

**DELIVERY CHANNEL TECHNOLOGIES AND PERFORMANCE
OF EQUITY BANK (KENYA) LTD**

BY:

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DECLARATION

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

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

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DEDICATION

This project is dedicated to my dear husband Muteti Munyao and my lovely daughter Cyra Munyao for their great love and support and creating an enabling environment that has seen the success of this project. May God bless you.

ABSTRACT

Globalization has led to tremendous growth in innovation and use of technologies in organizations and the banking industry has not been left behind. Banks are investing heavily in various innovations and technologies in an effort to improve their performance and to keep up with competition. Equity Bank (Kenya) Limited is one of the organizations that has embraced innovations and adopted various delivery channel technologies in an effort to meet their customer needs. This research was a case study that sought to identify the delivery channel technologies that Equity Bank (Kenya) Limited has adopted and their effect on the performance of the bank. Primary data was used in the study so as to enable objective findings. The data was collected through interview guides so as to allow more probing on the respondents who were the senior managers of the bank. Being qualitative in nature, content analysis was used to analyze the data collected. The findings of the study indicated that the bank had adopted mobile banking, internet banking, e-funds transfer and agency banking as their delivery channel technologies and the same has a positive effect on the operational performance of the bank in terms of improving efficiency, effectiveness and quality of services provided. The research recommends more investment on educating the customers and creating more awareness on the available technologies so as to reap their full benefits. The study also recommends further research to quantify the effect of the delivery channel technologies in terms of financial performance.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Technology is seen as an innovation adopted by the banking industry. Rogers conceptualizes an innovation as a social change (Rogers, 2003). Before the emergence of information technology, brick and mortar banks were the key to banking. However, technological innovations (IT) have influenced the banking sector in one way or another and as a result have produced new developments in the banking industry. It is no doubt that IT is now a very strategic issue in the banking realms (Kobrin, 2001). Significant development in technology has paved way for banking applications such as electronic funds transfer and telephone banking. The development in the banking industry also incorporates the use of the global network (Internet), which can be accessed by anyone at any time (Basel Committee on Banking Supervision, 2001). Delivery channels are various technologies through which the customers can transact their business with the bank at their convenience anywhere and at anytime of the day or night.

This study is founded on Rogers' Diffusion of Innovations Theory (DOI). Diffusion of innovations seeks to explain how innovations are taken up in a population. An innovation is an idea, behavior, or object that is perceived as new by its audience. Diffusion of Innovations offers three valuable insights into the process of social change that focus on what qualities make an innovation spread, the importance of peer-peer conversations and peer networks and lastly, understanding the needs of different user segments. Diffusion of Innovations takes a radically different approach to most other theories of change. Instead of focusing on persuading individuals to change, it sees change as being primarily about the evolution or “reinvention” of products and behaviors so they become better for the needs of individuals and groups. In diffusion of innovations it is not people who change, but the innovations themselves (Howcroft, Hamilton & Hewer, 2010). The motivation to use Rogers' Diffusion of Innovations Theory (DOI) for this study is to better understand whether the spread or diffusion of delivery channel technologies (which are innovations

used by the bank) to the population, in this case being the bank customers, influences the performance of the banks specifically Equity Bank (Kenya) Ltd.

Due to the rapid growth of Equity Bank (Kenya) Ltd, there was a problem in terms of congestion of banking halls with people waiting to be served. This led to the need to look for alternative ways through which the bank could transact with its customers. Though there was a large number of a customer's carrying out many transactions, the value of these transactions was low. It would therefore take an extensive amount of time for the bank to gain a return on its 'brick and mortar' investments and this led them to focus on the development of alternative delivery channels that would cost less. Equity Bank (Kenya) Limited therefore opted to adopt technological change to remain competitive. In search of competitive advantages in the technological financial service industry, the bank acknowledged the value of differentiating itself from other financial institutions through new service distribution channels. Equity Bank (Kenya) Limited became one of the first banks in Kenya to utilize alternative delivery channels which was one of the factors that led to its popularity among Kenyans as this increased the accessibility of banking services (Ochieng & Njuguna, 2014). This study seeks to investigate whether the adoption of alternative delivery channels improved the bank performance or not.

1.1.1 Delivery Channel Technologies

Delivery channels are various technologies through which the customers can transact their business with the bank at their convenience, anywhere and at anytime of the day or night. Thus, the customers will have choice of transacting business through ATM, Internet Banking, Tele-banking, Mobile banking or through plastic cards such as Credit Card, Debit Card, Smart Card among others (Mabrouk & Mamoghli, 2010). Rogers conceptualizes an innovation as a social change (Rogers, 2003). Technology is seen as an innovation adopted by the banking industry. This study will seek to find out how e-funds transfer, telephone banking, internet banking and mobile banking have affected the performance of Equity Bank (Kenya) Limited.

Alu (2002) defines e-funds transfer as the movement of money or credits from one account to another through an electronic medium. According to the Australian Bankers Association (2002) as reported by Arch and Burmeister (2003), in Australia, emphasis is placed on e-banking technologies. It was also noted that Australians with visual impairment were introduced to audio-enabled ATMs, through an initiative jointly supported by the National Australian Bank's ATM supplier (Diebold) and Blind Citizens Australia. The first of these was installed at the Royal Victorian Institute for the Blind premises. This implies that use of e-funds transfer technology has enabled the banking industry to provide services to its clients because even the blind can deposit and withdraw their money from the banking institutions hence indicating a desirable dimension.

Anyasi and Otubu (2009) defines telephone banking as a service, which the customer can use a telephone to give instructions and get information by speaking to bank staff. Siam (2006) asserts that some banks have always accepted instructions by telephone from trusted customers well known to them, as part of their ordinary branch banking service. Telephone banking requires a customer and bank to agree at the outset of the relationship a small category of 'security information' to be used to verify the customer's authority to give telephone instructions and usually include a password chosen by the customer (Bohm, Brown and Gladman, 2000). Wendy et al., (2005) found that telephone banking is the least adopted and applied technology. This study will seek to find out its level of adoption and how it has influenced the operational performance of Equity Bank (Kenya) Limited.

Internet banking can be defined as a set of systems that enable bank customers to access accounts and general information on bank products and services through a personal computer among other intelligent devices or any other activity held on the Internet, this is according to Ayadi (2003). This implies that banks can use websites as means to provide services to customers. Buys and Brown (2004) states that internet banking accounts in South Africa surpassed the one million mark and continued to rise rapidly. There is no longer wide spread dissatisfaction about the security concerns on the use of Internet

banking in South Africa , instead, Internet banking has led to increased customer support and quickens transactions and payments of customers (Buys and Brown, 2004).

Tiwari, Buse and Herstatt (2006) defined mobile banking as any transaction, involving the transfer of ownership or rights to use goods and services, which is initiated and/or completed by using mobile access to computer- mediated networks with the help of an electronic device. Mobile banking is the provision or availing of banking services with the help of mobile devices. In Kenya the advent of M-banking was fostered by competition from telecommunication industry mainly Safaricom Ltd with their Mpesa services to their customers and Zain (formerly Airtel) with Zap services. These services facilitated the customers to deposit money into their account, transfer money to other users for instance sellers of goods and services, relatives and friends; this brought convenience. Quite a number of banks have come up with innovations on various mobile banking products for example, Equity bank's M-kesho, KCB's Mobibank, Family bank's Pesapap and more recently M-shwari of Commercial Bank of Africa. Mobile banking provides a number of advantages for both banks and customers. It removes geographical limitation to customers and therefore bringing convenience. There is also no time limitation which means that banking may be performed throughout the day and in any place. Mobile banking also provides efficient cash management and security of cash.

1.1.2 Organizational Performance

Organizational performance is the appraisal of prescribed indicators or standards of effectiveness, efficiency, and environmental accountability such as productivity, cycle time, regulatory compliance and waste reduction. Performance also refers to the metrics regarding how a certain request is handled, or the act of doing something effectively; of performing; using knowledge as notable from just possessing it. It is the result of all of the organization's operations and strategies (Venkatraman and Ramanujam, 2001). It is also the level to which an individual fulfils the expectations concerning how he should behave or function in a certain situation, context, circumstance or job. Organizational performance can also be defined as an analysis of a company's performance in terms of

actual output or results measured or compared against the intended outputs or set goals and objectives.

Non-financial performance indicators in the banking sector include efficiency in operations and quality service delivery while financial performance indicators revolve around a blend of financial ratios analysis, measuring performance alongside budget, benchmarking or a combination of these methodologies. The common and logical assumption which explains most of the financial performance discussion and research is that increasing financial performance will result in improved functions and actions of the bank. It can be argued that there are three principal factors to advance financial performance for financial firms; the institution size, the institution asset management, and the institution operational efficiency (Fitzgerald, Johnston, Brignall, Silvestro & Voss, 1997).

Usually the financial measures have been considered but this approach is no longer adequate. It is now essential for banks to manage how they relate with the customers to improve customer service, achieve a balance between costs and services and thereby give the bank a competitive advantage (Bayraktar et al, 2009). It is therefore the responsibility of the bank management to collaborate all the delivery channel technologies in order to ensure that all activities and functions work properly together. They should ensure that the adopted delivery channel technologies enhance better operational efficiency of the Bank.

1.1.3 Banking Industry in Kenya

The origin of commercial banking in Kenya relates to commercial connections in East Africa, which existed towards the end of the 19th Century. First, there was National Bank of India in Kenya in 1896 after the establishment of the British in the region. It was followed by Standard Bank of South Africa in 1910. In 1916, the National Bank of South Africa merged with Anglo-Egyptian Bank Ltd to form Barclays Bank (dominion colonial). The Standard Bank of South Africa and Barclays Bank were just branches of British banks based in London. Their establishment in Kenya was in line with the

practice of British banks to follow the development of trade in their colonies and concentrate on finance of international trade. National Bank of India operated mainly in India while the Standard Bank of South Africa had its main business in South Africa. Since the banks had links with Europe, South Africa and India, their businesses affected their operations, because they were mainly dealing with customers from their respective areas. Open opportunities for traders and settlers who had come to Kenya and the growing community provided initial sources of deposits in excess. The surplus, which remained unutilized in Kenya was invested in London. Deposits were also made locally. This situation prevailed mainly because there was a gap between bankers and prospective borrowers (Akamavi, 2014).

The banking industry in Kenya is regulated by the central bank of Kenyan Act, the companies act among other guidelines issued by the Central Bank of Kenya (CBK). Banking industry in Kenya was liberalized back in 1995 and exchange controls revoked. Today, the banking system comprises of 43 commercial banks, 1 mortgage finance company, 11 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 2 credit reference bureaus as at end of April 2015. The Kenyan Banking Sector registered improved performance with the size of assets standing at Ksh. 3,455.7 billion, with loans and advances, government securities and placements, accounting for 57.6 percent, 21.7 percent and 5.8 percent of total assets, respectively while the deposit base stood at Ksh. 2,456 billion and pre-tax profits of Ksh 49.1 billion, an increase of 12.22 per cent over the Ksh 43.8 billion reported in the corresponding period of the previous year. (Central Bank of Kenya, 2015)

Although Kenya's financial access surveys conducted in 2006 and 2009 have shown general improvements in financial access with access to formal finance improving from 19 to 23 percent; to semi-formal improving from 8 to 18 percent; informal declining from 35 to 27 percent and the excluded falling from 38 to 33 percent, access to finance for rural areas is still low, with 64 percent of the rural population not accessing formal financial services and 21 percent being excluded from any form of financial services. This is a huge drag to development that is driven by financial access. Notably, access to

finance allows the poor to escape poverty by building their assets through savings and credit. The Central Bank of Kenya, remains committed to promoting innovations that will enhance financial access and inclusion for the people of Kenya (Central Bank of Kenya, 2010).

With the reduction of the KBRR (Kenya Bank's Reference Rate) to 8.54%, this might translate to reduced interest income for financial institutions. To curb this, in 2015, the banks should anticipate commercial banks to increase their focus on non-funded income with agency banking being at the forefront. Most banks are more likely to retire expensive fixed deposits in a bid to cut back in interest expenses. The introduction of mobile and internet banking comes with the inherent risk of cyber crime. This should result in attempts by banks to further boost on cyber security (Central Bank of Kenya, 2015).

The banking sector is always deemed to be one of the most vital sectors for the economy to be able to function. Its importance as the "lifeblood" of economic activity, in collecting deposits and providing credit to the state and people, households and businesses is undisputable. In all economic systems, banks have the leading role in planning and implementing financial policy. The difference lies with prioritizing goals and their way of achievement. Based on the neo-liberal model, achieving greater profits by using all means is an end in itself, while in the socialistic systems bank operations also aim at improving economy in general and at satisfying social needs (Central Bank of Kenya, 2010).

1.1.4 Equity Bank (Kenya) Ltd

Equity Bank (Kenya) Ltd was originally registered as a building society in 1984 and was known as Equity Building Society (EBS). Its main purpose was to provide mortgage financing to the poor among Kenya's population. However, during the 1990's EBS changed its strategy from focusing primarily on mortgage financing, to also adding microfinance services that would cater to the needs of the bottom of the pyramid in

Kenya. Eventually, due to increased business performance, the Central Bank of Kenya converted it into a commercial bank in December 2004 therefore becoming Equity Bank (Kenya) Limited. (Equity Bank Kenya Official Homepage, 2015)

Equity Bank (Kenya) Limited has been successful in its goal of providing banking services to the poor, and this is seen by the fact that though it is a fairly new bank in terms of inception, it holds over 57% of bank accounts in Kenya and is the largest bank in the East African region in terms of customer base due to its focus on the unbanked population. Consequently, due to its popularity and success it is one of the most recognized brands in Kenya and has received several awards because of its success in providing banking facilities and services to those who lack them (www.equitybank.co.ke).

Equity Bank (Kenya) Limited, has recently started a new mobile payment and banking service called Equitel, seeking 100 million customers in Africa within 10 years and the first five million by the end of 2015. The bank already has 800,000 accounts and is optimistic to have five million SIM cards issued by end of year 2015. Equitel is a joint project between Equity Bank Kenya and Airtel Kenya. The telecommunications company, which is controlled by India's Bharti Airtel Ltd., teamed up with Equity Bank in 2014 to begin operating the mobile-phone banking and payment service. It competes with Safaricom's M-Pesa which allows users to send money by mobile-phone, generating 26.6 billion shillings (\$275 million) of revenue for Safaricom in 2014 (www.equitybank.co.ke).

Equity Bank's business model has attracted both local and international recognition. On many occasions, the bank has been invited to various international forums and bodies to share on its successes. Equity has also become a hub of other institutions worldwide keen on learning and exchanging insights on the Equity model of extending financial services to the low income segment and the un-banked population and this makes it an organization of interest for this research study. (www.equitybankgroup.com)

1.2 Research Problem

Despite the undeniable importance of delivery channel technologies in explaining banking performance, the impact of delivery channel technologies on performance, is still misunderstood for two main reasons, first, there is inadequate understanding about the drivers of delivery channel technologies adoption and secondly delivery channels' technologies impact on bank's performance remains lowly untested (Mabrouk & Mamoghli, 2010). Kenyan commercial banks have continued to deploy huge investments in technology based innovations and training of manpower to handle the new technologies.

Komaladewi, Nanere, Suryan and Rufaidah (2012) noted that the retail banking industry is facing unprecedented need to invest in new operating efficiencies with an aim of reducing operational cost. Moreover, new-age competition and demographic changes are further driving investment in technologies that boost productivity and help banks create and retain competitive advantage. However, in an environment of high velocity, narrowing customer niches ,and increased competition, the successful integration of technology and marketing capabilities for service/product confers little long term competitive advantage to a firm (Fowler, King, Marsh & Victor, 2013). To survive banks are constantly in search for alternative delivery channels which will help them reduce costs of operations and improve customer experiences. In this continuous journey, the banking industry has seen several technology trends being adopted and several innovations delivered (Kiran, 2009). Madueme (2010) assessed the impact of delivery channel technologies on the efficiency of thirteen commercial banks in Nigeria using both primary and secondary data. The findings of the study revealed that delivery channel technologies improved the efficiency of the banks. Alawneh and Hattab (2009) assessed the value of e-business at the bank level in Jordan using a survey data collected from 140 employees in seven pioneered banks, based on simple multiple linear regressions analysis, their empirical findings showed that technology is found to have the strongest significant influence on bank performance. Beccalli (2005) investigated whether

investment in delivery channels technologies influences the performance of banking, using a sample of 737 European banks over the period 1994 – 2000.

Local studies that have been carried out include: Karanja (2010) assessed the impact of information communication technology (ICT) on the efficiency of thirteen commercial banks in Kenya using both primary and secondary data. The findings of the study revealed that information technology improved the efficiency of the banks. None of these studies have focused on the influence of delivery channel technologies on the performance of commercial banks in Kenya. The only study that is close to the current study is Kamagu (2010) who examined the impact of delivery channels on organizational performance using primary data collected through in-depth interviews at Barclays bank of Kenya: the study focused on credit card use. It is in light of this that this study aims at filling the existing knowledge and contextual gaps by establishing the effects of delivery channels technologies on the performance of the commercial banks in Kenya with specific reference to Equity (Bank) Kenya Ltd. This study will seek to address the following question: What is the influence of delivery channel technologies on the performance of Equity Bank Kenya?

1.3 Research Objectives

The objectives of the study are:

- i. To establish the delivery channel technologies that have been adopted by Equity Bank (Kenya) Limited.
- ii. To determine the effect of delivery channel technologies on the performance of Equity Bank (Kenya) Limited.

1.4 Value of the Study

The outcome of this study will enlighten the banking institutions on how delivery channel technologies have influenced the performance of banks in Kenya and it will help them identify the impact of each delivery channel technology thus providing information and

knowledge to help the current and future investors in the banking industry in their strategic planning and formulating.

The study results will also be valuable to policy makers such as the Government of Kenya for implementation of policies, laws and regulations geared towards the influence of delivery channel technologies and also policies on ways to accelerate growth of the industry and the economy as a whole.

Lastly, the study will add value to existing theories and practice by being a source of reference for further research and for providing knowledge that may be adopted by society, especially academicians interested in research of delivery channel technologies and performance within the banking industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical background, delivery channel technologies and performance of various theories that inform the study.

2.2 Theoretical Background

The theory underpinning this research is Rogers' (2003) diffusion of innovations theory, which seeks to explain how new ideas or innovations are adopted. This study seeks to identify the delivery channel technologies that have been adopted by Equity Bank (Kenya) Limited. Technological advancements in the area of telecommunications and information technology have continued to revolutionize the banking industry. The delivery of financial services has experienced major changes during the past few years. A feature of the banking industry across the globe which is increasingly becoming turbulent and competitive. Equity Bank (Kenya) Limited, aided by technological developments, have responded to the challenges by adopting new delivery channel technologies, which emphasize on attempting to build customer satisfaction through offering better products and services and at the same time minimizing operation costs (Adesina & Ayo, 2010). Provision of banking services has been broadly used, and an understanding of the adoption process will have important implications for bankers and customers alike.

Rogers' (2003) diffusion of innovations theory proposes that there are five attributes of an innovation that effect adoption: relative advantage, compatibility, complexity, trial-ability, and observe-ability. Relative advantage is the degree to which an innovation is perceived as being better than the idea it supersedes. Rogers' theory suggests that innovations that have a clear, unambiguous advantage over the previous approach will be more easily adopted and implemented. Current research evidence indicated that if a potential user saw no relative advantage in using the innovation, it would not be adopted. Compatibility was the degree to which an innovation fit with the existing values, past

experiences, and needs of potential adopters. There is strong direct research evidence suggesting that the more compatible the innovation is, the greater the likelihood of adoption (Greenhalgh et al, 2004). Complexity is the degree to which an innovation is perceived as difficult to understand and use. Trial ability is the degree to which an innovation may be experimented with on a limited basis. Because new innovations require investing time, energy and resources, innovations that can be tried before being fully implemented are more readily adopted. And finally, observability is the degree to which the results of an innovation are visible to the adopters. If there are observable positive outcomes from the implementation of the innovation then the innovation is more adoptable.

The underlying principle in this theory is that the greater the bank perception regarding the relative advantage of a delivery channel technology, the more likely it is going to adopt it. A bank is more likely to adopt technologies that it perceives as being better than using the predecessor (Muhasa, 2005).

2.3 Delivery channel technologies and organizational Performance

Information and communication technology has become a global tool for banking industry to reach global markets. According to a Survey of Consumer finances (2001) as reported by Anguelov (2004), e-funds transfer features include direct deposit, an ATM or debit card among the rest. In this study, e-funds transfer technology involves the use of ATM cards, debit cards, credit cards and e-cheques with reference to cash deposit, cash withdrawal and account balance inquiry. The use of e-funds transfer technology enables the banking industry to provide services to its clients because even the blind can deposit and withdraw their money from the banking institutions hence indicating a desirable dimension. In respect to this research, telephone banking technology means availability, accessibility and usage of telephones (wired or wireless telephones) to engage in cash deposit, withdrawal and account balance inquiry by users in the banking industry. This study will seek to establish its level of adoption and how it has influenced the organizational performance of Equity Bank (Kenya) Limited.

Internet banking technology means the availability, accessibility and usage of websites and e-mail services in cash deposit, cash withdrawal and account balance inquiry by users in the banking industry. This study will seek to establish the level of adoption of internet banking and how it has influenced the performance of the Equity Bank (Kenya) Limited. According to Turel (2006) internet banking technology leads to the incorporation of new features for security transactions, international payments, viewing credit card statements, deposits and account history and lastly it has enabled customers to send e-mails from the bank's home page. Mobile banking (m-banking) is a term used for performing banking transactions via mobile device such as mobile phones (Anyasi and Otubu, 2009). The study will seek to establish how Equity bank's M-kesho has influenced the operation performance of the bank. These services facilitate the customers to deposit money into their account, transfer money to other users for instance, sellers of goods and services, relatives and friends; this brought convenience. Mobile banking involves the provision or availment of banking services with the help of mobile devices.

Many studies have examined the relationships between innovations in technology and firm's performance; they commonly show that technological innovations have positive and significant effects on firm performance at the operations level, as well as at the business level (Prajogo, Chowdhury, Yeung, & Cheng, 2012). Based on the past research, it is known that it is difficult to choose a measurement of organizational performance. Bayraktar et al. (2009) identified several performance criteria of bank performance that are applicable in the banking industry which include the use of financial measures such as return on assets (ROA), and return on equity (ROE).

In this study the effect of delivery channel technologies adopted in the banking industry will be measured in terms of operational performance this is because of the obvious difficulties in obtaining quantitative measures. According to Rungtusanatham, Salvador, Forza, and Choi, (2003) delivery channel technologies such as e-fund transfer, telephone banking, internet banking and mobile banking can reduce operation expenses and hence improve profitability.

2.4 Research Gaps

Several Research studies have been done about the banking industry on technologies, delivery channels and performance of banks.

Internationally, Madaume (2010) assessed the impact of delivery channel technologies on efficiency of thirteen (13) commercial banks in Nigeria using both primary and secondary data. This study seeks to fill the gap by focusing on banks in Kenya specifically Equity Bank (Kenya) Limited and the influence on performance as a whole and not only efficiency.

Becalli (2005) also investigated the influence of delivery channel technologies on performance of banks using 737 European banks for a period of six years. Considering that the economy and the banking industry in Europe is different from Africa and more specifically Kenya, this study seeks to fill the gap by focusing on a Kenyan bank

Locally, Karanja (2010) assessed the impact of Information Communication Technology (ICT) on efficiency of thirteen commercial banks in Kenya. The study focused on Information Communication Technology (ICT) in general and specifically on efficiency while this study seeks to fill the gap by focusing on delivery channel technologies on a specific commercial bank in Kenya (Equity Bank (Kenya) Ltd and the resulting influence on performance in general

Kamagu (2010), a local researcher examined the impact of delivery channels on organizational performance on Barclays Bank of Kenya but focused on use of credit cards only. This study seeks to fill the gap by researching on different delivery channel technologies, credit cards being one of them and their influence on performance on Equity Bank (Kenya) Ltd.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter is a blueprint of the methodology that was used by the researcher to achieve the research objectives. In this chapter the research methodology is presented in the following order, research design, data collection method and finally the data analysis.

3.2 Research Design

This research design was a case study since the unit of analysis is one organization. The aim of the study was to get detailed information regarding the identification of the delivery channel technologies that have been adopted by Equity Bank (Kenya) limited and to establish the effect of the delivery channel technologies on the performance of Equity Bank (Kenya) Limited. A case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Case study involves a careful and complete observation of social units. According to Chogi (2006) it is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primarily, data collected from such a study is more reliable and up to date.

3.3 Data Collection

The study mainly used primary data. The primary data was collected using an interview guide. The interview guide had open-ended questions. The open-ended questions enabled the researcher to collect qualitative data and more objective information from the respondents. This was used to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the study. The interview guide comprised of two sections. The first part was seeking information on the respondents while the second part was devoted to the identification of the delivery channel technologies that have been adopted by Equity Bank (Kenya) Limited and their effect on the performance of the bank where the main issues of the study were put into focus.

The respondents of the study were the four (4) managers drawn from various departments at Equity Bank (Kenya) Limited. These included the Human resource department, Accounts Department, ICT Department and the Communications and Administration Department. These respondents were better placed in providing required data because they play a leading role in ensuring that they position the bank favorably within the changing environment through instituting appropriate timely responses. The interview guide was administered through personal interviews to allow for further probing.

3.4 Data Analysis

Before processing the responses, the completed interview guide was edited for completeness and consistency. The primary data was qualitative in nature. Given this fact, content analysis was used to analyze the data.

According to Kothari (1990) content analysis consists of analyzing the contents of documentary materials such as books, magazines, newspapers and the contents of all other verbal materials which can be either spoken or printed. It is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter discusses the data findings, analysis and interpretations. The main objective of the research was to establish the delivery channel technologies adopted by Equity Bank (Kenya) limited and also to determine their influence on performance of the bank.

Four senior managers of the bank were interviewed with an interview guide being used to obtain information from the respondents. The structured interview method allowed the researcher to ask probing questions and get in-depth information and explanations that would have not been possible using questionnaires. The responses were written down and used for data analysis. Data collected was qualitative in nature and therefore analyzed through content analysis.

4.2 Delivery Channel Technologies adopted by Equity Bank (Kenya) Limited

The respondents were required to state the delivery channel technologies that Equity Bank (Kenya) Ltd has adopted and their respective features.

4.2.1. E – Funds Transfer

According to (Alu, 2002) e-funds transfer is the movement of money or credits from one account to another through an electronic medium. As per this description, the respondents indicated that there were several delivery channel technologies that Equity Bank (Kenya) Limited has adopted that can be considered as E funds transfer. This includes the Automated Teller Machines, card services also known as plastic money and the various money transfer platforms.

According to the respondents, Automated Teller machines are the most used form of E – funds transfer technology by the bank customers with features such as withdrawal of cash, deposit of cash at specific installed intelligent machines, balance enquiry, access and printing of recent transactions and changing of one’s PIN

Use of plastic money as a form of E –funds transfer includes, debit cards, credit cards, Visa direct and prepaid cards. Visa Direct is a cost effective, fast, convenient and secure way of transferring money that Equity Bank Visa cardholders use to receive funds domestically and internationally from any Visa sending partners worldwide. It is a real-time online multi-currency money transfer service provided by the bank in partnership with VFX financial PLC in Europe. (<http://ke.equitybankgroup.com/>)

The respondents established that the Money transfer platforms such as Western Union, Money gram, Equity direct and the RTGS (Real Time Gross Settlement) platforms have been adopted by Equity Bank (Kenya) Limited with features that enable transfer of money to other banks within the country and also to other banks worldwide where the customer can access their funds irrespective of their geographical location. Money Gram and Western Union are mostly used for transfer of funds internationally while Equity Direct, enables sending of money instantly from Europe to accounts maintained at Equity Bank.

4.2.2 Telephone Banking

The respondents observed that Telephone banking had not been officially adopted by Equity Bank (Kenya) limited as a delivery channel technology due to the high risks involved mostly, being difficulties in authenticating the customers and misinterpretation of customer needs.

The only form of telephone banking that the bank applies was together with other technologies only as a way of confirming transactions or seeking additional information from the customers but not in isolation as a delivery channel technology.

4.2.3 Internet Banking

According to the respondents, Equity Bank (Kenya) Limited has adopted the internet banking technology as a delivery channel. Customers are able to transact anywhere as long as there is internet connection. Some of the features of internet banking include account balance and full statement enquiries, cheque book requests, loan modeling which involves loan calculation for the customers, funds transfer, stop card and stop cheque requests. Customers are also able to enjoy the payment of bills facility through internet banking

4.2.4 Mobile banking

It was noted that Equity Bank (Kenya) Limited has adopted two mobile banking applications namely Equitel and Eazzy247 as forms of delivery channel technologies. Equitel is the most recent form of mobile banking using a sim application program whereas Eazzy 247 is a mobile banking service that allows one access to bank services using the mobile phone through all telcos, USSD, SMS and internet services

The respondents noted that mobile banking features were quite vast and the bank was in the process of increasing the features to ensure that the needs of the customers were met sufficiently. The features include funds transfers, cash withdrawals through an agent or an ATM facility, sending of money to a bank account or another mobile phone, application and access to loans, purchasing of airtime and internet bundles, statement requests for a specified number of recent transactions, payment of bills and also providing information on the financial markets such as forex rates and stocks.

Equitel also has a feature that provides free information services and more importantly providing financial literacy to its customers

4.2.5 Agency Banking

The respondents also noted that Agency Banking was one among the delivery channel technologies that had been adopted by Equity Bank (Kenya) Limited in the recent past.

Agency banking is a banking business model where an agent is contracted by Equity Bank and approved by the Central Bank of Kenya as a commercial entity to provide specific services on behalf of the bank. The entity is equipped with the skills necessary to provide basic banking services according to standards set by the Bank. Its features include, account opening, cash withdrawal, cash deposits, money transfer services, payment of bills, Equity prepaid card issuing and top up, ATM card application and dormant account activation.

4.3 EFFECT OF DELIVERY CHANNEL TECHNOLOGIES ON PERFORMANCE

All the respondents were unanimously in agreement that the adoption of the various delivery channel technologies have tremendous positive effect on the performance of bank operations at Equity Bank (Kenya) Limited.

The delivery channel technologies have increased the convenience of how the customers are able to transact with the bank. Customers no longer have to make long queues in the banking halls to deposit or withdraw cash, to get statements or even apply for loans. They are able to enjoy flexibility as they transact at their own convenience by use of mobile banking, internet banking, E funds transfer or even agency banking. This flexibility has enabled the bank to serve the customers better and their needs met more easily

Adoption of delivery channel technologies by Equity Bank (Kenya) Limited has also improved the quality of services provided by the banks as compared to the brick and mortar era. The technologies have reduced human errors, increased accuracy and thus providing quality services to the customers

Access to banking services has also been made easier even in remote areas where it would have otherwise been cumbersome where banks are not physically present.

Customers in remote areas are now making use of mobile banking and Agency banking to access the bank services.

Cost cutting has also been achieved both by the bank and the customers with the adoption of delivery channel technologies by Equity Bank (Kenya) Limited. The bank no longer has to ensure that they set up banks in all areas so as to reach their customers which would otherwise be very expensive. One of the respondents noted that the bank has instead been ensuring that they serve their customers better by encouraging them to make use of the delivery channel technologies to access services that would have otherwise been provided by the physical bank. Customers have also benefitted by cutting costs on travelling and time spent commuting to and fro to access their nearest bank branch, time and money that could have otherwise been spent more productively

Speed of making most transactions has also been greatly enhanced especially with money transfers through the various delivery channel technologies. Through use of mobile transfer facilities and other funds transfer channels , one can send money to other persons either within the country or even worldwide at real time. This has enabled the bank to make more transactions and be more effective as compared to when they did not have the various delivery channel technologies

The Equitel mobile banking as a delivery channel technology has a feature that provides the customers with free financial information at their own convenience and this has worked to empower Equity Bank (Kenya) Limited customers and to also reduce the work load for the bank staff who would have otherwise been spending time answering queries and advising the customers, time that can be used more productively to ensure the banks' operational efficiency and effectiveness.

4.4 Discussions

This study established that Equity Bank (Kenya) Limited has invested greatly in innovation and more importantly on the delivery channel technologies. This has seen the continuous growth of the bank and making it one of the fastest growing banks and a

market leader in the banking industry not only in Kenya but in Africa. This is evident through the bagging of several prestigious awards on innovation with the most recent being the ‘Think Business Banking Awards 2013’ where Equity Bank (Kenya) Limited was voted the best in recognition and reward for best practices in the banking industry based on various parameters including customer service, innovation and reach. Another award was ‘The most innovation bank in Africa’ in the year 2012’ at the African Bankers Awards held in Arusha, an award meant to celebrate excellence and best practices in African banking and finance.

Equity has also become a hub of other institutions worldwide keen on learning and exchanging insights on the Equity model of extending financial services to the low income segment and the un-banked population (<http://equitybankgroup.com>)

This study has established that though there are other contributing factors, the banks continuous investment in innovation has been one of the key drivers for its fast growth and success and in turn improvement of the bank’s performance.

The study also adds to the existing body of knowledge locally and internationally to confirm that technology and more specifically delivery channel technologies have a positive effect on performance of organizations and in context the banking industry. According to Komaladewi, Nanere, Suryan and Rufaidah (2012), the retail banking industry is facing unprecedented need to invest in new operating efficiencies with an aim of reducing operational cost. His findings are consistent with the study where Equity Bank (Kenya) Limited has been able to reduce its operational costs by use of technologies. The findings of a research by Madueme (2010) on impact of delivery channel technologies on the efficiency of thirteen commercial banks in Nigeria revealed that delivery channel technologies improved the efficiency of the banks which is also consistent with this study.

This study is also supported locally by findings of a research done by Karanja (2010) on thirteen commercial banks in Kenya on impact of Information Communication

technology on performance and another research by Kamagu (2010) on impact of delivery channels on organizational performance at Barclays Bank Kenya with focus being on credit cards. Both studies found that information technology and delivery channel technologies respectively improved the efficiency of the banks

The study is also consistent with the Rogers Diffusion of innovations (DOI) theory where instead of focusing on persuading individuals to change, the theory sees change as being primarily about the evolution or “reinvention” of products and behaviors so they become better fits for the needs of individuals and groups. One of the respondents noted that Equity Bank (Kenya) limited invests on research of different user segments to better understand their needs and the best way of spreading the innovation to the customers so as to be successful.

CHAPTER FIVE: SUMMARY, RECOMMENDATIONS, AND CONCLUSION

5.0 Introduction

The purpose of this study was to establish the delivery channel technologies that have been adopted by Equity Bank (Kenya) Limited and to determine their effect on the performance of the bank. The researcher was able to interview Equity Bank (Kenya) Limited managers who gave their views on this subject. This chapter will present a summary of the findings, recommendations based on the findings of the study, suggestions for further research and the conclusions drawn from the study

5.1 Summary

The study found out that Equity Bank (Kenya) Limited has adopted various delivery channel technologies namely, E-funds transfer, mobile banking, internet banking and Agency banking. They however had not adopted Telephone banking as a delivery channel due to the security challenges involved with the same.

The study determined that the delivery channel technologies they have adopted have an effect on performance of the bank in terms of improving operational efficiency and effectiveness, cutting of costs and improving the quality of services that the bank offers.

5.2 Recommendations

It is evident that Equity Bank (Kenya) Limited has invested and still continue to invest in delivery channel technologies and they are clearly benefiting in terms of performance. The study however noted that the bank had not invested sufficiently in creating awareness and educating the customers on their different technologies, their use and benefits. The study recommends that the bank should invest more on the same so as to

ensure that the existing customers make more use of the delivery channel technologies and new customers can be made aware of the technologies available at the bank and how they can be beneficial to them. The bank will in turn be able to reap more in terms of customer base and gain competitive advantage in the industry

5.3 Limitations of the study

A limitation for the purposes of this research project was regarded as any factor that affected or could have affected the attainment of research objectives.

The case study being a bank, there was a lot of bureaucracy and suspicion before the approvals could be granted to allow for the interviews to be conducted, understandably due to the sensitivity of the information that the banks hold and fear of the information being misused by the media or competitors. This was overcome by providing a letter from the University to authenticate that the interviewer was a student and also by assuring the management that the information requested would be treated with high level of confidentiality and purely used for the intended purpose only

Given that the bank is a busy environment with long working hours, the researcher had difficulties getting the full attention of the respondents as the interviews were conducted during working hours and interruptions were inevitable.

Another limitation was that being a case study the unit of analysis was one organization and thus the findings may not be applicable to other organizations as there are no two organizations that are similar

5.4 Areas of further research

There is need to conduct a study to quantify the impact of delivery channel technologies in terms of figures and costs, so as to indicate how much is saved by use of the technologies and whether the benefits of the delivery channel technologies translate into profits for the banks. The research will assist in determining whether the cost of investing on the delivery channel technologies is financially feasible and whether banks or

organizations in general should invest heavily on technology. There is also need to conduct a comparative study between the current delivery channel technologies and the brick and mortar delivery channels in terms of financial performance

5.5 Conclusion

The study can conclusively state that investing in delivery channel technologies for banks is vital for growth and the operational performance of the banks in terms of cost cutting, improving effectiveness, efficiency and provision of quality services.

With the fast changing and dynamic banking industry, banks need to invest more on the delivery channel technologies so as to keep up with competition and increasing customer demands. The banks however also need to invest in educating the customers and public in general of the various innovations and delivery channel technologies available, their use and their benefits.

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APPENDICES

APPENDIX: INTERVIEW GUIDE ON DELIVERY CHANNEL TECHNOLOGIES AND PERFORMANCE OF EQUITY BANK (KENYA) LTD

Kindly answer the following questions by filling the spaces provided.

PART A: INTERVIEWEES BACKGROUND

1. What is your designation in the department?
2. What is your highest level of education?
3. What is your total work experience in years?
4. How many years have you worked in the current position?

PART B: ESTABLISHING THE DELIVERY CHANNEL TECHNOLOGIES

1. Please state the delivery channel technologies that Equity Bank (Kenya) Ltd has adopted?
2. Has Equity Bank (Kenya) Ltd adopted E-funds? Yes or No
3. If yes, what are the features of E- fund transfer?
4. Has Equity Bank (Kenya) Ltd adopted telephone banking? Yes or No
5. If yes, what are the features of telephone banking?
6. Has Equity Bank (Kenya) Ltd adopted internet banking? Yes or No
7. If yes, what are the features of internet banking?
8. Has Equity Bank (Kenya) Ltd adopted mobile banking? Yes or No
9. If yes, what are the features of mobile banking?
10. State the features of any other delivery channel technology that Equity Bank (Kenya) Ltd has adopted if any

PART C: EFFECT OF DELIVERY CHANNEL TECHNOLOGIES ON PERFORMANCE

1. Have the delivery channel technologies adopted by Equity Bank (Kenya) Ltd affected performance of the bank?
2. If yes, how has each of the delivery channel technologies affected performance?