

**FACTORS INFLUENCING THE ADOPTION OF INTERNET BANKING AT  
THE KENYA COMMERCIAL BANK: THE CASE OF UNIVERSITY WAY  
BRANCH, KENYA.**

**BY  
CAROLINE OMARI MANYANGE**

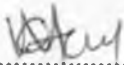
**UNIVERSITY OF NAIROBI  
KIKUYU LIBRARY  
P. O. Box 92  
KIKUYU**

**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILMENT  
OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER  
OF ARTS IN PROJECT PLANNING AND MANAGEMENT OF THE  
UNIVERSITY OF NAIROBI**

**2012**

## DECLARATION

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

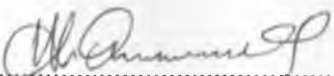
  
.....

Date..... 17/09/2012 .....

CAROLINE MANYANGE OMARI

L50/76943/2009

This research project report has been presented for examination with my approval as university supervisor

  
.....

Date..... 17/9/2012 .....

DR. HARRIET KIDOMBO

Senior Lecturer

School of Continuing and Distance Education

University of Nairobi

## DEDICATION

I dedicate this work to my dear family; my Husband Elvis and Son Jayden for their continued support and understanding during my long absence, both during coursework and research process.

## ACKNOWLEDGEMENT

I wish to acknowledge people who have greatly influenced and facilitated the process of preparing this research project report, without whom it would have been difficult to accomplish on my own.

I take this earliest opportunity to appreciate the support accorded to me by my supervisor, Dr. Harriet Kidombo, for her wisdom in guiding me through the intricacies of putting up a credible research project report.

Special appreciation goes to the management and the staff of the Kenya Commercial Bank, University Way branch for their love and support during the course of this program and most importantly provision of important baseline data used as the basis for this research report.

I do also appreciate the role played by my class mates who were always willing to lend some crucial advice pertaining to this study, I wish them the very best in their endeavors both in their academic research process and their career growth in their respective fields.

Last but not least, I wish to acknowledge the special role played by my dear parents; Mr. Omari and Mrs. Florence Omari who without their support this program would not have been possible, God bless you mightily.

## TABLE OF CONTENTS

|                                                          |             |
|----------------------------------------------------------|-------------|
| <b>DECLARATION.....</b>                                  | <b>ii</b>   |
| <b>DEDICATION.....</b>                                   | <b>iii</b>  |
| <b>ACKNOWLEDGEMENT.....</b>                              | <b>iv</b>   |
| <b>LIST OF TABLES.....</b>                               | <b>vii</b>  |
| <b>ABSTRACT.....</b>                                     | <b>viii</b> |
| <br>                                                     |             |
| <b>CHAPTER ONE.....</b>                                  | <b>1</b>    |
| <b>INTRODUCTION.....</b>                                 | <b>1</b>    |
| 1.1 Background of the study.....                         | 1           |
| 1.2 Statement of the Problem.....                        | 3           |
| 1.3 Purpose of the study.....                            | 4           |
| 1.4 Objectives of the study.....                         | 4           |
| 1.4.1 The main research objective.....                   | 4           |
| 1.4.2 The specific objectives.....                       | 5           |
| 1.5 Research questions.....                              | 5           |
| 1.6 Significance of the study.....                       | 6           |
| 1.7 Delimitation of the study.....                       | 6           |
| 1.8 Limitation of the study.....                         | 7           |
| 1.9 Assumptions of the study.....                        | 7           |
| 1.10 Definitions of Significant Terms.....               | 8           |
| 1.11 The Organisation of the study.....                  | 8           |
| <br>                                                     |             |
| <b>CHAPTER TWO.....</b>                                  | <b>9</b>    |
| <b>LITERATURE REVIEW.....</b>                            | <b>9</b>    |
| 2.1 Introduction.....                                    | 9           |
| 2.2 Concept of Internet Banking.....                     | 9           |
| 2.3 Organizational readiness and internet banking.....   | 10          |
| 2.4 Trust and perceived risk in the use of internet..... | 12          |
| 2.5 The concept of technology adoption.....              | 15          |
| 2.6 Attitude formulation and internet banking.....       | 17          |
| 2.7 Conceptual framework:.....                           | 20          |
| 2.8 Summary of Literature Review.....                    | 22          |
| <br>                                                     |             |
| <b>CHAPTER THREE.....</b>                                | <b>23</b>   |
| <b>RESEARCH METHODOLOGY.....</b>                         | <b>23</b>   |
| 3.1 Introduction.....                                    | 23          |
| 3.2 Research Design.....                                 | 23          |
| 3.3 Target Population.....                               | 24          |
| 3.4 Sampling Procedure.....                              | 24          |
| 3.5 Methods of Data Collection.....                      | 25          |
| 3.6 Validity and Reliability.....                        | 26          |
| 3.6.1 Validity of the research instruments.....          | 26          |
| 3.6.2 Reliability of the research instruments.....       | 27          |
| 3.7 Data Collection Procedure.....                       | 27          |
| 3.8 Methods of Data Analysis.....                        | 28          |

|                                                             |                                                                           |           |
|-------------------------------------------------------------|---------------------------------------------------------------------------|-----------|
| 3.9                                                         | Operational definitions of variables.....                                 | 29        |
| 3.10                                                        | Ethics consideration.....                                                 | 31        |
| 3.11                                                        | Summary.....                                                              | 31        |
| <b>CHAPTER FOUR.....</b>                                    |                                                                           | <b>32</b> |
| <b>DATA ANALYSIS, PRESENTATION AND INTERPRETATION .....</b> |                                                                           | <b>32</b> |
| 4.1                                                         | Introduction.....                                                         | 32        |
| 4.2                                                         | Background Information of Respondents.....                                | 32        |
| 4.3                                                         | Organizational readiness to internet banking services.....                | 34        |
| 4.4                                                         | Trust and perceived risk in the system to internet banking adoption ..... | 37        |
| 4.5                                                         | The Concept of Technology Adoption to internet banking usage. ....        | 39        |
| 4.6                                                         | Attitude formulation and internet banking adoption.....                   | 43        |
| 4.7                                                         | Correlation Analysis .....                                                | 45        |
| 4.8                                                         | Chapter summary.....                                                      | 47        |
| <b>CHAPTER FIVE .....</b>                                   |                                                                           | <b>47</b> |
| <b>SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND</b>    |                                                                           |           |
| <b>RECOMMENDATIONS.....</b>                                 |                                                                           | <b>48</b> |
| 5.1                                                         | Introduction.....                                                         | 48        |
| 5.2                                                         | Summary of findings.....                                                  | 48        |
| 5.2.1                                                       | Organizational readiness.....                                             | 49        |
| 5.2.2                                                       | Trust and perceived risk in the system.....                               | 49        |
| 5.2.3                                                       | The Concept of Technology Adoption.....                                   | 50        |
| 5.2.4                                                       | Attitude formulation to internet banking .....                            | 50        |
| 5.3                                                         | Discussion of findings.....                                               | 51        |
| 5.4                                                         | Conclusion .....                                                          | 53        |
| 5.5                                                         | Recommendations .....                                                     | 55        |
| <b>REFERENCES: .....</b>                                    |                                                                           | <b>57</b> |
| <b>APPENDIX I: LETTER OF INTRODUCTION .....</b>             |                                                                           | <b>61</b> |
| <b>APPENDIX II: SAMPLE QUESTIONNAIRE.....</b>               |                                                                           | <b>62</b> |

## LIST OF TABLES

|                                                                             |    |
|-----------------------------------------------------------------------------|----|
| Table 3.1: Determination of the study sample size.....                      | 25 |
| Table 3.2 Operational definition of variables. ....                         | 29 |
| Table 4.1 Summary of the background information of the respondents.....     | 33 |
| Table 4.2: Effectiveness of the bank internet platform.....                 | 34 |
| Table 4.3: Responses on the banks readiness to e banking adoption.....      | 35 |
| Table 4.4: Trust and perceived risk in the banks system .....               | 37 |
| Table 4.5: Ease of internet banking use at KCB u-way branch .....           | 40 |
| Table 4.6: Approval of electronic banking .....                             | 41 |
| Table 4.7: Attitude formulation and internet banking .....                  | 43 |
| Table 4.8: Correlation results of dependent and independent variables ..... | 46 |
| Table 4.9: Correlation matrix of variables.....                             | 46 |

## ABSTRACT

This study sought to empirically determine the factors influencing the adoption of Internet banking at the Kenya Commercial Bank with an emphasis on University Way branch. Organizational readiness, trust and perceived risk in the system, technology adoption and attitude formulation were examined to determine if these factors are affecting Internet banking adoption. A survey of 86 respondents comprising of Internet banking users was used by employing simple random sampling. The study utilized 62 usable samples giving a response rate of 72 percent. Data was analyzed by use of descriptive statistics and correlation analysis. The results showed that organizational readiness to Internet banking, user trust and perceived risk in the system, the level of technology adoption and the prevailing attitude towards Internet banking were positively associated with adoption of Internet banking in the branch. Organizational readiness to technology adoption is crucial for the succes internet banking. Trust and perceived risk dictates whether a user utelizes the service or not, while technology adoption is related to whether the users are willing to take on new technology development in the bank in the bank. There is need for the bankers to carry out intensive training progrms targeting their customers on the benefits of internet banking usage. Managers should make efforts to minimise the level of risk exposure customers face while transacting their business online. The findings are expected to be of great use to the government, the regulators, commercial banks, and other interested players in the financial sector like the bank customers and researchers. The bankers and the society at large will come to know where the banks lag in terms of adoption of Internet banking and in providing different products and services. An understanding of the factors affecting the extent of Internet banking services is essential both for economists studying the determinants of growth and for the creators and producers of such technologies. Moreover, this study will significantly contribute to the empirical literature on diffusion of financial innovations, particularly Internet banking, in a developing country like kenya.



## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the study

Internet banking refers to the use of Internet as a delivery channel for banking services, including traditional services, such as opening an account or transferring funds among different accounts, as well as new banking services, such as bill payment, which allow customers to pay and receive bills on a bank's website (Gurau, 2002). The service has become a must have utility rather than a tool of competitive advantage.

Internet Banking not only allows customers to carry out a range of banking activities, such as managing their bank accounts and transactions without leaving their desks (Weir et al., 2006), it is also a very cost-efficient way for the banks to provide customer services (Yakhlef, 2001). It has however been noted that the Internet banking adoption has not reached the level that the banks are satisfied with, (Calisir and Gumussoy, 2008). Common concerns are identified such as performance and security of banking transactions, as well as confidentiality of the personal account data. These concerns increase the level of perceived risk, further exacerbating the levels of trust in the banks, which generally has been declining especially after the 2008 financial crisis.

As the banking fraternity continues to make forays into the retail segment of the market, it is becoming more paramount that customers be given value for their hard-earned deposits. The new banking environment is about differentiating banking products, increased choices, security and accessibility. The ability of a financial institution to

deliver products and services in the most efficient and effective manner, will therefore be the key to performance and relevance.

There are currently thousands of e-banking web sites all over the world (Gurau, 2002). Although online banking has been implemented in many developed countries such as the United States and those in Europe (Pikkarainen et al., 2004), there is a growing trend in the adoption of online banking by banks in developing countries too (Gurau, 2002).

It is important that the introduction of these products be accompanied with programs to broaden consumer horizon by enhancing their knowledge in the new and more innovative ways of conducting banking business. For example, while Internet banking is a fast and convenient mode of conducting banking transactions, this is yet to gain acceptance among banking consumers due to fears or apprehension of this mode of banking. According to Central Bank of Kenya statistical bulletin (2010), Kenyans who have access to banking service have increased sharply since 2000. This has been attributed to the rapid growth of the Kenyan economy that has been growing at an average of 3.5% per year for the last decade (CBK, 2010).

Internet banking usage at the Kenya Commercial Bank has been growing significantly over the recent past and is projected to grow into the future. Though so, the rate of internet banking absorption in the Bank has not picked up as expected. Data obtained indicates that the rate of usage is still low among those who have signed up for the service and those who are approached to sign up still display some degree of resistance.

Although there are past literatures studied on the adoption of online banking, many of these studies have tended to focus on European countries or the United States (Pikkarainen et al., 2004). However, Kenya is different from these countries given that the economy is still expanding in recent years and its e-commerce infrastructure is still less developed compared to Malaysia. Thus the adoption of online banking is still at its infancy when compared to other developed nations. Therefore, the primary objective of this research is to understand the consumers' perception towards the acceptance of Internet banking and identify factors that can predict their intention to use in internet banking context. Given that there are many factors that can influence the usage of Internet banking at the Kenya Commercial Bank, the result from this study will allow decision makers in banks to focus on the factors which will increase the adoption of online banking in Kenya and other developing countries.

## **1.2 Statement of the Problem**

Although Internet banking is common in many developed countries, for many developing countries, Internet banking is still very much at its infancy (Gurau 2002). This is especially true for countries such as Kenya, which are still building up their IT infrastructure. One of the government economic plans as envisioned in the vision 2030 is to shift its focuses from agricultural production to the service industry. As banking is an important part of the service industry, it is important for the banks to operate efficiently through the use of Internet banking. Although Internet banking is still unfamiliar to many Kenyan users and is still at an early stage of development, but with a rapidly growing Internet population users, there is a huge market potential for banks to explore. However,

for any technologies to be successfully introduced and used, the users have to accept and adopt the technology, (Davies 1989).

Many studies on Internet banking adoption have been conducted in many developed and Western countries (Pikkarainen, et al 2004; Gurau,2002), but studies for a developing and growing country such as Kenya remain very few. Therefore this study attempts to investigate the factors that influence the adoption of internet banking in Kenya and specifically the Kenya commercial Bank.

### **1.3 Purpose of the study**

This study sought to highlight the factors that influence the adoption of internet banking in Kenyan banks, with an emphasis at the Kenya commercial bank university way branch. Specifically, this study sought to establish how organizational readiness, trust and perceived risks among the users, technology adoption and finally attitude formulation on the part of the internet banking users. The results of this study will help realign the bank to the rapidly changing economic environment.

### **1.4 Objectives of the study**

The study objectives comprise of the main research objective and the specific objectives.

#### **1.4.1 The main research objective**

This research is seeking to identify the factors influencing the adoption of internet banking at the Kenya commercial Bank, university way branch.

#### **1.4.2 The specific objectives**

- i. To determine the extent to which organizational readiness influences the adoption of Internet banking at Kenya Commercial Bank University Way
- ii. To examine how trust and perceived risk among the Bank customers influences internet banking adoption at the Kenya Commercial Bank University Way.
- iii. To establish how technology adoption among the staff and the customers influence internet banking adoption at the Kenya Commercial Bank University Way.
- iv. To asses how attitude among the staff and customers influences the internet banking adoption at the Kenya Commercial Bank University Way.

#### **1.5 Research questions**

This study is seeking to answer the following questions;

- i. To what extent does organizational readiness influence the adoption Internet banking at the Kenya commercial Bank, University Way Branch.
- ii. How does trust and perceived risk among the Bank staff and customers influence the adoption of Internet banking at the Kenya Commercial Bank, University Way Branch
- iii. How does technology adoption among the staff and the customers at the Kenya commercial Bank University Way Branch influence the adoption of Internet banking.
- iv. To what extent does attitude among the staff and the customers influence Internet banking adoption at the Kenya Commercial Bank University Way,

## **1.6 Significance of the study**

Internet banking is a relatively new phenomenon in the developing countries and nothing demonstrates this more than the Kenyan case. Many studies have been carried out in the developed world on different aspects of the subject matter. Here in Kenya most Banks have adopted this new technological platform, but its embrace has been at best muted.

Given that there are many factors that can influence the usage of online banking, the result from this study will allow decision makers in banks to focus on the factors which will increase the adoption of Internet banking and reap the benefits thereof.

The results from this research will go along way into providing an insight into the challenges often faced by the banks in implementing the new technological platforms and to largely provide practical suggestions into ways and means of improving its uptake in order to gain competitive advantage in a wildly competitive environment.

## **1.7 Delimitation of the study**

The study will be limited to the Kenya commercial bank university way branch, which was a pilot case for internet banking rollout for the whole bank. The branch will be studied and its findings will be replicated across all the KCBs branches and indeed across the Kenyan banking sector and other developing markets. The researcher has had a chance of overseeing the usage of the internet banking within the Bank as she is one of the staff in the organization.

### **1.8 Limitation of the study**

The study anticipated to encounter a number of limitations in the course of the research, chief among them was the willingness of the sample population to divulge their financial details used in the research. The researcher mitigated this limitation by deliberately assuring the respondents of the confidentiality of the responses made. Furthermore due to financial and time constraints the researcher anticipated that the limitation of the research to a particular branch would dilute the generalisability of the findings, but the researcher did put an effort to post questions which would generate responses that cut across the entire banking network and the banking sector in general.

### **1.9 Assumptions of the study**

This research study shall make the following assumptions

- a. That at Kenya Commercial bank University Way Branch has an established internet banking services.
- b. That at Kenya Commercial bank University Way Branch customers are categorised as those who trust the system and those who perceive it to be too risky.
- c. That at Kenya Commercial Bank University Way Branch technology adoption plays an important role in influencing the adoption of internet banking.

### **1.10 Definitions of Significant Terms**

|                           |                                                                                                         |
|---------------------------|---------------------------------------------------------------------------------------------------------|
| Internet Banking          | Transacting the business of banking over the internet medium.                                           |
| Least developed countries | Third world economies low on development levels.                                                        |
| Organizational readiness  | The ability of a bank to embrace the adoption of internet banking.                                      |
| Risk                      | The uncertainty that the service will be safe.                                                          |
| Technology adoption       | Uptake of new technological products by the bank.                                                       |
| Trust                     | Extent to which an individual believes that using online banking is secured and has no privacy threats. |

### **1.11 The Organisation of the study**

This research project has been organized into five chapters. The first chapter deals with the introduction of the research, where the research problem is put forward, the objectives and the significance of the study. The limitations and assumptions of the study is put forward in this chapter. Chapter two deals with the study of the related literature. The literature review will be done based on the main research objectives as depicted from the conceptual framework. The third chapter has dealt with research design. It highlights the research population, the sampling design used and sampling procedure, issues to do validity and reliability of the research instruments used and the operational definitions of the research variables, have also been dealt with. The fourth chapter is the presentation, analysis and discussion of the research findings. Finally, chapter five deals with the conclusion and recommendation of the study.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The aim of this section is to establish what literature, academic and otherwise is available to help get a better understanding of what influences the adoption of internet banking at the Kenya Commercial bank and the Kenyan banking system as a whole. The study identifies four key independent variables playing a crucial role in Internet banking adoption. Organizational readiness, trust and perceived risk in the system, technology adoption and the attitude among the staff and customers are the main variables being reviewed. The study derives its literature from several banking journals on studies carried out in the related knowledge areas. The conceptual framework has been highlighted to show the interrelationships between variables.

#### **2.2 Concept of Internet Banking**

Many organizations today have responded to the competitive business environment by implementing e-business as part of their business strategies. With the growth of the internet, it is inevitable for banks to move towards providing online banking for their customers. Although the current branch based retail banking remains the most common method for conducting banking transactions, Internet technologies has changed the way personal financial services are designed and delivered to customers (Wang et al., 2003).

Internet banking works the same way as the traditional banking services. The main difference is that customers are accessing their account and information, making

payments and reconciling statements by using their computer rather than paper to complete the transactions. Internet banking services are crucial elements for the long-term survival of banks in the world of electronic commerce (Tan and Teo, 2000). The market for Internet banking is forecasted to grow sharply in the next few years, affecting the competitive advantage enjoyed by traditional banks with physical branches ( Liao et al., 1999).

### **2.3 Organizational readiness and Internet banking**

Any organization wishing to bring a different offering in the market has to carry out some prerequisite preparations to ensure that its implementation is uninterrupted. A number of studies have suggested that lack of organizational learning is a barrier to technology adoption, (Howard et al., 2007; Robey et al., 2000). This suggest that any institution not in a position to inform its stakeholders of the new industry developments is bound to have numerous huddles in the process. This learning process is accompanied by change response to the introduction of new alternative channels of providing quality service to the customers.

The lack of knowledge about the availability and the advantages of e-banking services have been identified as an inhibiting factor in the adoption of such channels (Sathye, 1999). Further, the findings of Pikkarainen et al. (2004) revealed that the awareness of and the amount of information that bank customers have about e-channels was a critical factor for the adoption of e-banking, and influenced directly its use intention. More recently, Gerrard et al. (2006) in a qualitative study found that the third most frequently

mentioned reason for not using Internet banking was the lack of awareness about the service.

Organisation's need to evaluate their technological infrastructure prior to engaging in e-business (Tyler et al., 2007) because some managers may harbour the perception that engagement e-business is too urban for their business (Archer et al., 2008). This aversion to technology is a barrier to e-market adoption resulting in some organisations lacking an ICT infrastructure that permits their participation. The adoption and utilisation of business-to-business (B2B) e-business technologies is an incremental and piecemeal process that is time consuming (Archer et al., 2008) and requires the long-term commitment from the stakeholder groups involved in the process (Wang and Lin, 2009). As with the majority of technology adoption projects, it is not uncommon for the e-market implementation process to exceed two years (Harrigan et al., 2008) and go beyond the original budget. In addition to the cost of implementing such systems, the cost of maintaining them can be comparatively high and often represents a major obstacle to their adoption (Teo et al., 2009) particularly among SMEs.

E-market adoption often requires industry support. In many instances, the absence of strategic thinking along the length of supply chains regularly manifests itself in the extreme self-interest of the different actors in the network (Towill, 2006). Not all sectors are ready for engaging in inter-organisational exchange over the internet (Webster et al., 2006). In some sectors, there is no consensus of agreement on an industry standard or protocol for trading goods and services through e-markets, while in other instances,

multiple standards (Gulledge, 2002) or lack of adherence to them or associated protocols for trading (Howard et al., 2006) have been major factors averting the adoption of, and trading through, e-markets. Similarly, not all product types and services are suitable for trading through e-markets (Bakker et al., 2008) and not all processes are supported by e-markets (Humphreys et al., 2006). Bunduchi, (2008) carried out a research in business to business e-commerce and e-markets. He noted that organizational and cultural change issues as barriers to the adoption of interfirm e-commerce initiatives or e-market adoption.

#### **2.4 Trust and perceived risk in the use of Internet**

Trust is an important element affecting consumer behaviour and it determines the success of technologies adoption such as e-commerce (Chen and Barnes, 2007). Research by Wu and Chen (2005) posits that perceived ease of use is an antecedent of trust. Perceived ease of use has a positive influence on trust as it promotes a favourable impression towards the online seller in the initial adoption of the service.

The online environment has its own mirriad of challenges as it does not lend itself to traditional ways of establishing trust between exchange participants, (Serban et al., 2008). A customer wishing to engage in online transaction is faced with a nagging reminder that there is a chance that the system might not be that safe. It all comes to the level of risk associated with the intended transaction and the acceptable risk going with it. Tao et al. (2007) suggest that trust, privacy and security issues are interrelated in the online environment. Every risk averse individual customer will be concerned about whether his

or her online transactions are safe from numerous risks associated with it or not. Research has shown that “risk and trust are inseparable components indecision-making” (Morrison and Firmstone, 2000,). Researchers further allude that to place trust on a party involves risk-taking in decision making. Sathye (1999) found that security and privacy concerns are identified as the “biggest obstacles” to the adoption of Internet banking in Australia. Trust is also more crucial and complex in internet banking than traditional banking due to its virtual environment. Thus, to complete the purchase transaction, customers have to trust the online business and online transaction of the bank. Without trust the consumer will avoid making any transaction online.

Jahangir and Begum (2008) found that consumers’ trust on security and privacy are both Important factors in influencing the adoption of online banking in Bangladesh (another developing country), which like Kenya, is at an early stage of online banking implementation.

Pavlou (2002) argued that perceived risk arises from the uncertainty that customers face when they cannot foresee the consequences of their purchase decisions. In order to understand how risk determines customer behaviour, this study identifies several dimensions of perceived risk applied to internet banking services and then analyses the influence of perceived risk on Internet banking services acceptance. Consumers associate security risk with the loss of bank account or credit account numbers, passwords, etc., which can result in the loss of money. Customers tend to increase purchases only if they perceive that credit card and other sensitive information is safe. Previous research has

shown that perceived security risk is an important predictor of internet banking adoption (Sathye, 1999; Daniel, 1999; Lee et al., 2005).

Privacy risk has to do with the possibility that consumers' personal information (name, address, e-mail, phone numbers, etc.) will be disclosed (particularly) to direct marketers, either inside or outside of the company. Gerrard and Cunningham (2003) found that consumers worry that the bank may share customer profiles with other Key drivers of Internet banking services use 675 companies in the banking group and thus use the information to try to sell additional products. Perceived fears of the divulgence of personal information and feelings of insecurity have a negative influence on internet banking services use (Howcroft et al.,2002).

Performance risk has to do with concerns that products and/or services will not perform as anticipated. Consumers' evaluation of performance risk is based on their knowledge and cognitive abilities in a certain product domain (Littler and Melanthiou,2006). Asymmetry in Internet banking information and the lack of personal contact prevent the consumer from correctly evaluating the characteristics of the service,thereby decreasing confidence (Ba, 2001).

Time loss risk is the perception than the adoption and the use of the service will take too much time. Moreover, in the case of internet banking, the time risk may be related to the time involved in dealing with erroneous transactions and downloading information (Jayawardhena and Foley, 2000).Social risk has to do with the possibility of negative

responses from the consumers' social networks. As Littler and Melanithiou (2006) pointed out, the social status of the consumer who uses online banking services may be affected because of the positive or negative perceptions of internet banking services by family, acquaintances or peers.

Researchers have found that perceived risk is influenced by trust toward the transaction partner. Jarvenpaa and Todd (1997) have shown that trust works as a mechanism for reducing consumers' perceived risk in Internet shopping. Recent research on internet banking has shown that trust reduces perceived risk and invigorates the usage of online banking services (Suh and Han, 2002). Yousafzai et al. (2003) concluded that trust in electronic banking and its infrastructure reduces customers' transaction-specific uncertainty and related risks associated with the possibility that a bank might behave opportunistically. When people trust others, they assume that those they trust will behave as they are expected to, reducing the complexity of the interaction.

## **2.5 The concept of technology adoption**

Davis et al. (1989) in his well researched Technology Acceptance Model, (TAM) identified two beliefs (perceived usefulness and perceived ease of use) as the basic determining factors in information system acceptance. They defined perceived usefulness as "the degree to which a consumer believes that the use of a system will increase his or her performance" (Davis et al., 1989). Specifically, it refers to effectiveness at work, productivity understood as time saving and the relative importance of the system for the individual's work. Perceived ease of use refers to the degree to which a consumer

believes that no effort will be required to use the system, with effort being understood to include both physical and mental effort, and how easy it is to learn to use the system (Davis et al., 1989). In addition, perceived ease of use influences perceived usefulness.

TAM proposed that both the perceived usefulness and perceived ease of use can be used to predict the attitude towards using new technology, which in turn affects the behavioural intention to use the actual system directly (Venkatesh et al., 2003). Perceived usefulness as defined by Davis predisposes the Internet users to adopt the system if they believe the system will bring benefits such as reducing the time spent on going to bank and improving efficiency (Rao et al., 2003). According to TAM, perceived ease of use is “the degree to which the prospective adopter expects the new technology adopted to be a free effort regarding its transfer and utilization” (Davis, 1989). Therefore if users feel that online banking is easy to use, and free of hustle, then the chances of them to use the system will be greater. Jeyraj et al. (2006) conducted a comprehensive review of the predictors of technology adoption by organizations and individuals that were published between 1992 and 2003 and found that TAM is one of the most widely used technology adoption model. Although TAM was first introduced in 1989, it is still widely used as shown by jeyraj et al.,(2006).

Extensive research has found that product type has an important influence on consumer behavior and particularly information search and evaluation (Girard et al. 2003). Indeed, products that require knowledge, experience and personal interaction with a sales person are less likely to be considered when shopping online (Levin et al. 2003). The fact that



there are complex products such as Mortgages has led to electronic service environment laced with information asymmetries between buyer and seller. These asymmetries are associated with the differences in knowledge about the product domain, which are not as easily bridged in online service provision because there is no real time, expert human advice support Coughlan, et al. (2009).

## **2.6 Attitude formulation and internet banking**

It is widely accepted that top management support and technology champions are required for supporting the adoption and diffusion of innovative technologies within organizations. It follows such individuals must assess the relative merits, cost implications, incentives and disincentives of electronic-market participation. This would include an audit of their technological infrastructure and resources to establish whether any additional technology and training would be required to participate in e-markets.

Moreover, managing any organizational change issues associated with e-market adoption is paramount (Johnson 2009). Banks will find it hard to embrace the new technological platforms if indeed there is no champion to motivate other users. The management of the banks should first encourage the staff to take up the product and feel how effective it is to the customers.

Liao et al, (2009) posited that the main reasons for using a web site are not only to enhance performance, but also to increase pleasure and enjoyment. The need to provide an attractive and playful web site has gained marketers' attention. The results of this

study empirically validate that portal users have both rational and irrational motivations. The results also suggest that non-rational factors have a stronger influence on the intention to use a portal than rational factors. While the rational factor of perceived usefulness once again emerges as a major determinant of intention to use a web site, irrational factors explain significant variance in usage intentions beyond perceived usefulness alone. As technology developments continue to focus on more appealing interfaces, the importance of experiences that are intrinsically motivating, i.e. aesthetically pleasing, pleasurable and fun in and of themselves, might dominate as predictors of usage intentions (Liao et al, 2009).

The respective roles played by both trusting beliefs and trusting intentions have received limited empirical examination. Yet, there is some evidence to suggest that trusting beliefs and intentions contribute to successful online Business-to-Customer relationships. Research shows that ongoing trust enhanced consumers' attitudes toward transacting with an online store (Jarvenpaa et al., 2000; Suh and Han, 2002), a contrast similar to trusting intentions, and McKnight et al. (2002) demonstrated that consumers' trusting beliefs positively influenced their trusting intentions. They also found that both beliefs and intentions led to greater online purchase intent, a finding supported by other research concerning both ongoing (Chang and Chen, 2008) and initial trust (Wakefield et al., 2004)

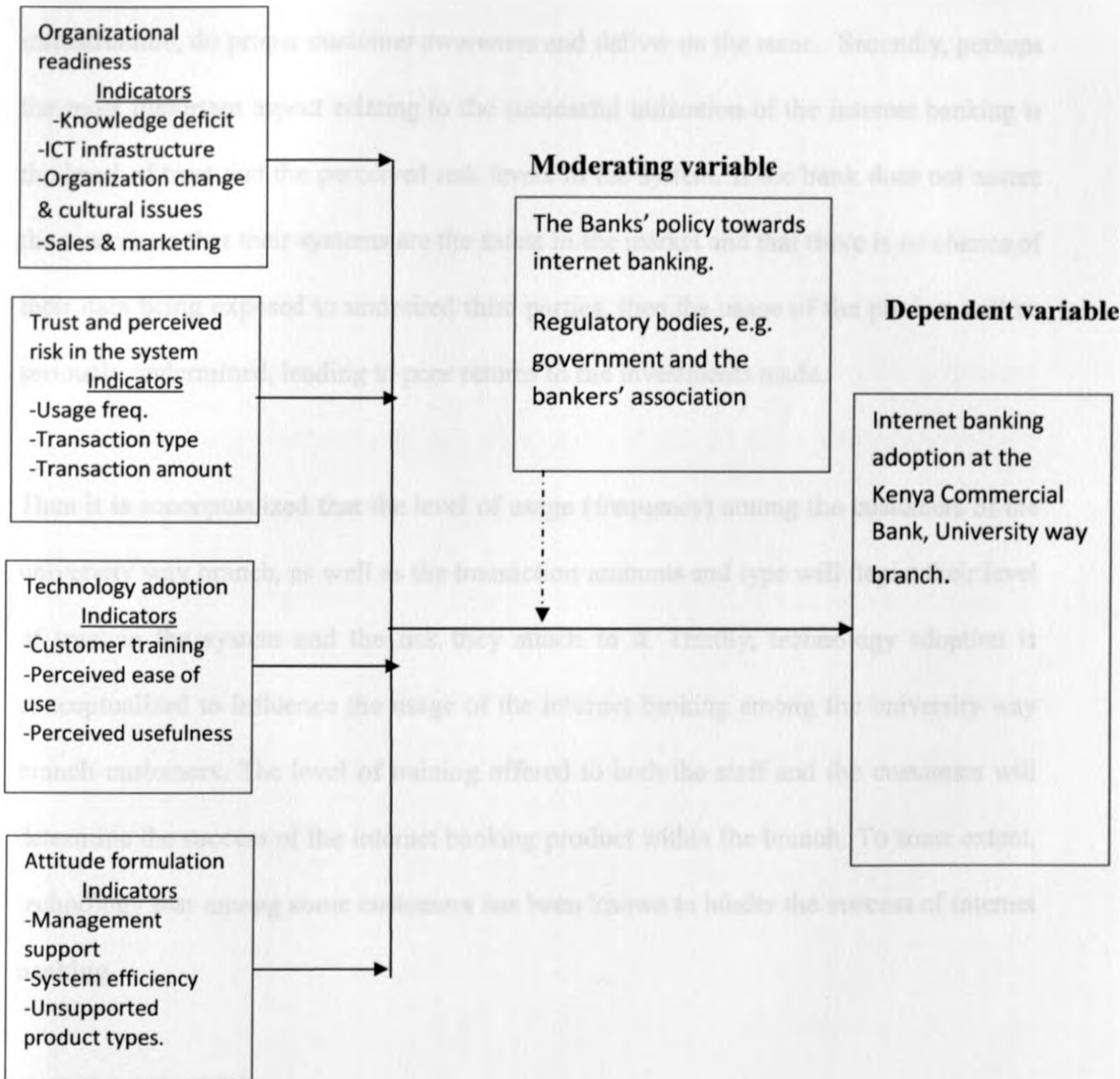
A significant aspect in technology adoption has been identified as stance to new technologies offered to customers. Stance to new technologies refers to a person's

general attitude towards new technologies (Dickerson and Gentry, 1983). In an early work on the characteristics of adopters and non-adopters of home computers, Dickerson and Gentry (1983) provided preliminary evidence that attitude towards computers discriminated significantly the profile of the two groups. In a similar study comparing ATM cardholders to non-cardholders, attitude towards ATM technology was one of the variables significantly differentiating the two groups (Swinyard and Ghee, 1987). This finding was further confirmed in the context of profiling users and non-users of ATM's (Marshall and Heslop, 1988). More recently, Kim and Prabhakar (2002) observed a positive relationship between stance to new technologies and adoption of internet banking. This evidence that positive attitude towards technology is a characteristic of adopters of new technologies suggests that it may also be a profiling variable of high trustors of new technologies.

**2.7 Conceptual framework:**

The following figure 1 shows conceptual representation of the proposed study on factors influencing the adoption of internet banking at the Kenya commercial bank, university way.

**Independent variables**



Source: The author

**Figure 1: Conceptual Framework**

The conceptual framework depicted in figure 2.1 has identified four main variables derived from the research objectives. First is the organizational readiness, it is conceptualized that if there is a concerted effort by the organization to ready itself, then the uptake of the internet banking product to the customers will be embraced fully and hence the need for the bank to institute concerted efforts to invest in the proper infrastructure, do proper customer awareness and deliver on the same. Secondly, perhaps the most important aspect relating to the successful utilization of the internet banking is the level of trust and the perceived risk levels in the system. If the bank does not assure the customers that their systems are the safest in the market and that there is no chance of their data being exposed to undesired third parties, then the usage of the product will be seriously undermined, leading to poor returns to the investments made.

Thus it is conceptualized that the level of usage (frequency) among the customers of the university way branch, as well as the transaction amounts and type will depict their level of trust in the system and the risk they attach to it. Thirdly, technology adoption is conceptualized to influence the usage of the internet banking among the university way branch customers. The level of training offered to both the staff and the customers will determine the success of the internet banking product within the branch. To some extent, technology fear among some customers has been known to hinder the success of internet banking.

Finally, attitude formulation either in the side of the customers or the staff themselves will contribute towards its successful usage or otherwise. In this case the top management

support in the product in form of constant updates and colorful presentation will do the trick. More over the strength of the internet network will motivate or discourage the potential users to do a revisit and utilize the product or seek out other alternative means of getting the same service.

## **2.8 Summary of Literature Review**

The chapter has attempted to highlight the findings of other related literature in order to build a strong basis for this proposed study. Literature of the related studies done in other parts of the world has been explored. Most of these studies are based in developed world and little has been done in a developing country like Kenya. Technology adoption is still at a nascent stage due to low perceived usefulness and perceived ease of use, (Davies, 1989). Furthermore the analysis has brought about the need to adequately prepare organizations especially on matters infrastructure and cultural change issues in order to facilitate easy adoption of online banking. Trust and perceived risk in the system play a central role in the eventual acceptance of the service among the customers', they need to be assured that transactions carried out are free of any inherent risks. Finally the analysis identified attitudes' among the users as a variable playing a major role in whether the adoption of internet banking will be effective or not. This proposed study will attempt to seek the answers to these research questions as espoused in the literature review.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter outlines the research methodology used to meet the objectives of the study. It explains the research design used in the study, the composition of the target population, the site description, population sampling design, the data collection techniques and procedures as well as data analysis criteria that the researcher followed in establishing the barriers to internet banking adoption at the Kenya commercial bank, university way branch.

#### 3.2 Research Design

This is a plan and process used in guiding the structure of conducting this research study. It outlines how the information was gathered, from whom, how and when the data was collected, data collection methods used, the instruments; how they were administered and how the information was organized and analyzed in order to ensure that the research objectives were met by the researcher.

The study adopted a descriptive survey design. Scholars posit that descriptive studies are undertaken in order to ascertain and be able to describe the characteristics of the variables of interest and in a situation, Sekaran, (2003). Surveys are the most widely used techniques to gather information that describe the nature and extent of a specified data ranging from physical counts and frequencies to attitudes and opinions. Information

gathered through surveys can be used to answer questions that have been asked, solve problems that have been posed or observed, to assess needs and set goals, Leedy, (1985). Thus, Descriptive survey is considered to be appropriate for this study since it aims at describing the factors influencing the adoption of Internet banking at the Kenya Commercial Bank, University Way branch.

### **3.3 Target Population**

Population refers to an entire group of individuals, events or objects having common observable characteristics, Mugenda and Mugenda (1999). Data obtained from University way branch database indicates that the number of customers registered on internet banking as at October 2011 stood at 759. To get data relating to internal variables influencing the adoption of internet banking at the branch, the study sought information/data from 10 branch employees against a total of 33 employees at the university way branch. This represents 30% of the staff, which is well above 10% threshold recommended by Mugenda and Mugenda (1999).

### **3.4 Sampling Procedure**

A sample is a small proportion of the target population selected using some systematic procedures for study. By observing the characteristics of a carefully selected and representative sample one can make certain inferences about the characteristics of a population from which it is drawn (Kothari 1985). Mugenda and Mugenda (1999), suggests that at least 10% of the accessible population is adequate to serve as a study sample.



**Table 3.1: Determination of the study sample size**

| <b>Population</b>             | <b>Population size</b> | <b>Sample (at least</b> |
|-------------------------------|------------------------|-------------------------|
| Customers on internet banking | 759                    | <b>10%)</b>             |
|                               |                        | 76                      |
| Bank employees                | 33                     |                         |
|                               |                        | 10                      |
| <b>TOTAL</b>                  | <b>792</b>             | <b><u>86</u></b>        |

*Source: The KCB University way (2011).*

Simple random sampling technique was used to identify those who took part in the study. Effort was made to ensure that the composition of the employees taking part in the study represented all the relevant sections of the bank in order to obtain an accurate representation of facts as far as internet banking is concerned.

### **3.5 Methods of Data Collection**

The purpose of data collection procedures is to provide the framework for a uniform, accurate record system. Structured questionnaires were administered on the day of research, and then collected after two weeks, this allowed the respondents ample time to read and respond to the research questions without being under pressure. The study employed a survey questionnaire since it better addressed the research aims. This approach was complemented by qualitative data to develop an understanding of factors influencing internet banking adoption at the KCB University Way branch. The

questionnaires were pretested on a sample of customers and three employees to see whether it captured the intended constructs. These participants were invited to highlight any ambiguities or difficulties with the instrument of analysis and to provide further suggestions for improvement. This procedure allowed the assessment of face and content validity. While the face validity addresses the question of whether or not the instruments appear to be measuring the correct items, the content validity relates to whether the measure contains a representative set of items as well as if the items make sense.

The questionnaires consisted of parts and sections designed to address all the variables of the study with the aim of answering the research questions and meeting its objectives. Table 3.2 shows in detail the kind of questions posed to the respondents as per the study objectives. The questionnaires were accompanied by an introduction letter informing the respondents of the research being undertaken and assuring them on the confidentiality of all responses made.

### **3.6 Validity and Reliability**

The study strove to observe the validity and reliability as described here below;

#### **3.6.1 Validity of the research instruments**

Validity test of a data collection instrument enables a researcher to ascertain that he or she is measuring the correct concept and not something else. The research questionnaires were pre-tested with seven research participants who include three members of staff and four customers in the branch taking part to ascertain clarity of the questions and determine if the questions elicited the expected responses. The respondents were

encouraged to point out those questions which brought out ambiguity and could have elicited wrong responses, hence misleading the objectives of the study.

### **3.6.2 Reliability of the research instruments**

To ensure the reliability of the questionnaires being administered, pretesting the questionnaires before they were administered brought out the consistency/inconsistency with which the questions generated the responses; the flow of the questions was then analyzed. This procedure involved five bank customers who utilized the internet banking platform and three employees in the bank. They were chosen randomly to avoid any bias and were encouraged to fill the questionnaires to the best of their understanding of the questions as they were. Questions which elicited the same responses were removed from the questionnaire and effort was made to replace them with questions covering the required constructs without undue repetitions.

### **3.7 Data Collection Procedure**

The study adopted the drop and collect procedure of data collection. This involved administering the questionnaires to the respondents when they made a visit to the bank for their normal banking business, then requesting those who can fill out the questionnaires within the banking premises to do so and those who are in a hurry can take them home then return them during their next visit. In addition to the physical presentation of questionnaires to the respondents, effort was made by electronically mailing to those who majorly performed their banking online, who of course are the majority and are appropriate for this study. The number was limited to the study sample and a window of three weeks was allowed for response from them.

### **3.8 Methods of Data Analysis**

This study had four main objectives; the organizational readiness for the internet banking, the perceived trust and risk associated with the system, the technology adoption, and the attitude formulation on the part of the staff and the bank customers.

Descriptive has been used to analyze data from the answers to which research questions are found. The data was then presented in percentages and frequencies in chapter four. The data gathered was edited and checked out to find out whether questionnaires were filled correctly. After editing, it was coded, that is assigning a code number to each answer to survey questions. The information was then entered in the SPSS (version 17) software for windows from which descriptions such as percentages and frequency was used to answer the research questions. Content analysis has been used to analyze open ended questions leading informed conclusions and inferences as per the research objectives.

To further highlight the relationships between the study variables, correlation analysis been carried out to test how strongly the identified constructs relate to each other as well as to the independent variable.

### 3.9 Operational definitions of variables

This research has endeavored to operationalize the main study variables as shown in Table 3.2 here below

**Table 3.2 Operational definition of variables.**

| <i>Objective</i>                                                                                                            | <i>Variable</i>                                                                                       | <i>Indicators</i>                                                                                            | <i>Measures</i>                                                                                                                                                                                                       | <i>Measurement tool</i> | <i>Scale</i>                                             | <i>Data analysis</i> | <i>Measurement</i>                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------------------------------------|----------------------|--------------------------------------------------------------------------------------|
| 1) To assess the factors influencing the adoption of internet banking at the Kenya commercial bank, university way branch.  | <u>Dependent:</u><br>Adoption of internet Banking at the Kenya commercial bank, university way.       | 1) Significant usage of internet banking portal to transact banking services.                                | 1) Registration with internet banking<br><br>2) Effectiveness of the service to the banking needs.                                                                                                                    | Question -naire         | -Nominal<br><br>-Ordinal                                 | Descriptive          | -yes/no<br><br>-less effective<br>-moderately „<br>-effective<br>-very effective     |
| 2) To determine how organizational readiness at the Kenya commercial bank u-way influences the adoption of internet banking | <u>Independent :</u><br>1)Organizational readiness at the Kenya commercial bank university way branch | 1)ICT infrastructure<br>2)knowledge deficit<br>3)Sales and marketing<br>4) Organizational change and culture | 1) Adoption of effective e-banking service by the bank<br><br>2) proper knowledge of the service<br><br>3) Marketing of the service by the bank to the customers<br><br>4) Frequency of new innovations from the bank | Question -naire         | -Nominal<br><br>-Nominal<br><br>-Nominal<br><br>-ordinal | Descriptive          | - Yes/no<br><br>-yes/no<br><br>-yes/no<br><br>-less<br>-moderately<br>-most frequent |
| 3) To determine how trust and the perceived                                                                                 | 2) Trust and perceived risk in                                                                        | 1) Transaction type                                                                                          | 1) Type of banking transaction usually carried out using e-banking                                                                                                                                                    |                         | -Ratio                                                   |                      | -Bill payment<br>-Cash transfer<br>- „ withdrawal                                    |

|                                                                                                                                                          |                                |                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------|
| <p>risk in the system influences the adoption of internet banking at the Kenya commercial bank, u-way</p>                                                | <p>the system</p>              | <p>2) usage frequency</p> <p>3) Transaction amount</p>                                      |
| <p>4) To determine how technology adoption within the Kenya commercial bank, u-way influences the adoption of internet banking</p>                       | <p>3) Technology adoption</p>  | <p>1) Customer training'</p> <p>2) perceived ease of use</p> <p>3) Perceived usefulness</p> |
| <p>5) To determine how attitude formulation among the staff and customers at the Kenya commercial bank u-way influences adoption of internet banking</p> | <p>4) Attitude formulation</p> | <p>1) Management support</p> <p>2) system efficiency</p> <p>3) Supported product types</p>  |

|                                                                                            | Question<br>-naire | -Ordinal  | Descriptive |
|--------------------------------------------------------------------------------------------|--------------------|-----------|-------------|
| 2) The frequency of e-banking use                                                          |                    |           |             |
| 3) Restriction of amounts transacted over e-banking as opposed to over the counter service |                    | -Nominal  | -Yes/no     |
| 1) Training regarding the utilization of the e-banking service                             |                    | -Nominal  | -Yes/no     |
| 2) Rate how easy the e-banking service is to you                                           |                    | -Interval | -intervals  |
| 3) The usefulness of e-banking service to customer.                                        |                    | -interval | -Intervals  |
| 1) Efforts by the bank management to promote the e-service.                                |                    | -Interval | -intervals  |
| 2) The efficiency of the e-banking platform.                                               |                    | -interval | -intervals  |
| 3) The sufficiency of products/services offered by the e-banking service.                  |                    | -nominal  | -yes/no     |

### **3.10 Ethics consideration**

During the writing of this project report necessary citations have been indicated to avoid plagiarism. The researcher was also committed to ensuring that the questionnaires were filled by the target respondents without any alterations to ensure the objectives of the research were met. The researcher was further committed to treat with utmost confidentiality all the information gathered in the field regarding the respondents.

### **3.11 Summary**

This chapter described the research methodology and design used in the study. The chapter included research design, area of the study and the target population, sample selection and sample size, research instruments to be used, reliability and validity of the research instruments, data collection procedures, the operational definition of variables, data analysis techniques and ethical considerations in the research.



## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION AND INTERPRETATION**

#### **4.1 Introduction**

This chapter deals with the analysis of data obtained from the field, its presentation and interpretation. Data captured from questionnaires are presented using tables. The Statistical Package for Social Sciences Software (SPSS) was used to analyze data. Interpretations are generated from analysis of the data presented.

#### **4.2 Background Information of Respondents**

The study distributed 86 questionnaires to the respondents, out of which 62 questionnaires were filled and returned thus securing a 72% return rate, which was representative and sufficient to make generalizations. Out of the 62 respondents there were 71% (44) male and 29% (18) females respectively. A further analysis of the responses shows that majority of the respondents on internet banking are within the age bracket of 20-35 yrs making 44% (27), while the under 20 make up 3% (2), slightly less than the over 65 age bracket who made up 9% (6). The analysis of the responses also showed that university graduates, mainly those with at least a college degree make up the majority, at 75% (50) of the respondents on internet banking in the branch. It is noteworthy that there was no customer with the basic primary education in the study, also a trend seen from those with high school education with a small number of responses at 8% (5).

There was remarkably uniform Internet banking usage within the respondents based on the time they have been in the bank. Notably though is tendency for those who just entered or rather joined the bank recently, one year or less being the majority, 51% (32) of Internet banking users at the branch. All in all those who have been in the bank for long seems to be comfortable with the services currently offered by the bank say through the ATMs and over the counter services. Table 4.1 below shows a summary of background information from the respondents

**Table 4.1 Summary of the background information of the respondents**

| <b>Background information</b> | <b>Frequency</b> | <b>Percentage (%)</b> |
|-------------------------------|------------------|-----------------------|
| <b>Gender</b>                 |                  |                       |
| Male                          | 44               | 71                    |
| Female                        | 18               | 29                    |
| <b>Age</b>                    |                  |                       |
| Under 20                      | 2                | 3                     |
| 20-35                         | 27               | 44                    |
| 36-50                         | 16               | 26                    |
| 51-65                         | 11               | 18                    |
| Over 65                       | 6                | 9                     |
| <b>Education level</b>        |                  |                       |
| Primary                       | -                | 0                     |
| High school                   | 5                | 8                     |
| College diploma               | 17               | 27                    |
| University degree             | 33               | 53                    |
| Post graduate                 | 7                | 12                    |
| <b>Period at the bank</b>     |                  |                       |
| Less than six months          | 17               | 27                    |
| 1 year                        | 15               | 24                    |
| 3 years                       | 11               | 18                    |
| 5 years                       | 13               | 21                    |
| Over 5 years                  | 6                | 10                    |

*Source: author 2012*

### 4.3 Organizational readiness to adoption of Internet banking services

Customers were asked regarding their opinion on whether they thought the bank had adopted a robust Internet banking platform. Majority of the respondents, 43 % ( 27), were of the opinion that the bank did have an effective Internet banking system in place. A further 31% (19) of the respondents did not seem to know whether the system was effective or not, while a minority 26% (16) thought that the bank did not have an effective system suitable for their banking needs.

Table 4.2 shows a summary of customer responses to whether the internet banking platform in the bank was effective;

**Table 4.2: Effectiveness of the bank Internet platform**

| <b>Customer response</b> | <b>No. Respondent's</b> | <b>Percentage (%)</b> |
|--------------------------|-------------------------|-----------------------|
| Yes they have            | 27                      | 43                    |
| No it is not effective   | 16                      | 26                    |
| I have no idea           | 19                      | 31                    |
| <b>Total</b>             | <b>62</b>               | <b>100</b>            |

Further, the customers were requested to respond to their level of agreement(s) to a number of questions relating to their view on the banks level of internet adoption readiness. Table 4.3 here below shows a summarized response from the respondents.

**Table 4.3: Response to the bank's readiness to e-banking adoption.**

|                                   | <i>Strongly<br/>approve</i> | <i>Appr<br/>ove</i> | <i>Neither</i> | <i>Dis-<br/>approve</i> | <i>Strongly<br/>disapprov</i> | <i>Total</i> |
|-----------------------------------|-----------------------------|---------------------|----------------|-------------------------|-------------------------------|--------------|
| 1. Knowledge of e-banking service | 17                          | 34                  | 9              | 2                       | 0                             | 62           |
| 2. Bank marketing                 | 10                          | 13                  | 14             | 22                      | 3                             | 62           |
| 3. Regular e-bank developments    | 6                           | 15                  | 12             | 20                      | 9                             | 62           |
| 4. The bank e-use encouragement   | 23                          | 17                  | 11             | 7                       | 4                             | 62           |
| <b>Total responses</b>            | <b>56</b>                   | <b>79</b>           | <b>46</b>      | <b>51</b>               | <b>16</b>                     | <b>248</b>   |

From the responses, it can be noted that majority of the respondents had a favorable view of the overall banks handling of its Internet banking service to its clients. Overall, the number of respondents who approve to the bank's Internet banking services stood at 54% (135/248), giving the bank majority favorability from its clients. Those who disapprove of the same was found to be at 27% (67/248), with 19% (46) being neutral on their assessment of the service they receive from the bank.

The correlation analysis in table 4.9 indicates that there was a strong correlation between training effectiveness and electronic banking usage, (.776) suggesting that most users found the little training they received from the bank to be effective and a motivator to utilize the service to their advantage. The same effect was observed when the bank carried out some form of promotion to the prospective customers; promotion and usage were significantly correlated together. Thus the more the bank puts up promotional activities; there was a marked improvement in the Internet banking embrace by the targeted users.

Generally organizational readiness was found to be positively correlated, 0.330 to Internet banking adoption in the bank as shown in Table 4.8.

#### 4.4 Trust and perceived risk in the system to Internet banking adoption

The respondents were required to respond to whether their perceived trust in the bank's Internet services affected their performances and its eventual uptake to its full potential.

Several online banking services offered by the bank were put forward to customers.

**Table 4.4: Trust and perceived risk in the banks system**

|                                       | Frequency/62 | Percentage |
|---------------------------------------|--------------|------------|
| <b>Transaction type</b>               |              |            |
| Balance inquiry                       | 54           | 87         |
| Paying utility bills                  | 46           | 74         |
| Small money transfers                 | 32           | 52         |
| Large transactions                    | 7            | 11         |
| Other                                 | 12           | 19         |
| <b>Usage frequency</b>                |              |            |
| Always                                | 20           | 32         |
| Occasionally                          | 26           | 42         |
| Rarely                                | 14           | 23         |
| Never                                 | 2            | 3          |
| <b>Restricting transaction amount</b> |              |            |
| Yes                                   | 49           | 79         |
| No                                    | 23           | 21         |

The analysis of the responses in Table 4.4 shows that most bank customers registered with the internet banking service engages in at least one of the main services under the online banking. Of note is the observation that most customers utilize online banking for simple banking transactions, with balance inquiry commanding 87% (87) of those sample in the study. Paying of utility bills like electricity bills, water bills and telecommunications bills commanded 74% (46), while small money transfers like inter account transfers commanded 52% (7) and only 11% (7) would use it to transfer large amounts of money.

An analysis of usage frequency among the respondents shows that majority 42% (26) of internet banking users use the service occasionally, which logically tally's with the majority of those using it to pay utility bills, usually carried out on a monthly basis. The frequency of those using the service more frequently i.e. always, stood at 32% (20), with rare users making 23% (14). Those who never used the service despite the fact that they have registered with the service made 3% (2) of the respondents.

An analysis of correlated results indicated that trust and perceived risk in the system is positively, (0.458), correlated to the adoption of internet banking among the Kenya commercial bank university way customers. This suggest that most customers are either attracted or dissuaded from the service based on their perception of how safe the system is for doing banking business. A further analysis of individual indicators in table 4.9, showed that a customer's internet banking usage was restricted in terms of amounts transacted, (0.5000), suggesting that there is a relationship between the customers

propensity to use the service based on the amounts at stake, that is the higher the amounts the lesser the chance that one will transact online.

A qualitative content analysis to determine the reasons why sampled Internet banking users would restrict the amount of money transacted online gave several reasons, among them are; i) they do not entirely trust the system to execute their large transactions though they have no problem transacting smaller amounts, ii) they feel confident doing large transaction in person iii) self-discipline in financial matters.

#### **4.5 The Concept of Technology Adoption and Internet banking usage.**

The respondents were asked to respond to a question of whether they have ever been trained on Internet banking usage by their bank. This was both applied to the bank employees and the customers. An analysis of responses shows that for the bank employees, getting some form of training was a prerequisite and therefore all responses associated with them was affirmative. 87% (45) of the customers using the online banking at the bank reported that they had received some form of training on the use of the internet banking. 13% (7) of those who had not received effective training cited lack of dedicated time on their side to be trained by their bankers about how effective to make use of the service. A further analysis of qualitative content provided by the respondents reveals that the user interface of the service is user friendly and thus can easily be adopted by the users more easily.

From the analysis of Table 4.5, it can be seen that majority 72% (45) of bank internet banking users perceive the Internet banking platform to be easy to use, with those who



think that the service is difficult to use making up 12% (7) of the respondents. The remaining 16% (10) were non-committal and reported that they did not know whether the service was easy to use or difficult to use.

Table 4.5 shows a summarized response to the ease of Internet banking use by the Kenya Commercial bank University Way customers.

**Table 4.5: Ease of Internet banking use at KCB University Way branch**

| <b>Ease of use</b> | <b>Response frequency</b> | <b>Percentage</b> | <b>Cumulative %</b> |
|--------------------|---------------------------|-------------------|---------------------|
| Very easy          | 17                        | 27                | 27                  |
| Relatively easy    | 28                        | 45                | 72                  |
| Difficult          | 5                         | 8                 | 80                  |
| Very difficult     | 2                         | 4                 | 84                  |
| Don't know         | 10                        | 16                | 100                 |
| <b>Total</b>       | <b>62</b>                 | <b>100</b>        |                     |

Further analysis relating to the concept of technology adaption to Internet banking was carried out and responses reported as shown in table 4.6. Majority, 72% (45) of internet banking users find the user interface to be friendly, while a small minority thinks that the system poses some challenge to them.

The correlation analysis of technology adoption indicators as shown in Table 4.9 suggested that there was a negative relationship between lack of alternative banking channel and the perceived ease of use -0.705, suggesting that those users who are Internet based banking lacked an alternative means of banking but rather a matter of choice. Generally as shown in table 4.8, technology adoption in the bank was found to marginally contribute to internet banking adoption by customers in the bank 0.165.

**Table 4.6: Approval of electronic banking**

|                                                         | S.      | S.      |          |          |         |           |
|---------------------------------------------------------|---------|---------|----------|----------|---------|-----------|
|                                                         | approve | Approve | Moderate | Disapprv | disaprv | Total     |
| - E-banking service has made my banking experience easy | 7       | 23      | 26       | 5        | 1       | <b>62</b> |
| - E-banking service serves all my banking needs.        | 4       | 9       | 22       | 13       | 14      | <b>62</b> |
| - I cannot perform some banking transactions online     | 19      | 21      | 9        | 6        | 7       | <b>62</b> |
| - I have never found e-banking to be important          | 8       | 15      | 12       | 17       | 10      | <b>62</b> |

The findings indicate that majority of the respondents were at least moderate on their view of the banks Internet services having improved their banking experience. On the issue of whether the respondents thought the e-banking platform served all their banking needs, a significant number of the respondents were either moderate or had a strong feeling that the services being offered by the bank, could not meet all their banking needs. Equal sentiments were voiced by majority of respondents who responded to the

affirmative that there are some transactions which they were not comfortable carrying out over the Internet. A qualitative content analysis to find out why most respondents thought that they could not carry out some transactions online revealed that security concerns played a major role in their decision. On the importance attached to the e-banking service by the respondents, there was an observation of mixed reaction. Further analysis showed that 35% (23) of the respondents thought that Internet banking was unimportant to them. On the other hand 44% (27) reported that the service was of importance to them with the remaining 21% (12) being moderate or simply didn't care about the internet banking in general.

Generally, technology adoption, at 0.465 was significantly correlated to Internet banking adoption among the customers of the Kenya commercial bank, university way (table 4.8)

#### 4.6 Attitude formulation and Internet banking adoption

The study analyzed how attitude among the users of Internet banking at the Kenya commercial bank influenced their usage. Table 4.7 shows response matrix from the users on questions relating to their attitude towards internet banking.

**Table 4.7: Attitude formulation and Internet banking**

|                                                     | S. approve | Approve   | Moderate  | Disapprv  | S. disaprv | Total      |
|-----------------------------------------------------|------------|-----------|-----------|-----------|------------|------------|
| I use the service only when there is no alternative | 17         | 19        | 12        | 8         | 6          | 62         |
| E-banking service is less of a banking transaction  | 5          | 7         | 13        | 13        | 24         | 62         |
| E-banking is for those who are good at computers    | 5          | 9         | 7         | 20        | 21         | 62         |
| I will never use e-banking for my banking needs     | 2          | 8         | 5         | 27        | 20         | 62         |
| <b>Total attitude based response.</b>               | <b>29</b>  | <b>43</b> | <b>37</b> | <b>68</b> | <b>71</b>  | <b>248</b> |
| <b>Total %</b>                                      | <b>12</b>  | <b>17</b> | <b>15</b> | <b>27</b> | <b>29</b>  | <b>100</b> |

The analysis in table 4.7 shows that majority of the Internet banking users agree with the assertion that they only use Internet banking when there is no alternative, meaning that majority of those who have signed into the system are using it as a matter of convenience. A small minority 23 % ( 14), reported using the service as a preferred option and seem to appreciate the benefits therein. A further analysis indicated that majority of respondents thought that electronic banking had the same status as normal in-the branch banking, thus

any transaction carried out over the Internet will be adjudged equally as a qualified banking transaction.

A significant observation is that Internet banking is not perceived to be an exclusive domain for those deemed to be good in computers, as majority responded negatively to research question that Internet banking should only be for those who are good at computers. An equal response was observed on whether the users had considered never using internet banking platform in future, suggesting that Internet banking usage was thought of in positive realms by the users.

Generally, an analysis of the responses of the four attitudes based questions shows a favorable verdict to the banks Internet service, in that at least 56% of the respondents did not agree with negatively worded questions.

The negative attitude relating to some respondents reporting that they will never use internet banking again was found to be correlated with whether the same respondents had received any training on the use of the service or not. A qualitative analysis of the responses relating to the same aspect revealed that those who vowed not to ever use the service had received little or no training at all on the effective use of the internet banking platform. The same attitude response was observed between the amount transacted over the net and the intention to use the service next time. This suggests that those who would control the amount of funds they transact online had some form of unfavorable experience in their initial stages of Internet banking use.

#### 4.7 Correlation Analysis

Pearson correlation analysis was conducted to examine the relationship between the variables (Wong and Hiew, 2005). As cited in Wong and Hiew (2005) the correlation coefficient value ( $r$ ) range from 0.10 to 0.29 is considered weak, from 0.30 to 0.49 is considered medium and from 0.50 to 1.0 is considered strong. However, according to Field (2005), correlation coefficient should not go beyond 0.8 to avoid multicollinearity. Since the correlation coefficient in the table are all less than 0.8, we can assume that there is no multicollinearity problem in this research.

**Table 4.8: Correlation results of independent and dependent variables**

|                                      | X1    | X2    | X3    | X4    | X5    |
|--------------------------------------|-------|-------|-------|-------|-------|
| <b>X1- Organizational readiness</b>  | 1.000 |       |       |       |       |
| <b>X2- trust and perceived risk</b>  | 0.011 | 1.000 |       |       |       |
| <b>X3- Technology adoption</b>       | 0.706 | 0.130 | 1.000 |       |       |
| <b>X4- Attitude formulation</b>      | 0.185 | 0.119 | 0.139 | 1.000 |       |
| <b>X5- Internet banking adoption</b> | 0.330 | 0.458 | 0.165 | 0.296 | 1.000 |

**Table 4.9: Correlation Matrix of Variables**

| Variable           | Effective B | Promotion | New developments | amount | E usage | Training effective |
|--------------------|-------------|-----------|------------------|--------|---------|--------------------|
| Effective B        | 1           |           |                  |        |         |                    |
| Promotion          | .294        | 1         |                  |        |         |                    |
| New developments   | .408        | .320      | 1                |        |         |                    |
| Amount             | .539        | .135      | -.180            | 1      |         |                    |
| E usage            | .564        | .326      | .291             | .500   | 1       |                    |
| Training effective | .336        | .546      | .235             | .122   | .766**  | 1                  |
| Ease of use        | .391        | .051      | .558             | -.045  | -.166   | -.416              |
| E bank choice      | .000        | -.620     | .215             | -.388  | -.094   | -.304              |
| N alternative      | -.596       | .025      | -.435            | -.252  | -.220   | .229               |
| Never use E        | .191        | -.064     | -.200            | .538   | .136    | -.047              |
| E-less of banking  | .272        | .480      | .667             | -.220  | .557    | .549               |
| E sufficiency      | .075        | -.237     | .492             | -.347  | .367    | .188               |
| Fear of use        | -.167       | .196      | -.408            | .319   | .178    | .024               |
| Importance         | -.354       | .277      | -.289            | -.069  | -.294   | .136               |

Ease of use    E bank choice    N-alternative    Never use E    E-less of banking    E-sufficiency    Fear of use    importance

|       |       |       |       |       |       |      |   |
|-------|-------|-------|-------|-------|-------|------|---|
| 1     |       |       |       |       |       |      |   |
| .412  | 1     |       |       |       |       |      |   |
| -.705 | -.298 | 1     |       |       |       |      |   |
| .075  | .000  | -.195 | 1     |       |       |      |   |
| .106  | .215  | -.077 | -.245 | 1     |       |      |   |
| .079  | .715  | -.104 | -.222 | .739  | 1     |      |   |
| -.065 | .000  | .125  | .355  | .068  | -.075 | 1    |   |
| -.230 | -.373 | .444  | .501  | -.289 | -.533 | .236 | 1 |





## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The findings and analysis of data are summarized in this chapter in line with the study objectives. Conclusions are based on the study findings and analysis conducted in the previous chapter. The recommendations are made with regard to the conclusions reached after the data is analyzed.

#### **5.2 Summary of findings**

The return rate of the questionnaires was at 72% and the majority of the respondents were men. Concerning education, at least nine out of every 10 respondents had university degree or college certificate and this indicated that the level of literacy in reference to formal education was within suitable bracket of writing and reading, hence high likelihood of accessing correct information on the related issues. At least 50% of those who are registered with the banks Internet banking service had been in the bank for a period of one year or less. These scores highly compared to those who have been in the bank for a longer period of time, who apparently don't seem to be too enthusiastic about jumping into electronic banking.

### **5.2.1 Organizational readiness**

The study established that 54% of the respondents had a favorable view of the bank's readiness to adopt Internet based banking system. This can be attributed to aggressive marketing promotion by the bank to the existing clients and a concerted effort to bring in new customers into the bank. On the aspect of the bank's system being effective, 43% of the respondents were affirmative that the existing system was actually effective for their banking needs, compared to 26% who thinks on the contrary. It should be noted that the bank has instituted a policy that all the new customers joining the bank should be enlightened on the benefits of internet service and the need for them to register. This explains why those with less than one year in the bank are making 54% of the customers in the Internet banking platform.

### **5.2.2 Trust and perceived risk in the system**

The study established that trust in security and privacy of online banking will influence the adoption of online banking at the Kenya commercial bank, university way. Majority of online transactions in the bank are those relating to those perceived to be non-risky in nature, with balance inquiry commanding 87% of the respondents. This compares poorly with those using the service to transact huge amounts of funds that constituted 11% of those interviewed. Without proper security and privacy protection, users will not use the online banking services provided by the bank. The study shows that the users will be more cautious as they are more used to conducting monetary transactions face to face. According to Wang and Barnes (2007), some of the trust building strategies can include advertising campaigns, privacy guarantees, company guarantee policy and statements.

### **5.2.3 The Concept of Technology Adoption**

Training offered to the customers by the bank was found to be an effective of improving a new technology; 87% of the respondents had received some form of training on the use of Internet banking platform. It was established that 72% of the customers perceive the internet banking platform as easy to use; perhaps a phenomenon associated with the fact that the majority of the Internet banking users sampled are the youths (20-35 age bracket), who made up 44% of the respondents. Hence for them, adoption of new leaner and efficient technologies is the way to go. Further a significant number of the respondents were affirmative that Internet banking was of importance to their banking needs.

### **5.2.4 Attitude formulation to internet banking**

The study established that overall, 56% of the respondents had a favorable rating towards the bank's Internet service. It established that most internet banking users were guided by their own beliefs on the operations of the service. A significant finding is that customers on Internet banking are driven by the need to have alternative channels of banking apart from the normal banking procedures. It was established that a customer registers for the service in order to take advantage of the benefits of getting banking services even when the physical bank has been closed. Also of interest is the research finding that majority, at 56% of internet banking users consider the service as good as normal traditional banking practice, suggesting that with time, its embrace among the general population will be improved, heralding a new age of Internet banking. The perception that Internet banking is only meant for those who are good in computers was dismissed by most respondents at

66%, suggesting that the defining factors which will determine whether someone signs into the service will be purely based on value addition.

### **5.3 Discussion of findings**

This study presents some practical aspect on the adoption and usage of Internet based banking at the Kenya Commercial bank, University Way and the country at large. Many studies have been conducted in the western world, which have given slightly different picture to adoption of Internet banking. This has been attributed to the fact that these countries adopted the use of Internet as early as nineties, (Howard et al 2007). Their adoption of e-commerce started during these initial stages and thus their levels of experience is quit high.

This study points out the fact that, even though Kenya Commercial bank adopted Internet banking within the last decade, some more effort still needs to be put in place in order to fully embrace online based banking. This includes proper resource mobilization, like good infrastructure, competent staff and regular training of both the customers and the staff. Additionally, proper marketing and promotion efforts should be encouraged in order to facilitate faster growth of the service. These findings are supported by those reported by Pikkarainen et al (2004), which reported that awareness of and the amount of information that the bank customers have about e-channels was critical factor for the adoption of e-banking.

Most Internet banking users had reservations regarding using the system to transact huge amounts of money since their levels of trust is still down. This research finding

corroborates the findings by Tao et al, (2007) and Sathye, (1999), who suggested that trust, privacy and security issues are interrelated in the online environment. This calls for concerted efforts by the concerned stakeholders, who primarily are the bank management and the regulatory bodies represented by the central bank. It was noted that a customer would rather use online based banking to pay small bills and to some extent do an inter-account transfer for the same account holder. Ideally online based banking is relatively safe, but more efforts needs to be adopted to convince the users that it is as good as the other means of doing business banking, and this includes tightening security measures in place to avoid online based fraud which will surely erode the little confidence being developed.

The adoption of internet banking has been relatively impressive, partly due to the fact that majority of those taking up the new development are the youth in their prime age and are not afraid to take on new challenges coming their way. This contrast to other research findings in the western world which found out that the use of a website is not just to enhance performance, but also to increase pleasure and performance, ( Liao et al, 2009). In this regard therefore, it is imperative that more effort be put into marketing the service to the core customers of the bank who have been in the system for longer periods and are more generally inclined to be comfortable with status quo. The bank management should come up with ways and means of encouraging them to see the new banking platform as a form of value addition.

The prevailing attitude towards anything Internet based has discouraged many potential users of online banking from embracing the service. This feeling of apathy towards online banking, especially among the older users, is the fear that the system is so sophisticated that one will be prone to making mistakes and therefore a real risk of loosing all the savings in the bank. This finding contrasts with Kim and Prabakhar (2002) who found evidence that a positive attitude towards technology is a characteristic of adopters of new technologies. This attitude can be mitigated and overcome by enlightening the customers and carrying out regular trainings in order to boost their confidence. Additionally a good measure of security protocols can go a long way into changing this long held perception.

#### **5.4 Conclusion**

This study has endeavored to determine the factors influencing the adoption of internet/online banking at Kenya Commercial bank, University Way. The results from the data analysis in chapter four has pointed to an agreement with the results of other studies in chapter two. A significant finding has been the fact that as much as internet based banking is on its nascent stage in the developing country like Kenya, much of the factors identified in the study have been vindicated by the results. Past studies that were conducted in developed countries are different from this study given that many of the users have been using internet and e-commerce for a much longer time, some as early as late nineties when e-commerce was first introduced. In Kenya however, internet is still relatively new, and although most of the consumers have some exposures in internet, conducting banking transactions online still something that is new to them. Furthermore, e-business is relatively new in Kenya, and the fact that Kenyans have different cultures to

westerners, it is important to consider whether trust in the system, the organizational readiness to e-banking adoption, technology adoption and attitude formulation in relation to Internet banking influences the customers to adopt Internet banking. Results of the study will benefit the practitioners, internet banking system developers, bank decision makers and banking service providers. The results and findings in the study shed lights on the future plans and solutions to encourage broader implementation and usage of Internet banking. For further research, the result of this research can be used to support the finding and analysis in the context of Internet banking and improving banking services.

For bank managers and decision makers in the bank and the country at large, they can plan their strategies based on the findings from this study. Firstly, the banks should promote the advantages that online banking offer when compared to traditional ways of banking. As stated by Eriksson et al. (2005), banks might be tempted to focus on improving the online banking web sites' user interface to be more user friendly and attractive, but the perceived advantages of online banking is more important than the ease of use. Banks should also further investigate what other features are useful to their customers, and design their online banking systems based on this, and actively promote them. It is also possible that certain customers are still not aware of the benefits of online banking. This can be done through educating the users for example, when they are in the banks for their normal banking activities. Additionally, bank's decision makers should provide investment to continually include more useful features of online banking to attract users into using the services.



Trust on the security and privacy of online banking is one of the factors that play a role in determining adoption of Internet banking . Therefore banks should ensure that security and privacy of the Internet banking systems are properly developed and users should also be made aware of their systems are secured and personal information is protected. As online security required is one of the key attractions, top management from the banks must ensure that their strategies should include ways to ensure that the online banking systems are secured.

### **5.5 Recommendations**

This study draws a number of recommendations obtained from the research findings. First is the need for the bank to carry out intensive user training on the benefits of conducting banking business online. This will go a long way in ensuring that the customers are not disillusioned on whether it is a good idea to conduct banking business via the internet or simply continue with the normal traditional banking. This calls for concerted effort from the banking stakeholders to identify the groups most unprepared to embrace this novel banking idea, especially the older customers who are used to the normal physical entry to the bank. This will save a lot of resources both to customers and the bank; in that operating cost will reduce and customers' time spent in the bank queuing for the service can be used for other productive activities.

It was established from the study that security of the customer's transactions online was paramount to their eventual adoption; it is therefore prudent that the banking fraternity take extra measures to ensure that any transaction carried out online has the highest

guarantee possible. The users should also be assured that the bank systems are secured and personal information is protected. Top management of the bank should ensure that their strategies include ways to ensure that online systems are secured.

The factors that influence the adoption of Internet banking at the Kenya commercial bank, university way are unlimited and could not be exhausted in this study; the study therefore calls for further research in this new emerging field in the use of technology in the banking sector. The study identified only four variables influencing adoption of Internet banking in the bank, which is the organizational readiness, the trust and perceived risk in the system, technology adoption and attitude formulation towards internet banking. Therefore there is need to determine whether cultural issues have a bearing in the adoption of Internet banking at the bank and the Kenyan banking sector in general.

## REFERENCES:

- Archer, N., Wang, S. & Kang, C. (2008), "Barriers to the adoption of online supply chain solutions in small and medium enterprises", *Supply Chain Management: An International Journal*, Vol. 13 No. 1, pp. 73-82.
- Bunduchi, R. (2008), "Trust, power and transaction costs in B2B exchanges – a socio-economic approach", *Industrial Marketing Management*, Vol. 37, pp. 610-22.
- Calisir, F. & Gumussoy, C.A. (2008), "Internet banking versus other banking channels: young consumers' view", *International Journal of Information Management*, Vol. 28 No. 3, pp. 215-21.
- Central Bank of Kenya. *Statistical Bulletin*: December 2010
- Chang, H.H. and Chen, S.W. (2008), "The impact of online store environment cues on purchase intention", *Online Information Review*, Vol. 32 No. 6, pp. 818-41.
- Chen, Y.H. & Barnes, S. (2007), "Initial trust and online buyer behaviour", *Industrial Management & Data Systems*, Vol. 107 No. 1, pp. 21-36.
- Coughlan, J, Macredie, R. D & Patel, N. Understanding the consumption process through in-branch and e-mortgage service channels; A first-time buyer perspective. *International journal of Bank Marketing*, Vol. 29 No 2, 2011, pp. 148-167.
- Davis, F.D. (1989), "Perceived usefulness, perceived ease of use, and user acceptance of information technology", *MIS Quarterly*, Vol. 13 No. 3, pp. 319-40.
- Dickerson, M.D. & Gentry, J.W. (1983), "Characteristics of adopters and non-adopters of homecomputers", *Journal of Consumer Research*, Vol. 10 No. 2, pp. 225-35.
- Eriksson, K., Kerem, K. & Nilsson, D. (2005), "Customer acceptance of internet banking in Estonia", *International Journal of Bank Marketing*, Vol. 23 No. 2, pp. 200-16.
- Field, A. (2005), *Discovering Statistics Using SPSS*, 2nd ed., *Sage Publications*, London.
- Gerrard, P., Barton, J. & Devlin, F. (2006), "Why consumers are not using internet banking: a qualitative study", *Journal of Services Marketing*, Vol. 20 No. 3, pp. 160-8.
- Girard, T., Korgaonkar, P. & Silverblatt, R. (2003), "Relationship of type of product, shopping orientations, and demographics with preference for shopping on the internet", *Journal of Business Psychology*, Vol. 18 No. 1, pp. 101-20.
- Gulledge, T. (2002), "B2B eMarketplaces and small- and medium-sized enterprises", *Computers in Industry*, Vol. 49, pp. 47-58.
- Gurau, C. (2002), "Online banking in transition economies: the implementation and development of online banking systems in Romania", *International Journal of Bank Marketing*, Vol. 20 No. 6, pp. 285-96.
- Harrigan, P.O., Boyd, M.M., Ramsey, E., Ibbotson, P. & Bright, M. (2008), "The development of e-procurement within the ICT manufacturing industry in Ireland", *Management Decision*, Vol. 46 No. 3, pp. 481-500.
- Howard, M., Vidgen, R. & Powell, P. (2006), "Automotive e-hubs: exploring motivations and barriers to collaboration and interaction", *Journal of Strategic Information Systems*, Vol. 15, pp. 51-75.

- Howard, M., Vidgen, R., Powell, P. & Powell, J. (2007), "Exploring the use of QPID: a collaborative study of B2B in the automotive industry", *Omega*, Vol. 35, pp. 451-64.
- Humphreys, P., McIvor, R. & Cadden, T. (2006), "B2B commerce and its implications for the buyer-supplier interface", *Supply Chain Management: An International Journal*, Vol. 11 No. 2, pp. 131-9.
- Jahangir, N. & Begum, N. (2008), "The role of perceived usefulness, perceived ease of use, security and privacy, and customer attitude to engender customer adaption in the context of electronic banking", *Africa Journal of Business Management*, Vol. 2 No. 1, pp. 32-40.
- Jarvenpaa, S. & Todd, P. (1997), "Consumer reactions to electronic shopping on the world wide web", *International Journal of Electronic Commerce*, Vol. 1 No. 2, pp. 59-88.
- Jarvenpaa, S.L., Tractinsky, N. & Vitale, M. (2000), "Consumer trust in an internet store", *Information Technology and Management*, Vol. 1 Nos 1/2, pp. 45-69.
- Johnson, M. (2009). Barriers to innovation adoption: A study of Markets. *Industrial management and data systems*, Vol. 110, No 2. 2010, pp 157-174
- Kim, K.K. & Prabhakar, B. (2002), "Initial trust and the adoption of B2C e-Commerce: the case of internet banking", *The Data Base for Advances in Information Systems*, Vol. 35 No. 2, pp. 50-64.
- Kothari C. R. (1985). *Research methodology: Methods and Techniques. (2nd.ed)*. New Age International (P) Limited.
- Leedy, P.D. (1985). *Practical research: Planning and Design (3rd ed)*. New York: Mcmillan publishing.
- Levin, A.M., Levin, I.P. & Heath, C.E. (2003), "Product category dependent consumer preferences for online and offline shopping features and their influence on multi-channel retail alliances", *Journal of Electronic Commerce Research*, Vol. 4 No. 3, pp. 85-93.
- Liao, C, TO, P-N, Liu C-C & Kuo, P-Y, Chuan, S-H, (2009). Factors influencing the intended use of web portals. *Online information review*, Vol. 35, No 2, 2011. Pp 237-254
- Liao, S., Shao, Y.P., Wang, H. & Chen, A. (1999), "The adoption of virtual banking: an empirical study", *International Journal of Information Management*, Vol. 19 No. 1, pp. 63-74.
- Marshall, J. & Heslop, L. (1988), "Technology acceptance in Canadian retail banking: a study of consumer motivations and use of ATMs", *International Journal of Bank Marketing*, Vol. 6 No. 4, pp. 31-41.
- McKnight, D.H., Choudhury, V. and Kacmar, C. (2002), "The impact of initial consumer trust on intentions to transact with a web site: a trust building model", *Strategic Information Systems*, Vol. 11 Nos 3/4, pp. 297-323.
- Morrison, D.E. & Firmstone, J. (2000), "The social functional of trust and implications fore-commerce", *International Journal of Advertising*, Vol. 19 No. 5, pp. 599-623.

- Mugenda O.M & Mugenda A.G (1999). *Research methods: Quantitative and Qualitative Approaches. Nairobi, African center for the technological studies.*
- Pavlou, P. (2002), "Consumer acceptance of electronic commerce: integrating trust and risk with the technology acceptance model", *International Journal of Electronic Commerce*, Vol. 7No. 3, pp. 101-34.
- Pikkarainen, T., Pikkarainen, K., Karjaluoto, H. & Pahnla, S. (2004), "Consumer acceptance of online banking: an extension of the technology acceptance model", *Internet Research*,
- Rao, S., Metts, G. & Monge, M. (2003), "Electronic commerce development in small and medium sized enterprises: a stage model and its implications", *Business Process Management Journal*, Vol. 9 No. 1, pp. 11-32.
- Robey, D., Boudreau, M.-C. & Rose, G.M. (2000), "Information technology and organizational learning: a review and assessment of research", *Accounting Management & Information Technologies*, Vol. 10, pp. 125-55.
- Sathye, M. (1999), "Adoption of internet banking by Australian consumers: an empirical investigation", *The International Journal of Bank Marketing*, Vol. 17 No. 7, pp. 324-34.
- Sekaran, U. (2003). *Research Methods for Business: A skill building approach*, 4th ed. John Wiley & Sons inc.
- Serban, C., Chen, Y., Zhang, W. & Minsky, N. (2008), "The concept of decentralized and secure electronic marketplace", *Electronic Commerce Research*, Vol. 8 Nos 1-2, pp. 79-101.
- Suh, B. & Han, I. (2002), "Effect of trust on customer acceptance of internet banking", *Electronic Commerce Research and Applications*, Vol. 1 Nos 3/4, pp. 247-63.
- Swinyard, W. & Ghee, I. (1987), "Adoption patterns of new banking technology in Southeast Asia", *International Journal of Bank Marketing*, Vol. 5 No. 4, pp. 35-48.
- Tan, M. & Teo, T.S.H. (2000), "Factors influencing the adoption of internet banking", *Journal of the Association for Information Systems*, Vol. 1 No. 1, pp. 1-42.
- Tao, Y.-H., Chen, C.-P. & Chang, C.-R. (2007), "Unmet adoption expectation as the key toe-marketplace failure: a case of Taiwan's steel industry", *Industrial Marketing Management*, Vol. 36, pp. 1057-67. Vol. 14 No. 3, pp. 224-35
- Teo, T.S.H., Lin, S. & Lai, K.-H. (2009), "Adopters and non-adopters of e-procurement in Singapore: an empirical study", *Omega*, Vol. 37, pp. 972-87.
- Towill, D.R. (2006), "Re-engineering healthcare pipelines – why trajectory selection is as important as process selection in enabling effective transfer of best practice", *International Journal of Health Care Quality Assurance*, Vol. 19 No. 7, pp. 580-93.
- Tyler, K., Patton, M., Mongiello, M. & Meyer, D. (2007), "Services business markets: a further view of a new reality or a blurred landscape?", *Journal of Services Marketing*, Vol. 21 No. 5, pp. 295-303.
- Venkatesh, V., Morris, M.G., Davis, G.B. & Davis, F.D. (2003), "User acceptance of information technology: toward a unified view", *MIS Quarterly*, Vol. 27 No. 3, pp. 425-78.

- Wang, T.-C. & Lin, Y.L. (2009), "Accurately predicting the success of B2B e-commerce in smalland medium enterprises", *Expert Systems with Applications*, Vol. 36, pp. 2750-8.
- Wang, Y.S., Wang, Y.M., Lin, H.H. & Tang, T.I. (2003), "Determinants of user acceptance of internet banking: an empirical study", *International Journal of Service Industry Management*, Vol. 14 No. 5, pp. 501-19.
- Wakefield, R.L., Stocks, M.H. & Wilder, W.M. (2004), "The role of web site characteristics in initial trust formation", *Journal of Computer Information Systems*, Vol. 45 No. 1, pp. 94-103.
- Webster, M., Beach, R. & Fouweather, I. (2006), "E-business strategy development: an FMCG sector case study", *Supply Chain Management: An International Journal*, Vol. 11 No. 4, pp. 353-62.
- Weir, C.S., Anderson, J.N. & Jack, M.A. (2006), "On the role of metaphor and language in design of third party payments in e-banking: usability and quality", *International Journal of Human-Computer Studies*, Vol. 64 No. 8, pp. 770-84.
- Wong, C.C. and Hiew, P.L. (2005), "Diffusion of mobile entertainment in Malaysia: drivers and barriers", *Enformatika*, Vol. 5, pp. 263-6.
- Wu, I.L. & Chen, J.L. (2005), "An extension of trust and TAM model with TPB in the initial adoption of on-line tax: an empirical study", *International Journal of Human-Computer Studies*, Vol. 62 No. 6, pp. 784-808.
- Yakhlef, A. (2001), "Does the internet compete with or complement bricks and mortar bank branches?" *International Journal of Retail & Distribution Management*, Vol. 29 No. 6, pp. 272-81.
- Yousafzai, S.Y., Pallister, J.G. & Foxall, G.R. (2003), "A proposed model of e-trust for electronicbanking", *Technovation*, Vol. 23, pp. 847-60.

## APPENDIX I: LETTER OF INTRODUCTION

CAROLINE M OMARI

P o Box 30889-00100

Nairobi

1<sup>st</sup> April 2012

Dear Participant;

I am a Master of Arts student in Project Planning and Management at the University of Nairobi. This questionnaire is designed to study the factors influencing the adoption of internet banking at the Kenya commercial Bank, university way branch. The information you provide will help me in better understanding aspects surrounding the adoption of e-banking services among the financial institutions especially Banks. Because you are the one who can give me the correct picture, I request you to respond to the questions frankly and honestly.

Your response will be kept strictly confidential.

Thank you very much for your time and cooperation; I greatly appreciate your effort in furthering this quest for knowledge.

Sincerely

Omari, C.M.

## APPENDIX II: SAMPLE QUESTIONNAIRE

### PART A: CUSTOMER PERSONAL INFORMATION

Please circle the numbers representing the most appropriate response for you in respect of the following items.

1. Your Age (Years)

- 1) Under 20
- 2) 20-35
- 3) 36-50
- 4) 51-65
- 5) Over 65

2. Your highest completed level of education

- 1) Primary school
- 2) High School
- 3) College Diploma
- 4) University Degree
- 5) Post Graduate

3. Your Gender

- 1) Male
- 2) Female

4. How long have you been a KCB customer?

- 1) Less than six months
- 2) One year
- 3) Three years



4) Five years

5) Over five years

**Part B: Organizational readiness to internet banking adoption**

5. Do you think the Bank has adopted an effective electronic banking platform?

1) Yes they have

2) No it is not effective

3) I have no idea

6. Please indicate your level of agreement to the following statements; where 1 represents favorable rating and 5 represents unfavorable rating.

---

|                                                                     | Strongly<br>approve | approve | Neither<br>approve<br>nor | disapprove | Strongly<br>disapprove |
|---------------------------------------------------------------------|---------------------|---------|---------------------------|------------|------------------------|
| 1) I am well<br>versed with<br>my banks e-<br>banking               | 1                   | 2       | 3                         | 4          | 5                      |
| 2) The bank has<br>promoted the<br>service<br>sufficiently          | 1                   | 2       | 3                         | 4          | 5                      |
| 3) My bank<br>comes up<br>with new<br>technological<br>developments | 1                   | 2       | 3                         | 4          | 5                      |
| 4) The bank<br>encourages<br>the use of e-                          | 1                   | 2       | 3                         | 4          | 5                      |

---

**Part C: Trust and perceived risk in the system to internet banking adoption**

10. What type of banking transaction do you usually carry out using the banks e-service?

- 1) Balance enquiry
- 2) Paying of utility bills
- 3) Small money transfers
- 4) Large transactions
- 5) Other

11. How often do you use this e-banking service?

- 1) Always
- 2) Occasionally
- 3) Rarely
- 4) Never

12. Do you restrict the amounts you transact over the electronic banking service as opposed to over the counter transaction?

- 1) [Yes]
- 2) [No]

13. Please give a brief explanation to your response in 12 above

.....

.....

.....

**Part D: The concept of technology adoption to internet banking adoption**

14. Have you undergone any special training relating to efficient used of electronic banking service?

1) [Yes]

2) [No]

Please give reasons for the answer above

.....

.....

.....

.....

15. Rate how easy it is to operate the electronic banking service at the Kenya commercial Bank

1) Very easy

2) Relatively easy

3) Difficult

4) Very difficult

5) Don't know

16. To what extent do you approve of the following statements in relation to electronic banking; please tick appropriately.

|                                           | Strongly<br>approve | approve | Neither<br>approve<br>nor | disapprove | Strongly<br>disapprove |
|-------------------------------------------|---------------------|---------|---------------------------|------------|------------------------|
| 5) E-banking service has made my banking  | 1                   | 2       | 3                         | 4          | 5                      |
| 6) E-banking service serve all my banking | 1                   | 2       | 3                         | 4          | 5                      |
| 7) I cannot perform some banking          | 1                   | 2       | 3                         | 4          | 5                      |
| 8) I have never found e-banking to be     | 1                   | 2       | 3                         | 4          | 5                      |

**Part E: Attitude formulation**

17. Indicate the level of your approval to the following statements,

---

|                                                                 | Strongly<br>approve | approve | Neither<br>approve<br>nor | disapprove | Strongly<br>disapprove |
|-----------------------------------------------------------------|---------------------|---------|---------------------------|------------|------------------------|
| 1) I use the<br>service only<br>when there is<br>no alternative | 1                   | 2       | 3                         | 4          | 5                      |
| 2) E-banking<br>service is less<br>of a banking                 | 1                   | 2       | 3                         | 4          | 5                      |
| 3) E-banking is<br>for those who<br>are good at<br>computers    | 1                   | 2       | 3                         | 4          | 5                      |
| 4) I will never<br>use e-banking<br>for my                      | 1                   | 2       | 3                         | 4          | 5                      |

---

18. Do you think the products/services offered by the bank through the e-banking platform are sufficient?

- 1) Not sufficient
- 2) Slightly sufficient
- 3) Highly sufficient

19. In your own opinion, what should the bank do in order to improve the adoption of internet banking at Kenya commercial bank university way?

**QUESTIONNAIRE B: BANK EMPLOYEES**

1. Are you registered with your banks' electronic-banking service?

- 1) [Yes]
- 2) [No]

If No, give the reasons for your answer, otherwise proceed to question 2.

.....

.....

.....

.....

.....

2. How often do you utilize this service?

- 1) Always
- 2) When a need arises
- 3) When there is no alternative

3. To what extent do you approve of the following statements in relation to electronic banking; please tick appropriately.

|                                               | Strongly<br>approve | Approv<br>e | Neither<br>approve<br>nor | disapprove | Strongly<br>disapprove |
|-----------------------------------------------|---------------------|-------------|---------------------------|------------|------------------------|
| 5) E-banking service has made my banking      | 1                   | 2           | 3                         | 4          | 5                      |
| 6) E-banking service serve all my             | 1                   | 2           | 3                         | 4          | 5                      |
| 7) I cannot perform some banking transactions | 1                   | 2           | 3                         | 4          | 5                      |
| 8) I have never found e-banking to be         | 1                   | 2           | 3                         | 4          | 5                      |

4. What is your level of training on the utilization of the e-banking platform?

- 1) Low
- 2) Medium
- 3) High

5. How do you rate the level of service's ease of use and usability to the customer needs and requirements?

- 1) Very easy
- 2) Relatively easy
- 3) Difficult
- 4) Very difficult
- 5) Don't know

6. In your own thought out opinion, what should the bank do in order to improve customer acceptance and usability of electronic banking services at the Kenya commercial bank university way branch?

.....

.....

.....

.....

.....

END