ups on useful information. Banks should ensure that follow ups are made as soon as possible so that information sent is the right information received.

According to the findings of figure 6 it was also discovered that banks need to also involve ICT in their external communication strategies as most of their depositors and creditors are tech savvy. For instance as shown from the findings of figure 11 a large percentage of depositors are well educated and are in formal employment. This shows that depositors are well versed with the new technology so banks need to employ more of the new technology such as internet/ mobile communication as this will enhance efficiency in communication.

From the findings of figure 9 a large percentage of bank employees said they face a number of communication challenges when informing depositors on useful information, for instance the challenge of unavailability of infrastructure in rural areas which is beyond their control. Unavailability of infrastructure in remote areas could be one of the major reasons as to why banks would prefer to concentrate their information in major towns and Cities hence resulting into depositors from remote areas missing relevant information.

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APPENDIX 1

QUESTIONNAIRE: (BANKING PUBLIC)

Research Topic: An evaluation of communication strategies adopted by financial institutions in Kenya

This research study is being undertaken in partial fulfilment of the award of the degree of Masters of Arts (MA) in communication studies at the School of Journalism, University of Nairobi.

INSTRUCTIONS

- Kindly spare a few minutes to complete the questionnaire below.
- Please **tick** or answer the questions correctly. [✓]
- Do not write your name. Any information you provide will be treated with utmost confidentiality.

SECTION A: BACKGROUND INFORMATION

1. Name of Respondent

(Optional)...

2. What is your gender?

Male [ ]   Female [ ]

3. In which of the following age brackets do you fall?

Under 25 years [ ]

26 – 35 years [ ]

36 – 45 years [ ]

45 – Above [ ]

APPENDIX 1

QUESTIONNAIRE: (BANKING PUBLIC)

Research Topic: An evaluation of communication strategies adopted by financial institutions in Kenya

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INSTRUCTIONS

- Kindly spare a few minutes to complete the questionnaire below.
- Please **tick** or answer the questions correctly. ☑
- Do not write your name. Any information you provide will be treated with utmost confidentiality.

SECTION A: BACKGROUND INFORMATION

1. Name of Respondent

(Optional)..

2. What is your gender?

Male ☐ Female ☐

3. In which of the following age brackets do you fall?

Under 25 years ☐

26 – 35 years ☐

36 – 45 years ☐

45 – Above ☐

4. What is your highest level of education?

Primary ☐ Secondary ☐ College/Tertiary ☐ University ☐

5. Are you?

Informal employment ☐

In formal employment ☐

In School /College / University ☐

Neither in School nor employed ☐

6 Do you have a bank account?

Yes ☐ No ☐

7a). Do you get regular and useful information from your bank?

Yes ☐ No ☐

b) If yes how often?

Quite often ☐

Often ☐

Very Often ☐

Rarely ☐

8. When was the last time you received useful information from your bank?

a) 1- 3 months ago ☐

b) 3- 6 months ago ☐

c) 6- I year ago ☐

d) 1-2 years ago ☐

9a). Do you think your bank has an effective communication strategy?

Yes ☐ No ☐

b). If yes how would you rate your bank's communication strategy?

Poor ☐

Average ☐

Good ☐

Others/Specify..

c). If no, give reasons?

a)..

b)..

c)..

d)..

d). How is the content used on the information communicated by the bank?

Simple ☐

Fair ☐

Complex ☐

Others/Specify ....

e) Which mode of communication channel did the bank use on the information you received?

Mass media ☐

Print media ☐

Face to Face ☐

Internet / Mail ☐

10a). Has your bank ever failed to inform you on useful information?

Yes ☐ No ☐

b) If yes explain briefly why you were not informed and what happened?

a)..

b)..

c)..

d)..

11. Most banks are adopting e- communication to inform/communicate to banking customer, what do you think of this new trend?

a)..

b)..

c)..

12a) what's your preferred mode of communication on banking activities?

Mass media ☐

Print media ☐

Face to Face ☐

Internet / Mail ☐

b) Why is it the preferred mode, explain?

a)...

b)...

c)...

d)...

13a). Do you think your bank is doing enough to inform you on useful information?

Yes ☐ No ☐

b) Give reasons for your choice?

a)………………………………………………………………………………..

b)……………………………………………………………………………….

c)………………………………………………………………………………

d)……………………………………………………………………………….

14a. Do you have any suggestions that would you would like improved by your bank to enhance effective information delivery?

Yes ☐ No ☐

b) If yes what are they?

a)………………………………………………………………………………..

b)……………………………………………………………………………….

c)………………………………………………………………………………

d)……………………………………………………………………………….

APPENDIX 2

QUESTIONNAIRE: (BANK EMPLOYEES)

Department...

Position...

Research Topic: An evaluation of communication strategies adopted by financial institutions in Kenya

This research study is being undertaken in partial fulfilment of the award of the degree of Masters of Arts (MA) in communication studies at the School of Journalism, University of Nairobi.

INSTRUCTIONS

- Kindly spare a few minutes to complete the questionnaire below.
- Please **tick** or answer the questions correctly. ☑
- Do not write your name. Any information you provide will be treated with utmost confidentiality.

SECTION A: BACKGROUND INFORMATION

1. Name of Respondent

(Optional)..

2. What is your gender?

Male ☐ Female ☐

3. In which of the following age brackets do you fall?

Under 25 years ☐

26 – 35 years ☐

36 – 45 years ☐

45 – Above ☐

4. What is your highest level of education?

Primary ☐ Secondary ☐ College/Tertiary ☐ University ☐

5. Do you have a bank account?

Yes ☐ No ☐

6a).Do you have specific communication channels used to communicate to bank customer?

Yes ☐ No ☐

b) If yes, what are your preferred mode of communication to the banking public and explain why it's the preferred mode?

a) Mass media ☐

....

b) Print media ☐

....

c) Face to Face ☐

....

d) Internet / Mail ☐

....

e) Others (specify)..

c) And how often do you inform the banking public on useful information?

Quite often ☐

Often ☐

Very Often ☐

Rarely ☐

d) When was the last time you informed the banking public on useful information?

1 month ago ☐

2 months ago ☐

3 months ago ☐

4 months ago ☐

Non of the above ☐

e) Do you make any follow ups to ensure the banking public is informed on useful information and if yes how do it?

Yes ☐ No ☐

a)..

b)..

c)..

d)..

7a) Do you encounter any communication challenges in the process of communicating to the banking public?

Yes ☐ No ☐

b) If yes what challenges do you encounter and how do you manage those challenges?

a)..

b)..

c)..

d)..

8 a) Are you aware of any communication strategies in your bank?

Yes ☐ No ☐

b) If yes explain briefly?

a)..

b)..

c)..

d)..

9a).Do you communicate useful information to remote areas in the country?

Yes ☐ No ☐

b) If yes, how do you communicate and what are the challenges faced?

a)..

b)..

c)..

d)..

10a). Do you set long term communication objectives?

Yes ☐ No ☐

b) If yes, what are your long term objectives?

a)..

b)..

c)..

d)..

11. How would you rate the effectiveness of the communication strategies employed by your bank?

Excellent ☐

Good ☐

Fair ☐

Poor ☐

12). In your opinion what do you think hinders effective bank communication?

a)..

b)..

c)..

d)..

13a). Do you employ new information communication technology when informing/ communicating to the bank depositors?

Yes ☐ No ☐

b). If yes give examples and what are the challenges faced in adoption of new communication technology?

a)..

b)..

c)..

d)..

c) And how are you trying to address the challenges?

a)..

b)..

c)..

d)..

APPENDIX 3.

INTERVIEW GUIDE: (BANK EMPLOYEES)

Research Topic: An evaluation of communication strategies adopted by financial institutions in Kenya

This research study is being undertaken in partial fulfilment of the award of the degree of Masters of Arts (MA) in communication studies at the School of Journalism, University of Nairobi.

INSTRUCTIONS

Kindly spare a few minutes to discuss the following issues.

1. Do you have any specific communication strategy you employ when informing the banking customers on useful information? If any which ones are they? And what challenges do you face in the process of informing the banking public on useful information?
2. Do you have any incident where your communication was ineffective? How did you handle the situation? And how do you receive feedback from the banking public?
3. How do you ensure that your rural banking customers are well informed on useful information? And what happens if information communicated does not reach the targeted individuals?
4. How is the banking publics' response towards your communication strategies? And how do you ensure your communication strategies remain relevant?
5. How do you handle a situation where unavailability of infrastructure affects your communication strategy?

6. Do you employ the new communication technology in your communication strategy and how is the banking publics' reaction towards the new information communication methods?
7. a) How do you ensure your banking customers in rural areas where there are inadequate infrastructure receive relevant and up to date information?

   b) And what about the content used how do you ensure it's understood by your rural banking customers?