CONVERGENCE BETWEEN SAFARICOM KENYA LIMITED AND KENYA COMMERCIAL BANK GROUP

BY

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DECLARATION

This research project is my original work and has not been presented for award of a degree at the University of Nairobi or any other university.

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The research project has been submitted for examination with my approval as the university supervisor.

Signature…………………………Date…………………………………

J.N. KAGWE

DEDICATION

I wish to dedicate this project to my family who encouraged me when writing this project.

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This research proposal in its present form has been made possible by God and a number of people to whom I am greatly indebted and to whom I would like to express my gratitude for giving me the strength and grace to get through this proposal, thank you for your unconditional grace.

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ABREVIATIONS AND ACRONYMS

ICT:	Information, Communication and Technology
CEVA:	Contract Logistics and Freight Management
MFC:	Mortgage Finance Company
MFBs:	Microfinance Banks
ISPs:	Internet Service Providers
CBA:	Commercial Bank of Africa
KCB:	Kenya Commercial Bank Group
API:	Application Program Interface
SPSS :	Statistical Package for Social Sciences
POS:	Point of Sale

ABSTRACT

Business environment today has become complex, competitive and demanding. Customers are also increasingly becoming aware and demanding of effective and faster services. Corporate organizations have positioned themselves in different ways in response to the current demands. Convergence is one of such strategies that have been adopted - world over. The main objective of this paper was to investigate on the effect of convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited on the provision of financial services to the Kenyan market. The study also sought to determine the challenges facing the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited; to find out the drivers of the convergence between Kenya Commercial Bank and Safaricom Kenya Limited; and to determine the benefits of the convergence between Kenya Commercial Bank and Safaricom Kenya Limited. This study adopted an exploratory descriptive design. The target population was 322 staff working in finance, corporate strategy, marketing, risk management, legal and regulatory departments in both Safaricom Kenya Limited and Kenya Commercial Bank Group. This study used stratified random sampling to select 30% of the target population. The sample size of the study was 51 staff working in Safaricom Kenya Limited and 46 staff working in Kenya Commercial Bank Group. The study used primary data which was collected by use of semi structured questionnaires. Quantitative data was analyzed by use of Statistical Package for Social Sciences (SPSS) version 21. Data was then presented in graphs and tables. On the other hand, content analysis was used to analyze qualitative data and the findings were presented in a prose form. The study established that the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited was facing various challenges like lack of coordination between management teams, staff integration, clash of organization cultures, lack of trust, lack of skills and competency to manage advanced levels of technology, lack of clear goals and objectives, government regulations and high cost of technological infrastructure. The study also found that increased level of awareness on consumer rights necessitates partnership between commercial banks and telecommunication companies to meet customer needs. The study recommends that both organizations should have training programs so as to equip their staff members with enough skills to manage the high level of technology. The study also recommends that the organizations should constantly and frequently hold cross functional meetings to resolve any issues and escalations to the right offices to make decisions in case of any stalemate.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The liberalization of the financial markets in Kenya has led to increased competition in the banking sector. This has necessitated the commercial banks to come up with new strategies so as to remain competitive in the market (Kato et al., 2014). Partnerships with other companies, like the telecommunication companies, are some of the methods used by the commercial banks to deal with the contemporary market forces of competition. In the convergence, the companies enter into working agreements with the telecommunication companies where they roll out goods or services to customers (Barnes & Corbitt, 2003).

Various companies converge for different reasons. One of the reasons is to consolidate resources and capabilities so as to achieve a competitive advantage. This concept is supported by resource based view (Lameck, 2010). According to resources based view valuable firms' resources, including capabilities, equipments, infrastructure, financial resources, and human resources among others are scarce. Convergence of two or more companies enables exchange of resources, information and sharing of infrastructure.

The mobile banking services are some of the innovations that banks have had to come up with in order to survive the competition. Some of the commercial banks have converged with mobile telecommunication companies in order to offer the mobile banking services to the customers. Sarbapriya (2013) observed that there exists a strong link between the commercial banks, mobile telecommunication companies and the regulatory authorities. This link fosters the convergence between the banking institutions and the mobile telecommunication companies. In Kenya, various commercial banks have converged with telecommunication companies in offering of financial services. For instance, Equity Bank and Safaricom have converged to form Mkesho, Family bank converged with Safaricom to form Pesa-pap and Kenya Commercial Bank converged with Safaricom to form Mobi-bank. However, with the increased convergence between commercial banks and telecommunication companies, it is important to understand how the convergence of telecommunication companies and mobile banking influence the provision of financial services in the Kenyan market.

1.1.1 The concept of convergence

Convergence is the erosion of boundaries between previously separate ICT services, networks, and business practices. Convergence of various sectors holds significant promise for developing countries, which can benefit from expanded access, greater competition, and increased investments (Lameck, 2010). The convergence of banks and mobile phone companies has become a common concept all over the world. In 2012, for instance, in India, Bharti Airtel, through its subsidiary of m-Commerce Services Limited converged with Axis Bank. In this convergence, the banking payment services were extended to unbanked millions of Indian citizens through a mobile telephone platform. This convergence was meant to empower the Indian citizens that were financially excluded from the mainstream banking services (Ngumi & Gakure, 2013). In Europe, similar convergence have been formulated between mobile telecommunication companies and the commercial banks. In 2013, T-Mobile Polska and Alior Bank, all from Poland converged to increase their competitive advantage (Huang & Liu, 2015).

In South Africa, as early as 2001, the retail banking sector had already entered into mobile banking technology. Absa, the largest retail banking in South Africa, started an e- Commerce program. This program was hoped to help in cutting costs of operation. The company launched a mobile banking service where its customers would be able to transact using online services. This service was formed through a convergence between Absa and Cisco (Moser, 2015).

In a study on strategies adopted by multichoice Kenya limited in response to information and communications technology convergence, Onunga (2009) established that various organizations in Kenya had used convergence to increase their competitive advantage. For instance, Equity Bank had converged with Orange to provide financial services and Safaricom Kenya Limited had converged with Kenya Commercial Bank and CBA bank. On the other hand, Masila (2009) discusses the drivers of strategic alliance between Safaricom Kenya Limited And Kenya Power And Lighting Company in mobile telephony payments. Other convergence in Kenya include airline industries and telecommunication companies, between public universities and private institutions and between private universities and colleges.

1.1.2 Mobile Banking

The concept of mobile money banking has been taking root worldwide since the advent of affordable mobile telephone handsets. The poor communities who have no access to the conventional banking services have taken refuge in the use of mobile money banking services. Mwangi (2012) state that the rate of uptake of mobile banking services varies in different countries. The variations are also along other parameters such as the type of household, the frequency of usage of the service and the pace of uptake. True to what the author posits, mobile banking has been more prevalent in developing world than the developed world. Mobile banking services in Kenya is perhaps the biggest mobile money revolution news that hit the banking sector in the world early this century. The available data shows that Kenya has the highest users of mobile phone money transaction services in the world. Safaricom Kenya Limited, a subsidiary of London based Vodafone plc, launched a mobile money transfer services in 2007 termed as M-Pesa. This service grew rapidly, garnering a total of 200 000 customers in the first one month of the service launch, exceeding the projections that had been done. The rapid take up was an indication that the service had filled a gap that much needed to be bridged in the money market (Masila, 2009).

As well as Safaricom Kenya Limited's M-Pesa, other mobile phone service providers in Kenya have launched their own mobile money transfer services. However, M-Pesa has dwarfed the other providers which include Airtel Money, Orange Money and Yu Money. The providers have not had a successful uptake, as did Safaricom Kenya Limited M-Pesa. All the mobile phone companies have established working relationships with banks in Kenya. The mobile service provision companies and the banks utilize this service by depositing cash, withdrawing and even making other payments (Seshadri, 2013).

Mobile banking has been one of the methods used by commercial banks, including Kenya Commercial Bank, to increase the number of customers and profitability (Duba, 2014). Kenya Commercial Bank group forms non-equity strategic alliances aimed at providing better service solution for the bank‘s customers (Kenya Commercial Bank Bank, 2013). For instance, M-Karo is a licensing agreement with Safaricom Kenya Limited's Mpesa to enable clients to pay school fees directly into schools' bank accounts using the mobile money transfer platform. The bank entered into a franchising agreement with Visa and Mastercard to issue debit cards, credit cards and prepaid cards to clients. The bank also had an outsourcing agreement with Transware for card acquiring business where the bank provided point of sale (POS) to merchants. The bank entered into Mobile phone banking alliance with CEVA a world's leading organization where clients can transfer money through mobile phone to any network in Kenya and globally. Recently Kenya Commercial Bank entered into a strategic partnership with Safaricom Kenya Limited in an effort to increase its provision of financial services in Kenya (Warui, 2014).

1.1.3 The Banking sector in Kenya

The banking sector comprises of 44 banking institutions (43 commercial banks and 1 mortgage finance company - MFC), 7 representative offices of foreign banks, 9 Microfinance Banks (MFBs), 2 credit reference bureaus (CRBs) and 101 forex bureaus. Out of the 44 banking institutions, 30 locally owned banks comprise 3 with public shareholding and 27 privately owned while 14 are foreign owned. The 9 MFBs, 2 CRBs and 101 forex bureaus are privately owned. The foreign owned financial institutions comprise of 10 locally incorporated foreign banks and 4 branches of foreign incorporated banks (Ngugi & Karina, 2013).

Commercial banks are really important in the economy of the country. The functions of the banking sector in Kenya include provision of a safe place for clients to keep their money. The banks keep the money deposited by customers in volts for safe keeping. They also make the money accessible to customers when the need arises. The banking sector also facilitates transfer of money from one account to another (Duba, 2014). This is useful to customers when making payment directly into another account. They also offer lending services to customers who need the money which is later paid after a duration of time with an interest. Other services offered by the banking sector include the provision of foreign exchange services, assisting traders dealing in international trade, offering their customers investment services and keeping valuable items for customers (Mwangi, 2012).

Despite the importance of the banking sector in Kenya to economic growth, it has been facing various challenges. The reforms that have been taking place in the financial sector have not fully stimulated the macroeconomic factors that drive growth in the commercial banks. There has been of late competition among most players in the banking sector in the country (Lameck, 2010).

Local mobile money transfer services like Mpesa and Airtel money have brought in a lot of competition to banks. Since their introduction, many people are finding it easier to save and transfer money through these mobile money transfer services as opposed to banks. In addition, the cost of borrowing is still high and Kenyans are finding it very expensive to borrow money from banks. This is quite a challenge because loans are a major source of income to the banks. Another challenge in the banking industry in Kenya is the increase of fraudulent cases. In as much as local banks are making profits, there is still room to realize more earnings if some of these issues are addressed. Banks should address these issues fast; especially card skimming so as to avoid further losses (Lameck, 2010).

1.1.4 The telecommunications sector in Kenya

In Kenya, three players, namely, Safaricom Kenya Limited, Orange and Airtel, dominate the mobile telephone industry. Safaricom Kenya Limited takes the bigger share of market (Warui, 2014). Mobile phone users in the country have hit 30.7 million mark. Safaricom Kenya Limited commands 19 million of the customers who use mobile phone services. Of the number, 15 million customers use M-Pesa service, a customer-to-customer money transfer system that uses the short message service. In Kenya as well as other African countries, the mobile phone service provision companies only give service platforms but do not give out the mobile phones. The service companies are therefore independent of the mobile phone provision companies (Okiro, 2014).

Since the beginning of the liberalization of the telecommunications sector in 1999, Kenya has seen fast internet growth and even faster mobile phone growth. The contribution of the telecommunication sector to the Kenyan economy increased to 12.1 per cent in 2013 from 8.9 per cent in 2006. In addition, Kenya's internet sector has managed to grow considerably over 10 years with what started as a handful of dial-up modems in 1995 evolving into a dynamic industry with numerous internet hosts, nearly 100 licensed internet service providers (ISPs) and roughly 2.7 million Internet users in the country (Kato *et al.*, 2014).

The telecommunication sector is facing both internal and external challenges. The key external challenges are the advanced customer needs that are ahead of telecommunication sector's current services and a poor state of network infrastructure that cannot offer modern telecommunications services (Omae, Ndungu & Kibet, 2013). The top competitive challenges to within the telecommunication companies are intense rivalry among the telecom players, existence of cheaper substitute products to traditional telecommunications services, high bargaining power of customers and poor quality of service. In addition, telecommunication companies are facing other challenges that include containing costs while delivering increasingly more complex services and providing a consistently higher level of customer service across wide geographical areas, enhancing the effectiveness and efficiency of communications with citizens and other stakeholders and ensuring the reliability, availability, survivability and security of telephone, data network and Internet platforms and services and implementing centralized administration of services provided at satellite sites (Omae, Ndungu & Kibet, 2013).

1.1.5 Kenya Commercial Bank and Safaricom Kenya Limited convergence

In the year 2009, mobile phone service provider Safaricom Kenya Limited signed a deal with Kenya Commercial Bank (KCB) with an aim of improving availability of M-PESA in the market. With the signing of the deal, authorized agents could instantly access MPESA once they make cash deposits at the bank. Agents need both M-PESA and cash to serve customers. Currently, to obtain M-PESA, agents have to deposit cash into the M-PESA Holding Company bank account at Commercial Bank of Africa (CBA). With Kenya Commercial Bank as a super agent, agents now have an alternative and shorter process to access M-PESA or cash at a nominal commission to the bank (Duba, 2014).

In the year 2012, Kenya Commercial Bank and Safaricom Kenya Limited converged to offer joint financial services through a product known as "Mobi-Bank" Kenya Commercial Bank is sticking with the Safaricom Kenya Limited network in providing mobile banking services, making a U-turn from its intention declared earlier to follow in the footsteps of its rival Equity Bank. A month after launching its Kenya Commercial Bank M-pesa account in partnership with Safaricom Kenya Limited, Kenya Commercial Bank had been able to issue out loans totaling to Shs. 1 billion. The service had in the same period registered 1.5 Million users and taken customers deposits of Shs. 100 Million (Duba, 2014). The Kenya Commercial Bank-Mpesa account allows customers to get loans using their mobile phones with repayment periods ranging from one month to six months at interest rates from as low as 2 per cent per month. Customers can also save using the account with two options of a fixed deposit account and a target savings account available. Of the 1.5 Million customers, 75% are active customers with 50% of them aged below 30 years (Mwangi, 2012).

Kenya Commercial Bank also has other products with Safaricom Kenya Limited that include Biashara Smart and M-Benki. Kenya Commercial Bank also runs Pepea card, a payment card service used widely in transportation and offline payments. To increase its foothold in offline payments, Kenya Commercial Bank plans to capitalize on its vast distribution network that consists of 16,000 and growing point of sale terminals. To achieve its goal of convergence especially with digital payments, mobile money services and offline payments, Kenya Commercial Bank is working on integrating its API with services such as M-pesa, merchant services which will seamlessly allow a user to move their money between their accounts, make direct payments and ultimately grow it into an ecosystem (Ngugi & Karina, 2013).

1.2 Research Problem

An increase in access to affordable financial services to all Kenyans, particularly the poor is part and parcel of this development strategy. With the use of strategic partnerships between the telecommunication sector and the banking sector it is expected that there will be an increase in the accessibility of financial services and a reduction in transaction cost (Okiro, 2014). According to Warui (2014), 59% of the adult population was found to be either completely excluded or utilizing informal methods. These figures have certainly changed over the past few years as the uptake of mobile money has exponentially grown. There is a growing body of knowledge demonstrating that an increase in access to formal financial services has the potential of moving people out of their poverty trap.

However, despite the popularity and advantages associated with strategic alliances that have seen many banks rush to form strategic alliances, few have succeeded (Warui, 2014). It has been projected that the failure rate of strategic alliances could be as high as 70%. Arend and Amit, (2005) have shown that between 30% and 70% of alliances fail, they neither meet the goals of their parent companies nor deliver on the operational or strategic benefits they purport to provide. The success of mobile phone money transfer systems in the Kenya led to a situation where many Kenyan banks considered mobile phone companies a threat to their business, despite the fact that mobile phone services did not act as a bank, nor did they store any received funds within the company but deposited them into a conventional banks.

In the recent past research studies on strategic alliances and convergence have been on the increase both globally and locally. In the United States, Jamison (2011) did a study on the emerging patterns in global telecommunications alliances and mergers. In India, Sarbapriya (2013) strategic alliance in India under globalized economic scenario and in Germany, Beyer and Hassel (2002) conducted a study on the effects of convergence on internationalization and the changing distribution of net value added in large German firms. In Kenya, Rambo (2012) did a study on the risk factors influencing the survival of strategic alliances in Kenya;

Various studies have been conducted in the banking industry in relation on mobile banking in Kenya. For instance, Ngugi and Karina (2013) did a study on the effect of innovation strategy on performance of commercial banks in Kenya; Bor (2014) did a study on the factors affecting the growth of mobile banking strategic alliances in Kenya and Mwangi (2012) evaluated the impact of information communication technology development on financial performance of commercial banks in Kenya.

In relation to convergence between various firms in Kenya, Duba (2014) investigated the influence of strategic partnership between commercial banks and telecommunications companies in Kenya; Masila (2014) did a study on the drivers of strategic alliance between Safaricom Kenya Limited and Kenya Power And Lighting Company in mobile telephony payments; and Lameck (2010) did a study on strategic alliance between Safaricom Kenya Limited and Equity Bank in the money transfer service.

Despite the many studies conducted on mobile banking and the convergence between various firms in Kenya, these studies do not show how convergence of telecommunication companies and mobile banking influence the provision of financial services in the Kenyan Market. It is against this background that this study sought to answer the question: What was the effect of convergence between Kenya Commercial Bank and Safaricom Kenya Limited on the provision of financial services to the Kenyan market?

1.3 Research Objectives

The objectives of this study were:

i. To determine the challenges facing the convergence between Kenya Commercial Bank and Safaricom Kenya Limited

ii. To find out the drivers of the convergence between Kenya Commercial Bank and Safaricom Kenya Limited

iii. To determine the benefits of the convergence between Kenya Commercial Bank and Safaricom Kenya Limited

1.4 Value of the Study

The findings of this study areof great benefit to the telecommunication industry, commercial banks in Kenya, policymakers as well as academicians and other researchers. To the management of telecommunication companies in Kenya, the study provides information that can inform decision making whether and how to form strategic partnership with financial institutions in Kenya. The study also outlines challenges expected in forming strategic partnerships and measures that can be taken help the mobile telephone companies as well as banks to improve their mobile money services and increase their customer base.

To the management of commercial banks in Kenya, the study provides information on strategic partnerships with telecommunication companies that can be used to improve their customer base and improve their penetration in the untapped market by use of mobile banking. The study also shows how banks, through strategic partnership with telecommunication companies can reduces their cost of service delivery to customers.

To other researchers and academicians, the study adds more information to the body of knowledge on the convergence of telecommunication companies and mobile banking to provide financial services. In addition, the study provides a base upon which further studies can be conducted on the convergence of telecommunication companies and mobile banking in the provision of financial services.

To policy makers and the government of Kenya, the study provides information on how the convergence of telecommunication companies and mobile banking influence the provision of financial services to the Kenyan market, that can be used to formulate policies to protect all the stakeholders and to improve the performance of both sectors. In addition the findings of the study are useful to the government as it gets enough information to help it in making decisions on regulations governing strategic partnerships between commercial banks and the mobile telecommunication firms.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature on the convergence of telecommunication companies and mobile banking in the provision of financial services. The chapter begins with a theoretical foundation, followed by challenges of convergence, the drivers of convergence, the role of convergence and the role of convergence between Kenya Commercial Bank and Safaricom Kenya Limited.

2.2 Theoretical foundation

The resource-based view suggests that valuable firm resources are usually scarce, imperfectly imitable, and lacking in direct substitutes. Thus, the trading and accumulation of resources becomes a strategic necessity (Reddy & Rao, 2014). When efficient market exchange of resources is possible, "firms are more likely to continue alone" and rely on the market. However, although market transactions are the default mode, efficient exchanges are often not possible on the spot market. Certain resources are not perfectly tradable, as they are either mingled with other resources or embedded in organizations. Hence, mergers, acquisitions, strategic alliances and convergence are variously employed.

Thus, the resource-based view considers strategic alliances, mergers acquisitions and convergence as strategies used to access other firms' resources, for the purpose of garnering otherwise unavailable competitive advantages and values to the firm. According to Lockett and Wild (2014), banks are recognizing the potential of reaching millions of prospective customers, especially the rural population who account for more than 60% of Africa's total population and have no access to banking services. The rural commercial bank branch network is still underdeveloped. However, since more than 50% of the adult population in Africa has access to mobile telephone, mobile banking could enable the rural population to have access to financial institutions and mobile phone service providers are introducing resourceful methods of bringing these unserved populations into the formal economy using mobile phones. For the banks, the main advantages of the mobile phone lie in its capabilities to reach everywhere. Its power is in transforming the economics of service delivery, especially by reducing the costs of financial transactions (Seshadri, 2013). Mobile banking is a powerful way to deliver savings services to the billion people worldwide who have a cell phone but no bank account. It has a number of advantages over traditional banking methods as it breaks down geographical constraints; it also offers other advantages such as immediacy, security and efficiency.

2.3 Challenges of Convergence

Despite the many benefits that come with convergence of various companies, the process of convergence is usually faced by various challenges. Some of these challenges include clash of cultures, lack of trust, lack of clear goals and objectives as well as lack of coordination between management teams. Cultural clash may be one of the biggest problems for the companies in convergence. Lockett and Wild (2014) pointed out that cultural problems that consist of language, egos, chauvinism, and different attitudes to business can all make the going rough. Language barrier is one of the cultural problems in convergence. As indicated by Seshadri (2013), during convergence, it is important for the integration of the staff from each of the partner in order to form a coherent team. In addition, there are many other barriers that could cause misunderstanding and conflicts, such as customs, habits, and personal relationship networks and so on. Besides the national culture, the organization culture inside the company can also cause problems. The firms may face problems due to different ways of operations or management style. Rambo (2012) is of the same opinion that corporate culture affects the success and the growth of strategic alliances between organizations. The author has mentioned six important elements of corporate culture that may help build or reduce the success of the strategic alliances. According to the explanation, the elements include work discipline, focus, result oriented staff, professional focus of interest, job orientation and employee orientation. If these cultural elements clash between organizations that have a strategic alliance, there is a possibility of failure. However, if the six are well managed, then the strategic alliances will be successful. In any strategic alliance, the dominant parent culture can also play a role in the success.

Risk sharing is the primary bonding tool in a partnership. A sense of commitment must be generated throughout the partnership. In many case of convergence one company will point the failure finger at the partnering company. Shifting the blame does not solve the problem, but increases the tension between the partnering companies and often leads to the ruin of the convergence. Building trust is the most important and yet most difficult aspect of a successful alliance (Jamison, 2011). Only people can trust each other, not the company. The companies must form the three forms of trust, which include responsibility, equality, and reliability. Many convergences or alliances have failed due to the lack of trust causing unsolved problems, lack of understanding, and despondent relationships (Masila, 2009).

The other key challenges is lack of clear goals and objectives. In today's business world, many convergences are formed for the wrong reasons. This will surely lead to disaster in the future. Many companies converge to combat industry competitors. Corporate management feels this type of action will deter competitors from focusing on their company. On the contrary, this action will raise flags that problems exist within the joining companies. The alliance may put the companies in the spotlight causing more competition (Ngugi & Karina, 2013).

Further, lack of coordination between management teams is another challenge in convergence. Action taken by subordinates that are not congruent with top-level management can prove particularly disruptive, especially in instances where companies remain competitors in spite of their strategic alliance (Bor, 2014). If it were to happen that one company would go on its own and do its own marketing and sell its own product while in alliance with another company, it would for sure be grounds for the two to break up, and they would most likely end up in a legal battle which could take years to solve if it were settled at all. It is therefore vital for every individual from both organizations to have continuous communication from all levels of departments (Mwangi, 2012). The innovations that one company may come up with must be discussed first, so that an analysis can be done to forecast on its impact to both companies. Thus efficient coordination between management teams eradicates conflict of interest among the staff that may lead to the downfall of the whole convergence, leading to a big loss for the financial efforts invested.

2.4 The drivers of convergence

Convergence between firms have been of great importance in terms of profitability and productivity. Different variables in strategic partnerships synergistically lead to the benefits enjoyed by collaborating firms. Knowledge sharing is one such element of convergence that helps firms to realize their maximum potential. Duba (2014) did an analysis of the benefits of knowledge sharing in information technology firms in Korea. The author defined a hypothesis by looking at the ability of service receivers in outsourced information systems to absorb needed knowledge after collaborating. In the results, the author found that the paths that were hypothesized in them model were of importance.

In banking like in other Business cost reduction and enhanced ability to deal with customers are drivers of extreme importance. This argument is supported by Masila (2014) who identified cost reduction as an inherent benefit in m-banking. The desire to reduce both operational and administrative costs has driven banks to the electronic world. However, cost reduction is only realizable with an increase in consumer adoption. Lameck (2010) found that in the majority of the banks the idea of going electronic comes from the top management. The strategic decision to abandon the legacy systems to accommodate the new systems is the responsibility of senior management. Further, Sarbapriya (2013) noted that lack of resources can inhibit the development of electronic facilities. Furthermore, this was identified as one of the reasons why banks have resulted to convergence in order to pool resources.

Bradley and Stewart (2003), who noted that banks have realized that customers are the core to their businesses and thus must respond to their needs. As banks strive to attract customers in an increasingly competitive global market, a superior mobile banking platform can help by enhancing the customer experience. The world is increasingly connected and customers expect to have 24/7 access to their bank via the Web or their mobile device. While virtually every competitive bank provides online services, the quality of a mobile banking platform can help provide differentiation, making customer relationships more intimate and nurturing loyalty and trust. Customer satisfaction measures how well a product or a service supplied by a firm meets customer expectation. According to Beyer and Hassel (2002), ease of use, security, low transaction costs, and wide applicability of the solutions increase perceived customer value and should be managed by mobile payment solution provider.

In recent years profound technological changes among which is the advent of e-commerce or the exchange of products and services and payments through telecommunication systems have been witnessed. Arend and Amit (2005) identified it as the fastest growing area for businesses. Most industries have been influenced in different ways by ecommerce and that the banking industry has been subject to this technological change. It is evident that banks and other financial institutions in developed and emerging markets are embracing e-banking. According to Barnes and Corbitt (2003), technology driven firms will have the strategic imperatives for forming alliances: building positions in coalitions aimed at creating new markets, creating new opportunities by combining skills resources and building new competencies faster than would be possible through internal efforts. Increasing complexity of technology reduces the adoption of technology and makes it costly for the firm to implement.

Competition among financial institutions is intensifying in Africa as more governments relax barriers to entry and open their countries' banking sectors to new players. The flurry of fresh entrants in some countries is credited with helping to drive down banking charges, improve access to banking services and spark off a wave of new products and services (Huang & Liu, 2015). While corporate banking services are growing strongly, many African consumers are turning to microfinance, mobile phone and retail companies rather than banks for access to financial services.

In Kenya, where less than a quarter of the population has bank accounts, banks have been spurred into action in the consumer market by the success of the mobile money transfer services. This success has galvanized the banks into action. Banks now have much lower entry fees, which means that less wealthy individuals can now afford to open accounts (Kato et al., 2014). Recent changes in legislation has also made it possible to introduce agency banking, which means banks no longer need to follow the traditional 'bricks and mortar' model. Banks are now allowed to recruit other businesses - notably telecommunications companies and retailers with a nationwide presence - to offer banking services on their behalf on an agency basis (Khraim, Shoubaki & Khraim, 2011). One of the latest boosts for financial access in Kenya is the partnership between mobile operators and commercial banks which, over and above doing away with account-opening fees and monthly charges, pays interest and offers account holders access to emergency credit and insurance facilities. As a result of all these changes, the sector has become very competitive. Access to banking and financial services has improved greatly and charges are coming down. The greater circulation of money also means more businesses are coming up and helps investors feel a little bit more comfortable about investment prospects (Mathew, Sulphey, & Prabhakaran, 2014).

According to Okiro (2014), organizations may undertake convergence to enhance their productive capacities, to reduce uncertainties in their internal structures and external environments, to acquire a competitive advantage that enables them to increase profits, or to gain future business opportunities that will allow them to command higher market values for their outputs. In addition to achieving greater control, organizations enter into an alliance for more operational flexibility and realization of market potential. Their expectation is that flexibility will result from reaching out for new skills, knowledge, and markets through shared investment risks.

Warui (2014) observed that motivations for engaging in domestic joint ventures also apply to international convergence. These include: acquiring means of distribution, pre-empting competitors, gaining access to new technologies, diversifying into new businesses, obtaining economies of scale, achieving vertical integration, and overcoming legal or regulatory barriers. Generic needs of firms seeking strategic alliance include cash, scale, skills, access, or their combinations (Njeru & Ndungu, 2014). Forming business networks and contractual or relational alliances is driven less by firms' retrospective economic rationalities than by their strategic intentions. Two or more autonomous organizations may decide to form an alliance for an emerging joint purpose. A decision to cooperate is not necessarily a responsive action, but rather is fundamentally a strategic intent, which aims at improving the future circumstances for each individual firm and their partnership as a whole (Ngumi & Gakure, 2013).

Often a company that has a successful product or service has a desire to introduce it into a new market. Yet perhaps the company recognizes that it lacks the necessary marketing expertise because it does not fully understand customer needs, does not know how to promote the product or service effectively, or does not understand or have access to the proper distribution channels

(Mathew, Sulphey & Prabhakaran, 2014). Rather than painstakingly trying to develop this expertise internally, the company may identify another organization that possesses those desired marketing skills. Then, by capitalizing on the product development skills of one company and the marketing skills of the other, the resulting convergence can serve the market quickly and effectively. Convergence may be particularly helpful when entering a foreign market for the first time because of the extensive cultural differences that may abound. They may also be effective domestically when entering regional or ethnic markets.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on the proposed research methodology that was adopted in conducting the study. It described the research design, target population, sampling technique and sample size, data collection instrument and data analysis method.

3.2 Research Design

This study adopted an exploratory descriptive design. This entailed a detailed investigation of individuals from both organizations on the effect of convergence of telecommunication companies and mobile banking on the provision of financial services to the Kenyan market. According to Cooper and Schindler (2006) descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection.

3.3 Target population

The target population for the study was 322 staff working in finance, corporate strategy, marketing, risk management, legal and regulatory department departments in both Safaricom Kenya Limited and Kenya Commercial Bank. The staff working in these departments were chosen as they work directly with Mobi-Bank.

Table 3. 1: Target Population

Departments	Safaricom Kenya Limited	Kenya Commercial Bank
Finance department	24	34
Corporate strategy department	26	38
Marketing department	43	24
risk management department	34	32
legal and regulatory department	42	25
Total	**169**	**153**

3.4 Sampling Technique and Sample Size

This study used stratified random sampling to select 30% of the target population. According to Mugenda and Mugenda (2003), a sample size of 30 percent is a good representation of the target population. A randomly selected sample from a larger population, gives all the individuals in the sample an equal chance to be chosen. In a simple random sample, individuals are chosen at random and not more than once to prevent a bias that would negatively affect the validity of the result of the experiment. The sample size of the study was 51 staff working in Safaricom Kenya Limited and 46 staff working in Kenya Commercial Bank. This represents 30% of the target population which has been proved by Mugenda and Mugenda (2003) to be a good representation of the target population.

Table 3. 2: Sample Size

Departments	**Safaricom Kenya Limited**		**Kenya Commercial Bank**	
	Target population	**Sample size**	**Target population**	**Sample Size**
Finance department	24	7	34	10
Corporate strategy department	26	8	38	11
Marketing department	43	13	24	7
risk management department	34	10	32	10
legal and regulatory department	42	13	25	8
Total	**169**	51	**153**	46

3.5 Data Collection

The study used primary data which was collected by use of semi structured questionnaires. The questionnaire included structured and unstructured questions. Questionnaires were preferred in this study because they were economical in terms of time, energy and finances (Kothari, 2004). The structured questions were used in an effort to conserve time and money as well as to facilitate an easier analysis as they are in immediate usable form. On the other hand, the unstructured questions were used as they allowed the respondent to express their attitudes or opinions without the bias associated with restricting responses to predefined alternatives. Thus, they were useful in identifying underlying, motivations, beliefs, and attitudes.

The administrations of both Safaricom Kenya Limited and Kenya Commercial Bank were approached for permission to collect data in the procurement department. Afterwards the researcher distributed the questionnaires to the respondents and gave them 3 days to fill them after which they were collected.

3.6 Data Analysis

The semi-structured questionnaire generates both qualitative and quantative data. Quantitative data was analysed by use of Statistical Package for Social Sciences (SPSS) version 21. In addition, descriptive and inferential statistics was used in this study. Descriptive statistics includes percentages, frequencies, measures of central tendencies (mean) and measures of dispersion (standard deviation). Data was then be presented in graphs and tables. On the other hand, content analysis was used to analyze qualitative data and the findings were presented in a prose form. The data was then compared with theoretical approaches cited in the literature review to enable the researcher arrive at informed findings and conclusions.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter analyses, interprets and presents the study findings as per the aim of this study, which was to investigate on the convergence between Safaricom Kenya limited and Kenya commercial bank Group. The study also sought to determine the challenges facing the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited, to find out the drivers of the convergence between Kenya Commercial Bank and Safaricom Kenya Limited and to determine the benefits of the convergence between Kenya Commercial Bank and Safaricom Kenya Limited. The chapter begins with demographic information, followed by findings on the objectives of the study.

4.2 Response Rate

The study had a sample size of 97 respondents from Safaricom limited and staff of Kenya Commercial Bank Group in the levels of Finance department, corporate strategy department, marketing department, legal and regulatory department and the risk management department. Out of 97 staff, 84 responses were obtained giving a response rate of 86.6%. The study did not achieve a 100% response rate as some of the questionnaires were half way filled by the respondents and hence could not be used in the study. However, according to Kothari (2004) any response of 50% and above is adequate for analysis thus 86.6% formed an acceptable basis for drawing conclusions.

4.3 General Information

The general information of this study comprised of the respondents' gender, age bracket, academic qualifications the duration of time they had been working in their organization and the organization that they had been working for.

4.3.1 Gender of the Respondents

The respondents were asked to indicate their gender. The results are shown in figure 4.1.

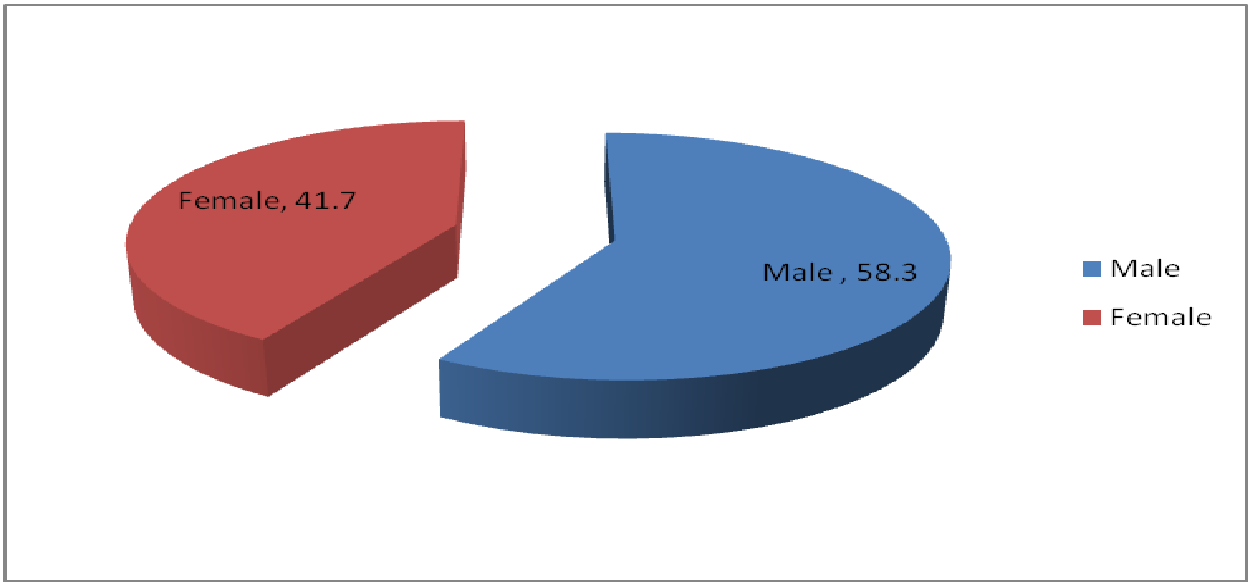

Figure 4. 1: Gender of the Respondents

From the findings, 58.3% of the respondents indicated that they were male while 41.7% indicated that they were female. This shows that most of the respondents in this study from both Safaricom Limited and Kenya Commercial Bank Group were male.

4.3.2 Age bracket of the Respondents

The respondents were also asked to indicate their age brackets. The results were as shown in figure 4.2.

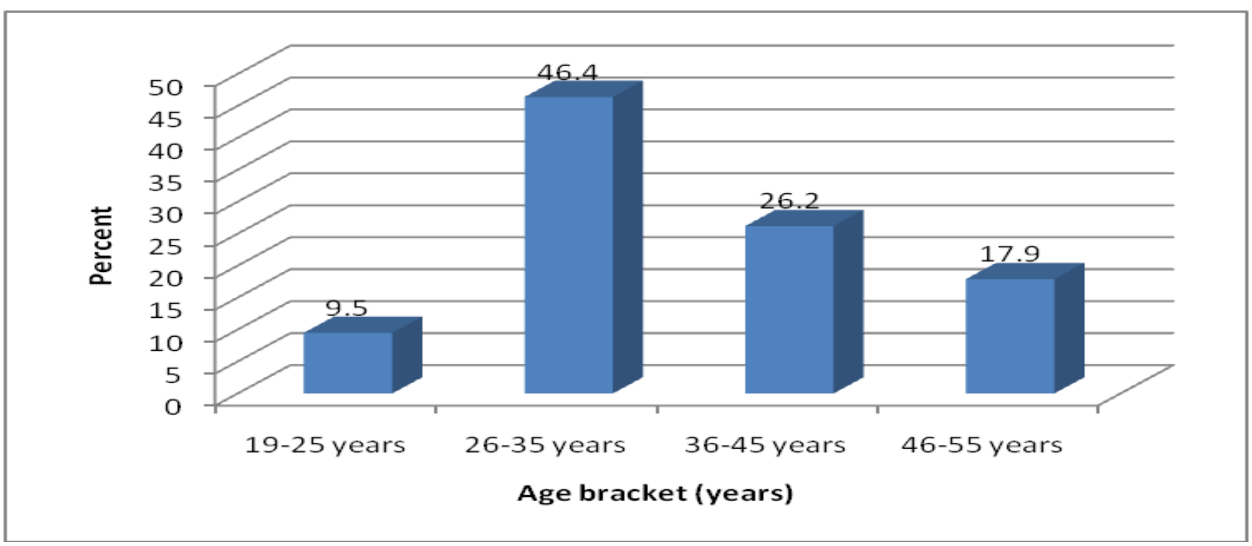

Figure 4. 2: Age of the respondents

From the findings, 46.4% of the respondents from both Safaricom limited and Kenya Commercial Bank Group indicated that they were aged between 26 and35 years, 26.2% were aged between 36 and 45 years, 17.9% indicated that they were aged between 46 and65 years whereas 9.5% indicated that they were aged between 19 and25 years. This shows that most of the respondents were aged between 26 and 35 years.

4.3.3 Respondents' Highest level of education

The respondents were also requested to indicate their highest level of education. The results are shown in figure 4.3.

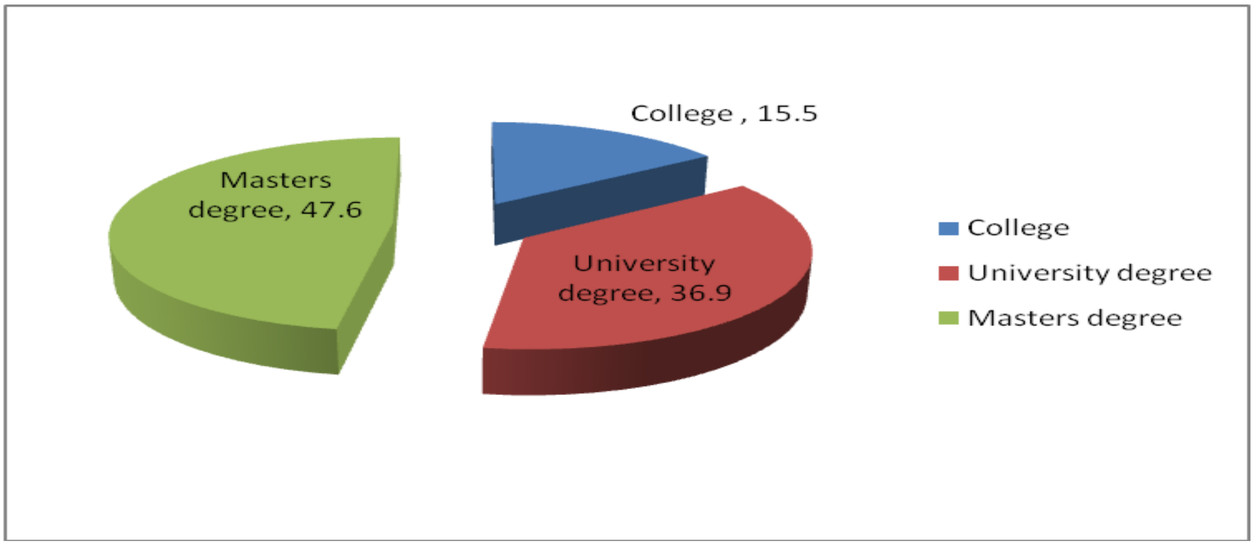

Figure 4. 3: Highest level of education.

From the findings, 47.6% of the respondents indicated that they had masters degrees as their highest level of education, 36.9% indicated that they had university degrees and 15.5% indicated they had college diplomas. This clearly shows that most of the respondents in the study were having a masters degree as the highest level of education.

4.3.4 Respondents' Work Organization

In an effort to establish respondents’ work places, the respondents were asked to indicate the organizations that they were working for. The results were as shown in figure 4.4.

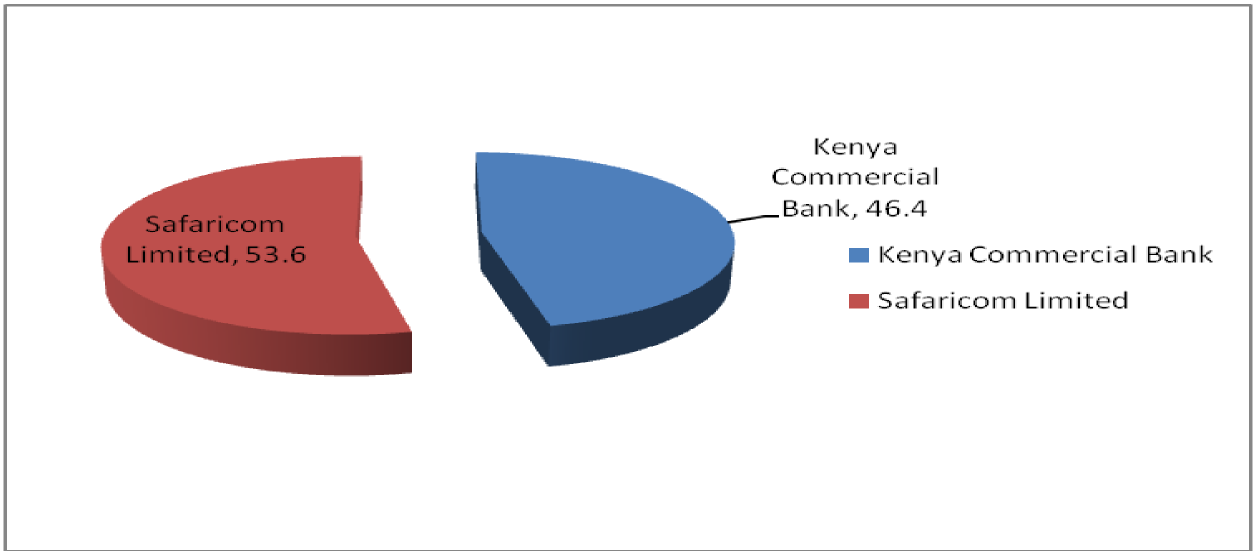

Figure 4. 4: Respondents' Work Organization

From the findings, 53.6% of the respondents indicated that they were working for Safaricom Kenya Limited while 46.4% of the respondents indicated that they were working for the Kenya Commercial Bank Group. This shows that majority of the respondents who were involved in the study were employees of the Safaricom Kenya Limited, but the study included even the employees of Kenya Commercial Bank.

4.3.5 Period of Service in the organization

The respondents were also requested to indicate for how long they had been working in their organization. The results were as indicated in figure 4.5.

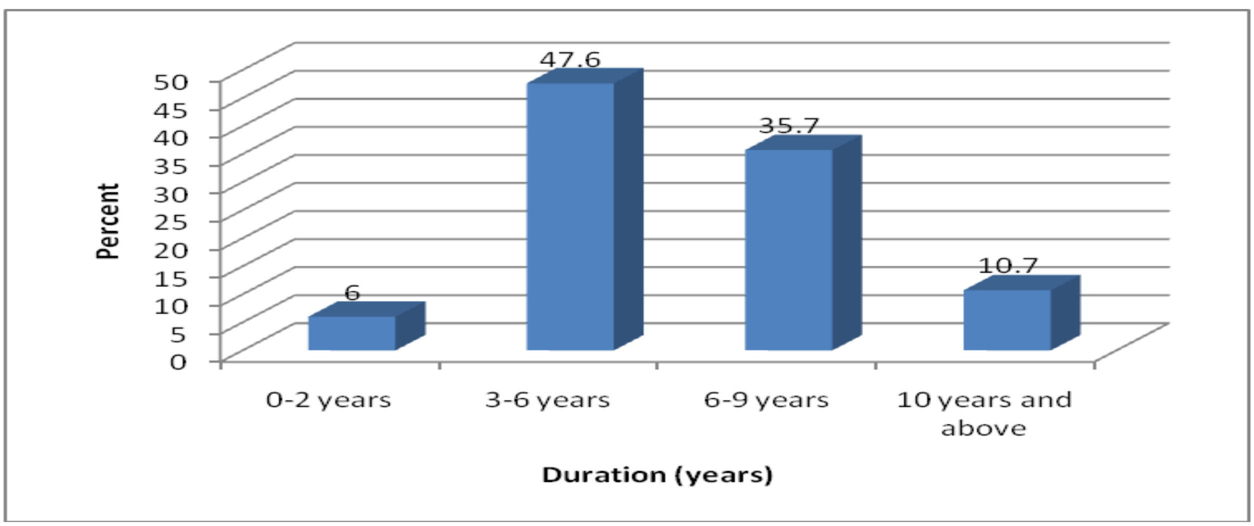

Figure 4. 5: Period of Service in the organization

According to the findings, 47.6% of the respondents reported that they had been working in their organizations for duration of between 3 and 6 years, 35.7% reported that they had been working in their organization for duration of between 6 and9 years, 10.7% reported they had been working in their organization for duration of above 10 years and 6% indicated that they had worked in their respective organization for a period of 2 years and below. This implies that most of the respondents were well positioned to give credible information regarding the study as most of them had been working in their organization for a period of 3 to 6 years.

4.4 Challenges facing the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited

The first objective of this study was to determine the challenges facing the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited. The respondents were requested to indicate the extent the convergence between KCB and Safaricom Kenya Limited was facing the listed challenges. Where NE was no extent at all, LE was low extent, ME was moderate extent, GE was great extent and VGE was very great extent. The results were as shown in table 4.1.

Table 4. 1: Challenges Facing the Convergence Between Safaricom Limited and KCB

	NE	LE	ME	GE	GVE	Mean	Standard Deviation
Clash of organization cultures	0	1	5	45	33	4.31	1.09
Lack of trust	0	0	9	47	28	4.23	1.04
Lack of clear goals and objectives	0	0	2	63	19	4.20	1.30
Lack of coordination between management teams	0	1	1	42	40	4.44	1.20
Staff integration	0	2	2	46	34	4.33	1.13
Cost of technological infrastructure	0	4	6	55	19	4.06	1.11
Lack of skills and competency to manage advanced levels of technology	0	1	2	60	21	4.20	1.24

Government regulations	0	0	1	70	13	4.14	1.44
Incompetency in undertaking the convergence	0	0	1	24	59	4.69	1.52

From the findings, the respondents indicated with a mean of 4.69 that there was incompetency in undertaking the convergence. The respondents also indicated with a mean of 4.4 that the convergence between KCB and Safaricom Kenya Limited was facing a challenge of lack of coordination between management teams as was indicated by a mean of 4.44.The respondents further indicated that the convergence was facing a challenge of staff integration to a great extent as indicated by a mean of 4.33. In addition, the respondents indicated with a mean of 4.31 that they were facing a challenge of clash of organization cultures. Further, the respondents indicated with a mean of 4.23 that the convergence was facing a challenge of lack of trust. Also, the respondents indicated with a mean of 4.20 that the convergence was facing a challenge of lack of skills and competency to manage advanced levels of technology and lack of clear goals and objectives. Additionally, the respondents reported with a mean of 4.14 that the convergence between KCB and Safaricom Kenya Limited was facing a challenge of government regulations KCB and Safaricom Kenya Limited. Lastly, the respondents indicated with mean of 4.06 that there is cost of technological infrastructure.

From the study findings, the respondents indicated other challenges include lack of adequate skilled personnel, competing interests and un-healthy competition leading to suspicious development of innovative mobile based banking products. The respondents further indicated that there were issues related to equitable revenue sharing between the two parties (Skewed revenue sharing arrangement in favor of Safaricom), lack of equal investment on infrastructure thus leading to uneven revenue splits and change in management for any system upgrade/changes.

4.4.1 Measures Put in Place to Overcome the Challenges

The respondents were asked to indicate the measures their organization had put into place to overcome the challenges they face. From the findings, they indicated that there was more investment to hire more human resources and to adequately train them. They also indicated that the organizations had made investments on new technologies. Other measures include clear definition of objectives for each organization, frequent senior management review meetings, developing clearly understood and binding Service Level Agreements (SLAs) which places clear responsibility at each party, putting across clear cut service level agreements which define each stakeholder's shares and their expected revenues, the organizations have also invested on robust equipments and resources to enhance the levels of output. The respondents also indicated that holding cross functional meetings to resolve any issues and escalations to the right offices to make decisions in case of any stalemate.

4.5 Drivers of the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited

The second objective of this study was to find out the drivers of the convergence between Kenya Commercial Bank and Safaricom Kenya Limited. The respondents were asked to indicate their level of agreement with the drivers of the convergence between KCB and Safaricom Kenya Limited. Where SD was strongly disagree, D was disagree, N was neutral, A was agree and SA was strongly agree.

Table 4. 2: Drivers of the convergence between KCB and Safaricom Kenya Limited

	SD	D	N	A	SA	Mean	Standard deviation
Technological advancement necessitated mobile banking	0	1	3	47	33	4.33	1.13
Global technological advancement has opened up diversity in market	0	1	5	50	28	4.25	1.10
Competition is a direct motivator for banks and telecommunication companies in Kenya to partner	0	2	1	60	21	4.19	1.25
Competition from telecoms money transfer services forces banks to join hands with the telecommunication companies	0	2	4	50	28	4.24	1.10
Banks form partnerships to be ahead of other banks in m-banking	0	0	1	26	57	4.67	0.92

Increased level of awareness on consumer rights necessitates partnership between commercial banks and telecommunication companies to meet customer needs	0	1	3	28	52	4.56	1.04
Change in consumer taste and lifestyle forces branchless delivery of banking service	0	1	4	45	34	4.33	1.11
Partnership with telecommunication companies is the only way for the banks to reach the unbanked population	0	0	2	49	33	4.37	1.17
Customers consider diversity and convenience of services offered before they open a bank account	0	1	1	46	36	4.39	1.18
Customers consider diversity of services offered by telecommunication companies before subscribing to their services.	0	2	4	44	34	4.31	1.09

From the findings, the respondents strongly agreed with a mean of 4.67 that banks form partnerships to be ahead of other banks in m-banking. The respondents also strongly agreed with a mean 4.56 that increased level of awareness on consumer rights necessitates partnership between commercial banks and telecommunication companies to meet customer needs. The respondents further indicated with a mean of 4.39 that customers consider diversity and convenience of services offered before they open a bank account. In addition, the respondents agreed with a mean of 4.37 that partnership with telecommunication companies is the only way for the banks to reach the unbanked population. Further, the respondents agreed with a mean of 4.33 that change in consumer taste and lifestyle forces branchless delivery of banking service. Additionally, the respondents agreed with a mean of 4.33 that technological advancement necessitated mobile banking.

The respondents also reported with a mean of 4.31 that customers consider diversity of services offered by telecommunication companies before subscribing to their services. The respondents also reported agree with a mean of 4.25 that global technological advancement has opened up diversity in market. In addition, the respondents reported with a mean of 4.24 that competition from telecoms money transfer services forces banks to join hands with the telecommunication companies. Further, the respondents agreed with a mean of 4.19 that competition is a direct motivator for banks and telecommunication companies in Kenya to partner.

4.5.1 The Main Reasons for the Convergence

The respondents were asked to indicate the main reasons why their organizations entered into the convergence. According to the findings, the respondents reported that their organization entered into a convergence so as to offer better customer convenience, improve efficiency, decongest branches, and provide more products to the customers thus increase the bottom line (profits and customer numbers). The respondents also indicated that their organization entered into a convergence so as to grow market share and achieve a competitive edge. They also reported that product diversification strategy was used to grow both fund based and non-fund based income streams and increase technological advancement leading to adoption of customer convenient banking. They further indicated that there was a need for gradual movement away from brick and mortar approach to banking and to take advantage of the success of M-pesa so as to tap into the unbanked market (Financial inclusion). They further indicated that they were able to achieve product differentiation – cheap loans (as low as 2%) and insurance compared to other products in the market.

4.6 Benefits of the convergence between KCB and Safaricom Kenya Limited

The third objective of this study was to determine the benefits of the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited. The respondents were requested to indicate the extent the convergence between KCB and Safaricom Kenya Limited brought about the listed benefits. The results were as shown in table 4.3.

Table 4. 3: Benefits of the convergence between KCB and Safaricom Kenya Limited.

	NE	LE	ME	GE	GVE	Mean	Standard deviation
Superior service delivery to customers	0	0	1	40	43	4.36	1.23
Higher profit margins	0	0	3	56	25	4.50	1.24
Satisfactory products and services	0	0	2	47	35	4.26	1.19

Products and services are offered at a lower cost	0	1	3	44	36	4.39	1.17
Differentiated products (unique and desired by customers)	0	1	2	48	33	4.37	1.14
Convergence helps to build strong brand name	0	1	2	41	40	4.35	1.15
Focused and defined scope of operations	0	0	0	54	30	4.43	1.18

According to the findings, respondents indicated with a mean of 4.50 that the convergence led to higher profit margins. The respondents also indicated that with a mean of 4.43 that with the convergence between Kenya Commercial Bank and Safaricom Kenya Limited there is focused and defined scope of operations. Further, the respondents indicated with a mean of 4.39 that with the convergence products and services are offered at a lower cost. In addition, the respondents indicated with a mean of 4.37 that there are differentiated products (unique and desired by customers) as a result of the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited.

The respondents also indicated with a mean of 4.36 that there is superior service delivery to customers that come with the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited. The respondents further indicated with a mean of 4.35 that convergence helps to build strong brand name. Lastly, the respondents indicated with a mean of 4.26 that the convergence between Kenya Commercial Bank and Safaricom Kenya Limited led to satisfactory products and services.

The respondents also reported that there has been job creation as more IT consultants have been hired as a result of the partnership. There has been the growing of market share, sustained product innovation through internal research and development and exchange of knowledge between KCB and Safaricom Staff.

4.7 Discussion of the Findings

4.7.1 Challenges facing the convergence between KCB and Safaricom Kenya Limited

The first objective of this study was to determine the challenges facing the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited. The study established that there was incompetency in undertaking the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited. According to Masila (2009), many convergences or alliances have failed due to incompetency in undertaking the convergence causing unresolved problems, lack of understanding, and despondent relationships. The study also found that the convergence between KCB and Safaricom Kenya Limited was facing a challenge of lack of coordination between management teams. These findings concur with Bor (2014) findings that lack of coordination between management teams is a key challenge in convergence. Action taken by subordinates that are not congruent with top-level management can prove particularly disruptive, especially in instances where companies remain competitors in spite of their strategic alliance. The study revealed that the convergence was facing a challenge of clash of organization cultures. These findings agree with Lockett and Wild (2014) argument that cultural clash is one of the biggest problems for the companies in convergence. The study also found that the convergence was facing the challenge of staff integration to a great extent. As indicated by Seshadri (2013) during convergence it is important for the integration of the staff from each of the partner in order to form a coherent team.

Further, the study found that the convergence was facing a challenge of lack of trust, lack of skills and competency to manage advanced levels of technology and lack of clear goals and objectives. These findings are in line with Ngugi and Karina (2013) argument that lack of clear goals and objectives is a key challenge in organization convergence. In addition, the study found that the convergence between KCB and Safaricom Kenya Limited was facing a challenge of government regulations and high cost of technological infrastructure. Other challenges of the convergence between KCB and Safaricom Kenya Limited include lack of adequate skilled personnel, competing interests and un-healthy competition leading to suspicious development of innovative mobile based banking products. There were also issues related to equitable revenue sharing between the two parties (Skewed revenue sharing arrangement in favor of Safaricom), lack of equal investment on infrastructure thus leading to uneven revenue splits and change in management for any system upgrade/changes. Risk sharing is the primary bonding tool in a partnership. A sense of commitment must be generated throughout the partnership. In many case of convergence one company will point the failure finger at the partnering company.

To mitigate the challenges the study found that there was more investment to hire more human resources and to adequately train them. The study also found that the organizations had made investments on new technologies. Other measures include clear definition of objectives for each organization, frequent senior management review meetings, developing clearly understood and binding Service Level Agreements (SLAs) which places clear responsibility at each party, putting across clear cut service level agreements which define each stakeholder's shares and their expected revenues, the organizations have also invested on robust equipments and resources to enhance the levels of output.

4.7.2 Drivers of the convergence between KCB and Safaricom Kenya Limited

The second objective of this study was to find out the drivers of the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited. The study found that Kenya Commercial Bank Group forms partnerships so as to be ahead of other banks in m-banking. This findings is supported by Masila (2014) who identified cost reduction as an inherent benefit in m-banking. The desire to reduce both operational and administrative costs has driven banks to the electronic world. The study also found that the convergence led to increased level of awareness on consumer rights necessitates partnership between commercial banks and telecommunication companies to meet customer needs. The study revealed that customers consider diversity and convenience of services offered before they open a bank account. This is in line with Bradley and Stewart (2003) who noted that banks have realized that customers are the core to their businesses and thus must respond to their needs. As banks strive to attract customers in an increasingly competitive global market, a superior mobile banking platform can help by enhancing the customer experience.

In addition, the study established that partnership with telecommunication companies is the only way for the banks to reach the unbanked population and change in consumer taste and lifestyle forces branchless delivery of banking service. The study also found that technological advancement necessitated mobile banking. Also, in the current world customers consider diversity of services offered by telecommunication companies before subscribing to their services. The study also found that global technological advancement has opened up diversity in market. In addition, the study revealed that competition from telecoms money transfer services forces banks to join hands with the telecommunication companies. Further, the study established that competition is a direct motivator for banks and telecommunication companies in Kenya to partner. According to Beyer and Hassel (2002), while virtually every competitive bank provides online services, the quality of a mobile banking platform can help provide differentiation, making customer relationships more intimate and nurturing loyalty and trust.

In today's business world, many convergences are formed for the wrong reasons. This will surely lead to disaster in the future. Many companies converge to combat industry competitors. Corporate management feels this type of action will deter competitors from focusing on their company. On the contrary, this action will raise flags that problems exist within the joining companies. The alliance may put the companies in the spotlight causing more competition. This study found that one of the reasons was so as to offer better customer convenience, improve efficiency, decongest branches, and provide more products to the customers thus increase the bottom line (profits and customer numbers). These findings agree with Duba (2014) findings that convergence between firms have been of great importance in terms of profitability, efficiency and productivity. The study also found that the organizations entered into a convergence so as to grow market share and achieve a competitive edge. Further, product diversification strategy was used to grow both fund based and non-fund based income streams and increase technological advancement leading to adoption of customer convenient banking. They further revealed that there was a need for gradual movement away from brick and mortar approach to banking and to take advantage of the success of M-pesa so as to tap into the unbanked market (Financial inclusion).

4.7.3 Benefits of the convergence between KCB and Safaricom Kenya Limited

The third objective of this study was to determine the benefits of the convergence between Kenya Commercial Bank and Safaricom Kenya Limited. The study established that convergence led to higher profit margins as well as focused and defined scope of operations. Further, the study found that the convergence products and services are offered at a lower cost. These findings agree with Lameck (2010) argument that convergence holds significant promise for developing countries, which can benefit from expanded access, greater competition, increased investments and increased profitability. In addition, the study established that there are differentiated products (unique and desired by customers) as a result of the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited.

The study also revealed that there is superior service delivery to customers that come with the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited. In addition, convergence helps to build strong brand name and leads to satisfactory products and services. Further, the study found that the convergence led to job creation as more IT consultants have been hired as a result of the partnership. There have been the growing of market share, sustained product innovation through internal research and development and exchange of knowledge between KCB and Safaricom Staff.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings, conclusions and recommendations for practice and further research on the problem. The main objective of this study was to investigate the effect of convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited on the provision of financial services to the Kenyan market.

5.2 Summary of the Key Findings

5.2.1 Challenges facing the convergence between KCB and Safaricom Kenya Limited

The first objective of this study was to determine the challenges facing the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited. The study established that there was incompetency in undertaking the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited. In addition, the study found that the convergence between KCB and Safaricom Kenya Limited was facing challenges such as lack of coordination between management teams, staff integration, clash of organization cultures, lack of trust, lack of skills and competency to manage advanced levels of technology and lack of clear goals and objectives. The study also found that the convergence between KCB and Safaricom Kenya Limited was facing a challenge of government regulations, high cost of technological infrastructure, lack of adequate skilled personnel, competing interests and un-healthy competition leading to suspicious development of innovative mobile based banking products. There were also issues related to equitable revenue sharing between the two parties (Skewed revenue sharing arrangement in favor of Safaricom), lack of equal investment on infrastructure thus leading to uneven revenue splits and change in management for any system upgrade/changes.

To mitigate the challenges the study found that there was more investment to hire more human resources and to adequately train them. Other measures include clear definition of objectives for each organization, frequent senior management review meetings, developing clearly understood and binding Service Level Agreements (SLAs) which places clear responsibility at each party, putting across clear cut service level agreements which define each stakeholder's shares and their expected revenues, the organizations have also invested on robust equipments and resources to enhance the levels of output.

5.2.2 Drivers of the convergence between KCB and Safaricom Kenya Limited

The second objective of this study was to find out the drivers of the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited. The study established that Kenya Commercial Bank Group forms partnerships so as to be ahead of other banks in m-banking. The study also found that the convergence led to increased level of awareness on consumer rights necessitates partnership between commercial banks and telecommunication companies to meet customer needs. It was revealed in the study that customers consider diversity and convenience of services offered before they open a bank account. In addition, partnership with telecommunication companies is the only way for the banks to reach the unbanked population and change in consumer taste and lifestyle forces branchless delivery of banking service. Also, customers consider diversity of services offered by telecommunication companies before subscribing to their services. In addition, the study revealed that competition from telecoms money transfer services forces banks to join hands with the telecommunication companies. Further, competition is a direct motivator for banks and telecommunication companies in Kenya to partner.

In relation to the main reasons why Kenya Commercial Bank Group and Safaricom Kenya Limited entered into the convergence, the study found that one of the reasons was so as to offer better customer convenience, improve efficiency, decongest branches, and provide more products to the customers thus increase the bottom line (profits and customer numbers). In addition, the organizations entered into a convergence so as to grow market share and achieve a competitive edge. They further revealed that there was a need for gradual movement away from brick and mortar approach to banking and to take advantage of the success of M-pesa so as to tap into the unbanked market (Financial inclusion).

5.2.3 Benefits of the convergence between KCB and Safaricom Kenya Limited

The third objective of this study was to determine the benefits of the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited. The study established that convergence led to higher profit margins, focused and defined scope of operations, low cost of offering products and services, and differentiated products (unique and desired by customers). In addition, the study revealed that there is superior service delivery to customers that come with the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited, convergence helps to build strong brand name and leads to satisfactory products and services.

5.3 Conclusion

The study concludes that the convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited was facing various challenges. These challenges include lack of coordination between management teams, staff integration, clash of organization cultures, lack of trust, lack of skills and competency to manage advanced levels of technology, lack of clear goals and objectives, government regulations, high cost of technological infrastructure, lack of adequate skilled personnel, competing interests and un-healthy competition leading to suspicious development of innovative mobile based banking products.

The study also concludes increased level of awareness on consumer rights necessitates partnership between commercial banks and telecommunication companies to meet customer needs. In addition, partnership with telecommunication companies is the only way for the banks to reach the unbanked population and change in consumer taste and lifestyle forces branchless delivery of banking service. The study revealed that competition from telecoms money transfer services forces banks to join hands with the telecommunication companies. Further, competition is a direct motivator for banks and telecommunication companies in Kenya to partner.

Lastly, the study concludes that the benefits of convergence between Kenya Commercial Bank Group and Safaricom Kenya Limited include higher profit margins, focused and defined scope of operations, low cost of offering products and services, superior service delivery to customers and differentiated products (unique and desired by customers).

5.4 Recommendations

The study found that in the convergence between KCB and Safaricom Kenya Limited there was lack of coordination between management teams and staff integration. This study therefore recommends that the management of both organizations should agree on the best way to ensure coordination between teams and staff integration.

The study also found that there was lack of skills and competency to manage advanced levels of technology in the convergence between KCB and Safaricom Kenya Limited. This study therefore recommends that both organizations should have training programs so as to equip their staff members with enough skills to manage the high level of technology.

The study further established that in the convergence between KCB and Safaricom Kenya Limited there was lack of clear goals and objectives. The study hence recommends that both organizations should have clear goals and objectives during the development of the convergence.

The study also recommends that the organizations should constantly an frequently hold cross functional meetings to resolved any issues and escalations to the right offices to make decisions in case of any stalemate.

5.5 Areas for Further Studies

This study was limited to examine the convergence between Safaricom Kenya limited and Kenya commercial bank Group. The study recommends that further studies should be conducted on drivers of the convergence between other companies in various sectors. In addition, this study did not outline the relationship between convergence and the performance of both organizations. The study also suggests further studies on the effect of convergence on organizational performance.

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APPENDICES

Appendix i: Introduction Letter

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

REF: REQUEST FOR PARTICIPATION IN A RESEARCH STUDY

I am a student at the University of Nairobi carrying out a research project as part of the course requirement for the award of the Degree of Master of Business Administration. The study seeks to evaluate the effect of convergence of telecommunication companies and mobile banking on the provision of financial services to the Kenyan market.

The findings will be confidential strictly for academic use and at no time will your name be mentioned anywhere in the report. Yours honest participation will be highly appreciated.

Yours faithfully

Diana Atieno Mbindah

Appendix ii: Questionnaire

CONVERGENCE BETWEEN SAFARICOM KENYA LIMITED AND KENYA COMMERCIAL BANK GROUP

Please answer the questions below as precisely and truthful as possible. Any information provided will be held with strict confidentiality and anonymity. In addition, your answers will only be used for academic purposes only. Kindly tick your responses against each questions in the spaces provided.

Background Information

1. Gender

    Male [ ] Female [ ]

2. State your age bracket.

    19-25Years [ ] 26-35 Years [ ]

    36-45 Years [ ] 46-55 Year [ ]

    Above 55 Years [ ]

3. What is your highest level of education?

    Secondary [ ] College diploma [ ]

    Masters degree [ ] University degree [ ]

4. Where do you work?

    Safaricom Kenya Limited [ ] Kenya Commercial Bank [ ]

5. How long have you worked in this organization?

    0-2 years [ ] 3-6 years [ ]

6-9 years [ ] 10 and above years [ ]

Challenges facing the convergence between KCB and Safaricom Kenya Limited

6. To what extent does the convergence between KCB and Safaricom Kenya Limited face the following challenges? (Key: 1=no extent at all, 2=low extent, 3=moderate extent, 4=great extent, 5=very great extent)

	1	2	3	4	5
Clash of organization cultures					
Lack of trust					
Lack of clear goals and objectives					
Lack of coordination between management teams					
Staff integration					
Cost of technological infrastructure					
Lack of skills and competency to manage advanced levels of technology					
Government regulations					
Incompetency in undertaking the convergence					

7. Apart from the ones named above, which other challenges does convergence between KCB and Safaricom Kenya Limited face?

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8. What measures has your organization put in place to overcome the above challenges?

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Drivers of the convergence between KCB and Safaricom Kenya Limited

9. To what extent do you agree with the following drivers of the convergence between KCB and Safaricom Kenya Limited? (Key: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree)

	1	2	3	4	5
Technological advancement necessitated mobile banking					
Global technological advancement has opened up diversity in market					
Competition is a direct motivator for banks and telecommunication companies in Kenya to partner					
Competition from telecoms money transfer services forces banks to join hands with the telecommunication companies					
Banks form partnerships to be ahead of other banks in m-banking					
Increased level of awareness on consumer rights necessitates partnership between commercial banks and telecommunication companies to meet customer needs					
Change in consumer taste and lifestyle forces branchless delivery of banking service					
Partnership with telecommunication companies is the only way for the banks to reach the unbanked population					
Customers consider diversity and convenience of services offered before they open a bank account					
Customers consider diversity of services offered by telecommunication companies before subscribing to their services.					

10. What are the main reasons why your organization entered into this convergence?

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Benefits of the convergence between KCB and Safaricom Kenya Limited

11. To what extent has you organization experienced the following benefits in the convergence between KCB and Safaricom Kenya Limited? (Key: 1=no extent at all, 2=low extent, 3=moderate extent, 4=great extent, 5=very great extent)

	1	2	3	4	5
Superior service delivery to customers					
Higher profit margins					
Satisfactory products and services					
Products and services are offered at a lower cost					
Differentiated products (unique and desired by customers)					
Convergence helps to build strong brand name					
Focused and defined scope of operations					

12. Apart from the above, which other benefit has the partnership been to your organization?

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