AN INVESTIGATION INTO THE FACTORS THAT AFFECT THE ADOPTION OF
INTERNET BANKING AMONG CORPORATE BANK CUSTOMERS IN KENYA:
A CASE STUDY OF KENYA COMMERCIAL BANK BRANCHES IN KISUMU.

BY

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FULFILLMENT OF THE REQUIREMENTS FOR AWARD OF THE
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NOVEMBER, 2011
DECLARATION

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

__________________________  _________________________
Sign                          Date

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

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DEDICATION

This work is dedicated to Almighty God, My loving family, my parents, Mr. Raphael Ondiek Akele and Mrs. Peres Ajwang Ondiek who have always been very proud of me to see me continue with higher education. My siblings Millicent, Dorcas, Florence, Irene, Winnie, Duncan and Evance and particularly my wonderful nieces and nephews whom I hope I have inspired to also continue with higher education.
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ABSTRACT

This study concerned the extent of adoption of internet banking and the factors affecting the adoption rate of internet banking services amongst the corporate customers of banks in Kenya. The need for the study arose in view of the increase in trends towards the adoption of internet banking. The study had two objectives namely to determine the extent of adoption of internet banking by corporate customers of the banks and to determine the factors that affect corporate customers' adoption of internet banking in Kenya. The action taken by bankers and policy makers in appropriately addressing critical issues will determine the success of Internet banking.

The data was collected from ninety corporate customers from three Kenya Commercial Bank branches in Kisumu City. The respondents were selected using stratified and judgmental sampling. The respondents were the Finance Managers, ICT managers and General Managers and in some cases middle level management staff of the organizations respondents who were believed to have the knowledge required for the study. Questionnaires were used to collect data. Data collected was analyzed using descriptive statistics and presented using frequency tables.

The findings from the study indicate that adoption of internet banking services is to a small extent as most of the services produced a mean of less than 3.0. As for factors that affect the adoption of internet banking services; awareness, attitude and perceived ease of use greatly influence adoption rate rather than previous experience and perceived usefulness.

In view of the findings, several recommendations were made which may be useful for bankers and other related organizations. Banks should make their customers more aware of their new internet banking products and services, to encourage higher adoption. They could do so by
having seminars, exhibitions or giving free-trial periods to give customers an opportunity to evaluate their new inventions. Besides that, education and publicity through mass media could also prove to be effective. Banks should take security of their Internet banking sites into serious consideration since fraud and websites hacking still discourage most of the customers.
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CHAPTER ONE: INTRODUCTION

1.1 Background

The need to improve the operationality and bring competitive advantage in the banking industry has made banks to adopt Internet banking. Internet banking would help banks present a potentially low cost alternative to brick and mortar branch banking. Internet banking provides a very convenient and effective approach to manage one’s finances as it is easily accessible 24 hours a day, and seven days a week. Besides, the information is current. For corporate customers, sophisticated cash management packages offered through Internet banking provide them with up to the minute information, allowing for timely funds management decisions (Kalakota and Whinston 1996). By offering internet banking services, traditional financial institutions seek to lower operational costs, improve consumer banking services, retain consumers and expand share of customer (Norton, Reed, and Walden, 1995).

WHAT IS INTERNET BANKING?

Internet banking allows customers to perform a wide range of banking transactions electronically via the bank’s Web site. When first introduced, Internet banking was used mainly as an information presentation medium in which banks marketed their products and services on their Web sites (Burnham 1996). With the development of asynchronous technologies and secured electronic transaction technologies, however, more banks have come forward to use Internet banking both as a transactional as well as an informational medium (Burnham 1996). As a result, registered Internet banking users can now perform common banking transactions such as writing checks, paying bills, transferring funds, printing statements, and inquiring about account balances. Internet banking has evolved into a “one stop service and information unit” that promises great benefits to both banks and consumers. Internet banking services are crucial for

1
long-term survival of banks in the world of electronic commerce (Burnham 1996). The market for Internet banking is forecast to grow sharply in the next few years, affecting the competitive advantage enjoyed by traditional branch banks (Duclaux 1996; Liao et al. 1999). Indeed, it also was estimated that financial institutions that failed to respond to the need for Internet banking services would likely lose more than 10% of their customer base by the year 2000 (Orr 1998; Tower Group 1996).

Burnham found that the majority of banks with Web sites spent less than US$25,000 to create a Web presence, and less than US$25,000 a year maintaining it (Booz-Allen & Hamilton 1997). He suggested that even if these figures were to rise as banks began to offer Internet banking services, they would still be less costly than the traditional branch banking. For example, it requires US$1.5 million to US$2 million to set up a traditional brick and mortar branch and US$350,000 to US$500,000 a year to operate it (Booz-Allen & Hamilton 1997).

A fully functional Internet banking site is likely to cost US$1 million to US$2 million. However, while traditional banks’ operating costs account for between 50% and 60% of revenues, running costs of Internet banking is estimated at between 15% and 20% of revenues (Booz-Allen & Hamilton 1997). From the consumers’ perspective, Internet banking provides a very convenient and effective approach to manage one’s finances as it is easily accessible 24 hours a day, and seven days a week. Besides, the information is current. For corporate customers, sophisticated cash management packages offered through Internet banking provide them with up to the minute information, allowing for timely funds management decisions (Kalakota and Whinston 1996).
Global internet access exceeded 1018 million people in December 2005 (IWS, 2006), offering new markets for internet-based services such as internet banking. Since the new millennium, internet banking has experienced explosive growth in many countries and has transformed traditional banking practice.

Recent evidence suggests that an internet-based consumer banking strategy may be effective, with reports of more profitable, loyal and committed consumers compared with traditional banking consumers (ABA, 2004; Fox, 2005). Thus, contemporary banks now regard the internet channel as equally important to traditional channels of branches, automated teller machines (ATM), telephone banking and call centres (Gartner 2003a). In the new banking environment, internet banking is increasingly managed as an operational activity and an important component of a multi-channel strategy (Black et al., 2002).

Despite the benefits that has been consensus attributed to internet banking, security concerns amongst others have reduced the demands from Internet Banking. For instance, consumer demand for internet banking services in North America stalled in 2005, possibly due to increased security concerns linked to rising identity fraud, phishing and online scams (ZDNet, 2005). By contrast, in Australia, internet banking growth continued apace despite similar consumer security fears, with a 26 per cent increase in the internet banking consumer population to 5.5 million users (approximately 34 per cent of the adult population) taking place over the twelve months to May 2005 (ACNielsen, 2005). In the US, Australia, and other countries, consumer markets of “prospective adopters” remain to be tapped (hee et al., 2005). Clearly, in order to grow consumer internet banking demand, banks must make key improvements that address consumer concerns.
s, it would behoove financial institutions to gain an understanding of the key factors that influence consumer internet banking adoption.

1 Adoption of Innovations

Innovation adoption is explained by the interactions between environment and strategic choice optimization via strategies to control the resource dependence condition. It’s also referred to as innovation takes place at the initiation stage whereas at the implementation stage, sequences of adoption, there are both positive and negative outcomes when an individual or organization chooses to adopt a particular innovation. Rogers states that this is an area that needs further research because of the biased positive attitude that is associated with the adoption of an innovation (Rogers, 2005).

Diffusion is the process by which a new idea or new product is accepted by the market. The rate of diffusion is the speed that the new idea spreads from one consumer to the next. Adoption is similar to diffusion except that it deals with the psychological processes an individual goes through, rather than an aggregate market process (Rogers 2005). The diffusion of innovations (innovation adoption curve) of Rogers is useful to remember that trying to quickly and aggressively convince the mass of a new controversial idea is useless. It makes more sense in these circumstances to start with convincing innovators and early adopters first. Also the categories percentages can be used as a first draft to estimate target groups for communication purposes (Rogers, 2005).

Diffusion research focus was on five elements: 1) the characteristics of an innovation which may influence its adoption; 2) the decision-making process that occurs when individuals consider adopting a new idea, product or practice; 3) the characteristics of individuals that make them likely to adopt an innovation; 4) the consequences for individuals and society of adopting an
innovation; and 5) communication channels used in the adoption process.

Innovation Adoption Curve Diagram as shown in Figure 1.

Figure 1: Rogers Adoption and Innovation Curve

![Rogers Adoption / Innovation Curve](www.valuebasedmanagement.net)

Source: www.valuebasedmanagement.net/methods_rogers_innovation_adoption_curve.html

1.1.2 Banks and Services Offered

A bank is a financial institution that serves as a financial intermediary. The term "bank" may refer to one of several related types of entities: A central bank circulates money on behalf of a government and acts as its monetary authority by implementing monetary policy, which regulates the supply. A commercial bank accepts deposits and pools those funds to provide credit, either directly by lending, or indirectly by investing through the capital markets. Within the global financial markets, these institutions connect market participants with capital deficits (borrowers) to market participants with capital surpluses (investors and lenders) by transferring
funds from those parties who have surplus funds to invest (financial assets) to those parties who
borrow funds to invest in real assets (Vincent 2009).

1.1.3 Kenya Commercial Bank and Services it offered

Kenya Commercial Bank (KCB) is a financial services provider headquartered in Nairobi, Kenya. As of December 2010, it was among the three largest commercial banks in Kenya with assets of more than US$2.65 billion (KES: 223 billion), and shareholders capital valued at US$486 million (KES: 40.9 billion). The other two large Kenyan commercial banks are Barclays Bank Kenya and Standard Chartered Bank Kenya. As of December 2010, KCB Group, the parent company of KCB Kenya, had the largest branch network in Kenya (168 branches) of all 44 licensed commercial banks in the country. The services offered by KCB Custody services are structured to meet the individual requirements of customers who invest in Equities, Fixed Deposits, Treasury Bills, Treasury Bonds, Corporate Bonds and Commercial Paper. These services are best suited for Stockbrokers, Investment Managers, Retirement Benefits Schemes, Unit Trust Fund Managers, Insurance Companies and other registered Collective Investment Schemes. This includes; Account Administration, Safe Keeping Services, Transaction Settlement, Capital and Income Services, Corporate Actions Administration, Activity Reporting, Trustee Services. In Asset Based Finance provides your business with ready solutions for acquiring or leasing assets (http://www.kcbbankgroup.com/ke/# 2011).

The products are aimed at providing an affordable and flexible way of acquiring movable assets ranging from vehicles, computers through to plant and machinery with a lower capital outlates this include Vehicle and Asset Finance, insurance premium Financing and Leasing while
Corporate Finance is a dedicated unit within Corporate Banking that services the strategic, financial and capital raising needs of our corporate and Institutional clients through the debt capital markets. The Debt Capital Markets team originates and structures corporate debt issuance for corporations, sovereigns and agencies by providing our clients with syndicated term loans, structured debts, project finance and bonds and, through its Financial Institutions Team, facilitates and supports the cross-border activities of the Group’s clients across the globe (http://www.kcbbankgroup.com/ke/# 2011).

1.1.4. Bank Corporate customers

The are customers whose Financing (often unsecured), cash management, and other banking services are custom-tailored for their firms and corporations. Their Banking services which (in contrast to retail banking) are offered to government agencies, pension funds, other institutional customers and to corporations with strong balance sheets and sound income statements. These services include cash management, fleet and equipment leasing, large-sum loans, loan participation, merchant banking, and trust services and they can also borrow and lend amongst banks in inter-bank market, often involving very large sums (Ruchika 2007).

1.1.5 Information and Communication Technology in Banking Sector in a Social Context

Information and Communication Technology (ICT) canceled the constraints of time and distances. Communication networks made the world a small village. The Financial sector is not an exception; ICT encourage banks to evaluate their technology and assess their electronic commerce and E-banking strategies (Andam, 2003). Banking sector in the 21st century operates in a complex and competitive environment characterized by changing conditions and highly
unpredictable economic climate. ICT is the core of global change (Jesu’ S Marti’Nez-Fri’ Centre for Astrobiology, 2003). Information Systems have critical role in contemporary organizations. Therefore, financial services should be modified to remain viable in time of changes. The most significant trend in banks is grasping the importance of technology, as well as integrating technology with their strategic plans. Banks apply ICT to their operations to survive and prosper in the new world. Therefore, banks should re-examine their services and their delivery systems in order to properly position them within ICT (Laudon and Laudon, 1991). Information and Communication Technology must have strong infrastructure to serve banking sector.

1.2 Research problem

Technological innovations (Norton, Reed, and Walden, 1995) are replacing the traditional ways of banking. With a greater competition brought by deregulation, globalization, and widespread mergers and acquisitions in the banking industry, more banks are focusing on developing Internet banking. The use of phone banking and Internet banking is strongly recommended to bring about a change in consumers banking behaviors (Jayawardhena and Foley, 2000). It has also noted that only 35% of those who discontinued the service said that they would try online banking again in the future (Cyber Dialogue, 1999). Such negative findings about online banking contrast greatly with studies dealing with online trading. Among online traders, only 3% discontinued the service and 85% were satisfied with online trading (Redman, 1999). A lack of knowledge about customer perceptions of what Internet banking can offer might present some explanation for why over the past year; many of Internet banking customers have closed their Internet accounts. User satisfaction and retention must be addressed for Internet banking to become well accepted e-Service Journal (Nath 2001).
In Kenya, majority of banks have introduced internet banking, mobile banking and other e-banking facilities, to enhance delivery channels to their customers. It is however, important that the introduction of these products be accompanied with programs to broaden consumer horizon by enhancing their knowledge in the new and more innovative way of conducting banking business. For example, while Internet banking is fast and convenient mode of conducting banking transactions, this is yet to gain acceptance among banking consumers, due to fears of apprehension in this mode of banking. Like many other developing countries, e-banking in Kenya is at its nascent stages. Not many banks have embraced e-banking but majority have at least one or two technology based delivery channels. The non adoption of e-banking by banks has been attributed to impaired non-availability of infrastructure and legislation to support e-banking (Richard Nyangosi 2010). In view of all this two questions arise first, to what extent has the internet banking been adopted by corporate bank customers and secondly which factors to what extent they affect corporate bank customers’ adoption of internet banking in Kenya.

1.3 Research Objectives

The research aimed to enriching the knowledge and understanding of factors affecting adoption internet banking services in Kenya. Specifically the main objectives of the study were:-

a) Determine the extent of adoption of internet banking by corporate customers of the bank.

b) Determine the factors that affect corporate bank customers’ adoption of internet banking in Kenya.

1.4 Value of study

This study expects to make several contributions to the academic literature and the banking industry. One of the objectives of the study was to determine the factors that would affect the consumers’ adoption of Internet banking in Kenya. The findings in regards to the information
will be useful in enhancing of customer service. It should also enable banks to strategically plan their products and service offerings. The finding of this study will also enlighten the following people:

**Learning Institutions**

The learning institutions will gain a literature of different angles of performance in regards internet banking and strategies as a basis for further research in internet banking. As comparative study may be necessary to the document for that various in internet banking adoption in Kenya.

**Professional Bodies**

Professional bodies such as Computer society of Kenya and Certified Public Accountants would be interested by the findings of this study as an advisory organ for internet banking development and adoption. By understanding the extent of adoption of internet banking they will be to offer professional guidance and counseling related to Internet banking and its operations.

**Government and regulatory institutions**

The Government of Kenya and the Central Bank of Kenya has regulatory authority of the banking sector in Kenya By knowing the factors that influence the adoption of internet banking the government will use the knowledge gained on the internet banking so as to formulate policies promote internet banking, they shall and secure transactions and financial Analysts and institutions and they will have knowledge of conducting business.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Although several studies aimed at extending our understanding of user adoption of technology have been conducted in the past, few of these studies were conducted on Internet Banking (IB) services by extending the well-established Technology Acceptance Model (TAM). With the number of global banking groups offering and improving Internet Banking services rapidly on the rise (American Banker, 2002), it is an opportune time to study the user adoption of Internet Banking. Such a study will be of interest to both academics and banking executives. Specifically, this study focused on the extent on adoption of internet banking and the factors that influence the adoption of internet banking.

2.2 Internet Banking

Internet banking is the most common and prevalent type of E-banking. In this type, Customers can perform their financial transactions via Internet anytime and anywhere. Customers can access their accounts, transfer money, and buy products or services online (Sathye, 1999, Kalakota and Whinston 1996). This form of E-banking can be seen in two popular methods: in the first form, customers access their accounts and perform their financial transactions by banks’ websites. While in the other form, banks establish virtual branches available via Internet by which they introduce Internet banking services (CCANB, 2002). For example, Arab bank has many branches which are providing all traditional services for customers. In addition it deals with E-banking services like Internet banking. In contrast, some banks do not have physical branches (customers cannot visit banks branches); all customers’ transactions should occur electronically (CCANB, 2002).
The number of people having access to the Internet is one factor that determines the level of demand for Internet banking services. The cost and speed of Internet connections are other important factors (Li and Worthington, 2004; Sohail and Shanmugham, 2003). Li and Worthington (2004) also argue that customer confidence on Internet banking transactions also influences the adoption rate. For example, how banks deal with any erroneous transactional and security concerns that may occur during online banking impacts on confidence. Jayawardhana and Foley (2000) also reveal that there is a significant correlation between the website download speed and web-users satisfaction in a banking context. Moreover, other website features such as content and design, interactivity, navigation, and security are also important factors that influence the adoption of Internet banking (Jayawardhana and Foley, 2000).

3 Internet Banking Services and Benefits

Customers save their time when they use E-banking services, because they do not need to visit banks' branches. In addition, customers can perform their transactions at any time outside official working hours. Customers can access their accounts and perform their financial transactions from anywhere. Customers can access several services concurrently, as well as they can access services which are not found in the banks' branches (Baraghani, 2007). Customers do not need to carry cash money which may be lost. All services can be done virtually; nothing appears on the ground. In addition, Customers will get quick response to their complaints; their complaints reach directly to bankers via E-banking channels without passing through intermediate processes.
Therefore, customers will be satisfied and meet their requirements (Brogdon, 1999). The other benefits include a) Cost Savings: Cyberspace is cheaper to operate in than bricks-and-mortar structure and this cost benefits is often passed along to consumers. The Internet banking cost structure allows consumers to receive cost savings and/or financial benefits for banking online. A comparison of Wingspan.com (an e-bank) with Bank One (Wingspan.com’s parent bank—a bricks-and-mortar bank) offers an illustration of this point. For checking accounts (Nath, 2001). Access to Additional Services; Basic transactional web sites allow customers to review account balances, holdings and recent banking statements. Systems that allow customers to initiate transactions online, such as transferring money between accounts or making payments, provide additional advantages to the customer. These enhanced web sites enable customers to pay bills, apply for and review loans and mortgages, and check credit card bills (Nath, 2001). Convenient One-stop Shopping Banks are adding real-time loan applications, the ability to make IRA investments, and the opportunity to trade stocks through their web sites. The trend towards “convergence banking” is predicted to shape the future of Internet banking. This concept of “onestop” shopping is convenient and leads to more satisfied customers (Engen, 2000) bankers perspectives on Internet Banking.

2.4 Internet Banking Challenges:
E-banking technology faces challenges and difficulties influence the adoption of this technology. Yang et al (2007) explain the most important challenges that impeding the spread of E-banking technology among banks' customers: Security concern is the most important challenge which influences E-banking technology. Customers have concerns about accessing their accounts online or paying an invoice through the Internet. Banks should protect their channels and servers
from unauthorized access, as well as they should create accurate procedures to be sure of customers' identity. Internet banking requires new technological tools like computers, software, cards, etc.; these technological tools may cost customers a lot. Customers are not interested in paying a lot of money to access Ebanking technology. In addition, customers have concerns about internet banking fees which may be more than traditional services fees. E-banking technology has difficulties with delivery speed and delivery reliability which cause many interruptions. For example, if the Internet connection has slow speed then customers cannot perform financial transactions correctly and rapidly (interruptions will occur) and then E-banking systems will become impractical. In general, customers are not familiar with technological solutions; it is not easy to accept new technologies without having success stories about them. Furthermore, people resist any change in their lifestyles.

Security and privacy, the security of internet transactions is of paramount concern to most customers particularly where financial information is involved (Hedberg and Taylor, 2001; Stafford, 2001). Banks must convince their customers that their web sites are secure and sufficient safeguards have been taken to assure security at the transaction level. Also, safeguarding the privacy of customer’s financial information and provide are imperative if the public is to embrace Internet banking (Nath 2001). Users Discontinue Service, a recent study found that almost a third of the 9.4 million people who signed up for online banking (including through the Internet and dial-up accounts) discontinued their service for a variety of reasons (Redman, 1999): online banking was too time consuming (27%); unhappy with customer service (25%); no need or interest in the service (20%); too costly (11%), and concern for privacy (5%).
Access to Paper Money, even with the best the Internet has to offer in banking services, consumers still need to visit an ATM or a bank branch to withdraw cash. Customers also have to deposit checks by mail, through an ATM or by visiting a bank branch (Fysh, 1999). These limitations of Internet banking bring out some issues that e-banks need to address. ATM’s are currently the most convenient means of acquiring paper money from an Internet bank and most ATM transactions are assessed a fee. To overcome this problem, many e-banks reimburse customers for a limited number of ATM transactions each month. In the future, electronic cash could provide a possible solution. But so far, electronic/digital cash has not been well received by the public (Nath 2001).

2.5 Technology User Acceptance Theories and Models

For the purpose of understanding the study, it is important to discuss user acceptance theories and models. Acceptance terminology is defined as "the demonstrable willingness within a user group to employ Information Technology for the tasks it is designed to support" (Dillon and Morris, 1996). Most theories and models used social psychology frameworks to study knowledge, beliefs, thoughts, perceptions and behaviors of people. Furthermore, User acceptance models and theories studied technology features and their effect on customers’ behavior (Baraghani (2007). There are several user acceptance theories and models such as: Innovation Diffusion Theory, Theory of Reasoned Action, Technology Acceptance Model, and Theory of Planned behavior.
2.5.1 Innovation Diffusion Theory:

It is a basic theory in technology adoption process; it deals with user acceptance and organization acceptance for new technology. This theory moves from the innovation stage to the actual use by customers and organizations (Green, 2005). According to Rogers (1983, 1995), there are five categories that influence the spread of innovations. These five categories are: Relative Advantage: New innovations should introduce benefits to all people. Compatibility: The consistency of innovation with norms, habits and social systems are form the compatibility of innovations, Complexity influences the spread of any new technology. Technology should be easy to use as much as possible, Trialability: People always need to try new innovations before make their decisions. Absorbability: The output and results from innovation should be clear, obvious, and can be noticed from all people without ambiguity. All these categories should complement each other to achieve high diffusion for new innovations.

2.5.2 Theory of Reasoned Action:

Theory of Reasoned Action (TRA) is the basic theory for user acceptance models, other theories are derived from it. TRA adopt generalized framework for technology acceptance. Intention influence the human’s behavior to adopt or reject new innovations. Intention influenced by attitude and subjective norms according to this theory. Subjective norms is influenced by beliefs and motivation, whereas attitude is influenced by beliefs and evaluations (Fishbein and Ajzen, 1975).
2.5.3 Technology Acceptance Model:

Technology Acceptance Model (TAM) is derived from Theory of Reasoned Action. TAM is created to predict user acceptance for technologies. According to TAM, attitude toward new technology is influenced directly by two main factors, which are perceived usefulness (PU) and perceived ease of use (PEOU) (Afari-Kumah and Achampong, 2010). According to Davis et al. (1989) perceived usefulness will directly influence the behavioral intention. New technology should increase the performance of people to get positive intention use it. In addition, perceived usefulness is influenced by perceived ease of use. Whenever the technology is free of effort, people will realize its usefulness. The following figure explains Technology Acceptance Model.

Figure 2: Technology Acceptance Model

![Technology Acceptance Model Diagram](source: Alireza et al. (2010))

Researchers extended technology acceptance model to understand how TAM achieves user acceptance for new technology. Extended Technology Acceptance Model was developed and known as TAM2. TAM2 has new variables, which are Subjective Norms, Voluntaries, Image,
Job Relevant, Output Quality, and Result Demonstrability (Venkatesh and Davis, 2000). Extended TAM explains that subjective norms influence perceived usefulness and image. In addition, subjective norms are influenced by experience and voluntaries. Perceived usefulness is influenced by image, job relevant, output quality, and result demonstrability. According to TAM2, subjective norms are directly influence the intention to use new technology (Green, 2005).

Figure 3: Technology Acceptance Model

2.5.4 Theory of Planned Behavior:

Theory of Planned Behavior (TPB) is also derived from TAR. TPB added new factor on TAR model which is perceived behavioral control. According to theory of planned behavior, attitude, subjective norms and perceived behavioral control are directly influencing the intention to use new technology (Ajzen, 1991). The following diagram explains TPB and its extensions.
Taylor and Todd (1995) created Decomposed TPB to explain technology acceptance by people. Attitude is influenced by perceived usefulness, perceived ease of use and compatibility. Peers and superiors influence subjective norms. Self-efficiency, technology facilitating conditions, and resources facilitating conditions influence perceived behavioral control (Taylor and Todd, 1995).

2.5.5 Technology – Organization – Environment Framework:
Tomatzky and Fleischer defined Technology – Organization – Environment framework helps to determine the factors that influence the adoption of new technology by organizations. According to TOE, technological innovations are influenced by three categories; technological factors, organizational factors, and environmental factors (Tomatzky and Fleischer, 1990). Technological factors involve internal and external issues. Organizations should create appropriate software, hardware, firewalls, security systems, etc. to implement and use new technologies correctly. On the other hand, technological solutions need appropriate infrastructure to perform well. External technological infrastructure needs advanced communication channels, high-speed Internet,
security systems, advanced technological equipments, etc. (Lippert and Govindarajulu, 2006). Bank's resources, size of the bank, bank scope, technological knowledge, availability of experts, perceived benefits, formalization, interconnectedness, top management support, motivation, complexity of the managerial structure, etc. are influencing banks to adopt E-banking technology (Rui, 2007). Environment influences organizations to adopt, apply and implement new services and technologies. Technological solutions should agree with society, social systems, cultural values, norms, and habits. Economic scale, competitors, and government also influence organizations to adopt new technologies (Haghighi, et al., 2010). The following figure explains TOE framework.

Figure 5: TOE Framework,

![TOE Framework](source: Tornatzky and Fleischer, 1990)
2.6 Global and International Experience on Internet Banking Adoption:

**Internet Banking in Hong Kong** was the first Asian country to provide electronic banking services via the Internet in 1990 (Ongkasuwan and Tantichattanon, 2002). In 2000, the Hongkong Shanghai bank corporation (HSBA) bank in Hong Kong provided the first Internet based retail banking services to the public (Ongkasuwan and Tantichattanon, 2002). The bank provided Internet based deposits, stock trading, bill payment, and foreign exchange services for qualified customers at discounted transaction fees (Ongkasuwan and Tantichattanon, 2002). The bank also reduced the online stock trading commission from RMB0.5 to RMB0.25 for the Internet-based service in order to increase visiting rates and profits (Ongkasuwan and Tantichattanon, 2002).

**Internet Banking in Australia**, Internet banking growth has continued despite initial consumer security fears. In 2005, there were approximately 5.5 million Internet banking users (approximately 34 per cent of the adult population) (AC Nielsen, 2005). By offering Internet banking, the traditional financial institutions wanted lower operational costs, improve consumer banking services, retain customers, and expand their market share (Lichtenstein and Williamson, 2006).

**Internet Banking in China**, the electronic-based Internet banking is a relatively new banking method and provides financial transaction services to customers. The service includes 24 hour access to customer bank accounts, transfer transaction between accounts, personal financial consulting, online stock trading, shopping, and utilities fee payments (Ongkasuwan and Tantichattanon, 2002).
Internet Banking In South Africa

Currently, South Africa's four main domestic banks, First National Bank (FNB), Standard Bank, Nedbank and Absa are offering Internet banking services. These banks are investing billions of rands on Internet banking to encourage customers to adopt to this innovation. According to SA.Internet.com [2001], Absa, predicts an Internet population of 3.2 million by the end of 2002, and plans to recruit 10,000 users to the service a month. The bank has offered free Internet Service Provider service in order to encourage the use of the Internet and Internet banking. The offer includes 5 email addresses and 10 MB of free web space. Absa hopes the publicity surrounding the service will generate enough interest in Internet banking to double their customer base. Absa currently has 153,000 customers who make use of online banking services, a 33% market share, second only to Standard Bank’s 35%. Nedbank has approximately 70,000 online users [Manson, 2001; SA.Internet.com, 2001].

Table 2.1: A comparison of the Internet banking rates charged by the domestic banks.

<table>
<thead>
<tr>
<th>Service</th>
<th>Nedbank</th>
<th>ABSA</th>
<th>Standard Bank</th>
<th>FNB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly service fee - Individual</td>
<td>R22.80</td>
<td>R11.97</td>
<td>R19.50</td>
<td>R22.80</td>
</tr>
<tr>
<td>Business fee</td>
<td>R22.80</td>
<td>R71.82</td>
<td>R19.50</td>
<td>R57.00</td>
</tr>
<tr>
<td>Internal transfer</td>
<td>R1.60</td>
<td>R1.50</td>
<td>R2</td>
<td>R2.06</td>
</tr>
<tr>
<td>Balance enquires &amp; statement</td>
<td>Free</td>
<td>First 5 free, after R1 p/stat.</td>
<td>Free</td>
<td>Free</td>
</tr>
</tbody>
</table>

Source: Acuity Media Africa [2001].

Consumer acceptance and use of Internet banking in South Africa is still small [Manson, 2001]. This figure is small in comparison to the total number of banking customers, or Internet users. Therefore, this study undertakes to provide greater insight into consumer intentions to adopt Internet banking services.
Electronic banking in Kenya

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 Aladwani (2001), identified it as the fastest growing area for businesses. The monetary value of products and services exchanged electronically was projected to be approximately US$ 7 trillion (Sanders 2000) and based on the results of the current survey many respondents felt the estimates may have been surpassed by the close of year 2004 most industries have been influenced in different ways by ecommerce (Foxall et al. 2003) and that the banking industry has been subject to this technological change (Bradley and Stewart 2003). It is evident that banks and other financial institutions in developed and emerging markets are embracing e-banking. For example, in Kenya, a recent survey indicates that there is steady increase in use of e-banking technologies such as automated teller machine (ATM), mobile and Internet (online) banking, electronic funds transfer, direct bill payments and credit card (CBK 2008).

ATM banking is one of the earliest and widely adopted retail e-banking services in Kenya (Nyangosi et al. 2009). However, according to an annual report by Central Bank of Kenya (CBK), its adoption and usage has been surpassed by mobile banking (Mbanking) in the last few years (CBK 2008). Currently, there are about 8 million users of M-banking services compared to 4 million people who hold accounts in conventional financial institutions in Kenya (CBK 2008). The tremendous increase in number of people adopting M-banking has been attributed to ease of use and high number of mobile phone users. This is consistent with the theory of consumer choice and demand as conceptualized in Au and Kauffman (2008) in relation to mobile payments. Based on their observation, customers can choose to adopt a particular banking
technology such as M-banking, perceived to offer such advantages as ease of use. There is also a growing partnership in financial institution and non-financial service providers where consumers through use of e-banking and other e-commerce services such as M-banking can transact and clear utility bills through shared banks’ platforms which shows sample representation of a functional design of a shared ATM network in Kenya under brand name Kenswitch (Kenya switch). It is a national network of interconnected ATMs, a project owned by a group of banks which was launched in 2002. It had about 14 ATM locations by the end of 2002, which has now grown to about 152 (CBK 2003, 2007).

The major indicator of e-banking is ATM banking. According to the survey conducted by financial sector deepening Kenya in association with Central Bank of Kenya, it was indicated that Kenya had a total number of 968 by the end of December 2007. Further, indication was that, an increase of 31.3 percent from 2006 was experienced, when the industry had 737 ATMs. Apart from individual bank ATMs, Kenyan Banks who are members of two organizations, which provide e-banking outsourcing partnership, will access to 272 ATMs. The two organizations include, Pesapoint limited and Kenya switch (Kenswitch). Customers of Banks which are members of Pesapoint can access 120 Pesapoint ATMs and those banks which are members of Kenya switch can access 152 ATMs of Ken switch banks plus Pesapoint’s giving access to a minimum of 272 ATMs (Richard Nyangosi 2010). All information and communication technology developments are attributed to the realization of the advantages of technology integration in the banking industry (Richard Nyangosi 2010).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

Descriptive survey was chosen because it is a method that helps in collecting information by interviewing or administering questionnaire to a sample of individuals (Orodho, 2003). Orodho and Kombo (2002) clarify that the method can be used when collecting information about people’s attitudes, opinions, habits or any of the variety of education or social issues. This method is also chosen because as Cohen, Manion and Morizon, (2000) put it; it is appropriate for educational fact-finding and yields a great deal of information, which is accurate. It also enabled the researcher to gather data at a particular point in time and use it to describe the nature of the existing conditions. The research aimed at gathering information on extent of adoption of internet banking and the factors affecting the adoption of internet banking amongst commercial banks corporate customers.

3.2 Population and Sampling

Manoj (2006) considered population to be any group of people, events or things that are of the interest to the researchers and that they wish to investigate. Similarly, Mugenda and Mugenda (2003) define population as a complete set of individuals’ cases or objects with same observable characteristics. They further define the target as the population to which the researcher wants to generalize the results of the study. The population was all corporate bank customers in Kenya Commercial Bank in Kisumu City. The data was collected from a sample of ninety corporate bank customers of the three Kenya Commercial Bank branches in Kisumu City. Stratified and judgmental sampling was used in selection of the respondents.
3.3 Data Collection Procedures

The data was collected by means of questionnaire (Appendix 2) this was administered to the respondents using the “drop and pick later” method. The respondents were the finance manager, ICT managers and general managers and in some cases middle level management staff of the organizations respondents who were believed have the knowledge required for the study. The questionnaire is divided in three Sections. Section A captured demographic data of the respondent and those of the organizations themselves. Section B captured information in relation to the extent of adoption of internet banking services by the internet banking corporate customers while Section C concerned information relating to the factors affecting the adoption of internet banking among corporate bank customers.

3.4 Data Analysis

Completed questionnaire were reviewed and edited for completeness, coded, labeled and keyed into the computer for statistical analysis. Data collected from Section A was analyzed using descriptive statistics. They were presented using frequency table to give overall picture of the entities under study in respect to demography data and related information.

Data from Section B was analyzed using though descriptive statistics and presented using frequency tables. As for Section C, data was analyzed using descriptive statistics with the analysis of the degree of importance of the factors that would be evident.
4.0 Introduction

This chapter presents an analysis and findings of the study. Out of the 90 corporate bank customers targeted in the study. There were 76 completed questionnaires representing 84% respondents. This response was considered to be adequate and representative to allow generalizations of the findings. This was considered satisfactory in line with Mugenda and Mugenda (1999) observation that a response rate of 50% is sufficient for purposes of statistical analysis.

4.1 Sample Characteristics

Data from the questionnaires was administered to the respondents from the corporate customers and is presented and analyzed according to the background information (gender analysis, age bracket, academic qualifications and work experience of the respondents in Section A while Section B of the questionnaire stressed on extent of adoption of internet banking services. Section C concerned factors affecting the adoption of internet banking services.

4.2 Demographic analysis of the respondents

The demographic characteristics of interest include gender, age bracket and the educational qualifications of the respondents and finding are indicated in Table 4.1
Table 4.1 Demographic analysis of the respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Classification of the Variables</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>50</td>
<td>65.79%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>26</td>
<td>34.21%</td>
</tr>
<tr>
<td>Age bracket</td>
<td>Below 20</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>20-30</td>
<td>20</td>
<td>26.32%</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
<td>23</td>
<td>30.26%</td>
</tr>
<tr>
<td></td>
<td>41-50</td>
<td>27</td>
<td>35.53%</td>
</tr>
<tr>
<td></td>
<td>51-60</td>
<td>5</td>
<td>6.58%</td>
</tr>
<tr>
<td></td>
<td>Over 60</td>
<td>1</td>
<td>1.32%</td>
</tr>
<tr>
<td>Education levels</td>
<td>PhD</td>
<td>1</td>
<td>1.32%</td>
</tr>
<tr>
<td></td>
<td>Masters Degree</td>
<td>23</td>
<td>30.26%</td>
</tr>
<tr>
<td></td>
<td>Undergraduate Degree</td>
<td>39</td>
<td>51.32%</td>
</tr>
<tr>
<td></td>
<td>Non University Tertiary Education</td>
<td>12</td>
<td>15.79%</td>
</tr>
<tr>
<td></td>
<td>High SCHOOL</td>
<td>2</td>
<td>2.63%</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>0</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Source: Survey Data (2011)

Gender

Majority of the respondents were males 50 (65.79 %) while females were 26 (34.21%).

Age

Data in respect to age was collected and the results of analysis are shown in the Table 4.1. Thirty five point five three percent of the respondents were in the age bracket 41-50 while 1.32% were over the age of 60. Thus majority of the respondents are youthful.
Education levels of the respondents

Data in respect to level of education of the corporate customers was collected and the results of analysis are shown in the Table 4.1. Responses were received from customers with various education levels, 51.32% of the respondents had undergraduate degree, 30.26% had masters degree High school had 2.63%.

4.3 Demographic analysis of the corporate customers (firms/organizations and institutions)

Age of the firm

Data collected in respect to age of the firm as shown in Table 4.2 shows those firms of the years between 1-5 years are represented at 40.00%, firms whose age is between 6-10 years had 10.00% of the respondents. However the result shows that firms/organizations whose age is over 20 years are represented at 35%.

Type of Business

In regards to the type of business, data collected are shown in Table 4.2. Its shows that most the corporate customer respondents (50%) were in education. The respondents for the service industry were at 38.57% while those in health and manufacturing lowest with 5.71% and 1.43% respectively.

Type of the organizations

Data collected in respect to the type of organization as shown in Table 4.2. Most of the are Government agencies with 40.00% of the respondents, this was followed by corporations at 35.71%. Those in NGOs and Private were low at 10.00% and 8.57% respectively.
Table 4.2: Demographic analysis of the corporate customers

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>Classification of the Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of the firm</td>
<td>1-5 years</td>
<td>28</td>
<td>40.00%</td>
</tr>
<tr>
<td></td>
<td>6-10 years</td>
<td>7</td>
<td>10.00%</td>
</tr>
<tr>
<td></td>
<td>11-15 years</td>
<td>8</td>
<td>11.43%</td>
</tr>
<tr>
<td></td>
<td>16-20 years</td>
<td>8</td>
<td>11.43%</td>
</tr>
<tr>
<td></td>
<td>Over 20 years</td>
<td>25</td>
<td>35.71%</td>
</tr>
<tr>
<td>Staff Turnover Rate</td>
<td>Very low</td>
<td>9</td>
<td>12.86%</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>25</td>
<td>35.71%</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>27</td>
<td>38.57%</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>10</td>
<td>14.29%</td>
</tr>
<tr>
<td></td>
<td>Very High</td>
<td>5</td>
<td>7.14%</td>
</tr>
<tr>
<td>Type of Business</td>
<td>Agriculture</td>
<td>9</td>
<td>12.86%</td>
</tr>
<tr>
<td></td>
<td>Education</td>
<td>35</td>
<td>50.00%</td>
</tr>
<tr>
<td></td>
<td>Health</td>
<td>4</td>
<td>5.71%</td>
</tr>
<tr>
<td></td>
<td>Manufacturing</td>
<td>1</td>
<td>1.43%</td>
</tr>
<tr>
<td></td>
<td>Others(Service Industry)</td>
<td>27</td>
<td>38.57%</td>
</tr>
<tr>
<td>Type of Business Ownership</td>
<td>Local</td>
<td>57</td>
<td>81.43%</td>
</tr>
<tr>
<td></td>
<td>Foreign</td>
<td>3</td>
<td>4.29%</td>
</tr>
<tr>
<td></td>
<td>Both</td>
<td>6</td>
<td>8.57%</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>10</td>
<td>14.29%</td>
</tr>
<tr>
<td>Type of Organization</td>
<td>Private</td>
<td>6</td>
<td>8.57%</td>
</tr>
<tr>
<td></td>
<td>Sole proprietorship</td>
<td>4</td>
<td>5.71%</td>
</tr>
<tr>
<td></td>
<td>Partnership</td>
<td>1</td>
<td>1.43%</td>
</tr>
<tr>
<td></td>
<td>Corporation</td>
<td>25</td>
<td>35.71%</td>
</tr>
<tr>
<td></td>
<td>Government Agency</td>
<td>28</td>
<td>40.00%</td>
</tr>
<tr>
<td></td>
<td>NGOs</td>
<td>7</td>
<td>10.00%</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>5</td>
<td>7.14%</td>
</tr>
<tr>
<td>Computer usages in the organization</td>
<td>Small Extent</td>
<td>6</td>
<td>8.57%</td>
</tr>
<tr>
<td></td>
<td>Medium Extent</td>
<td>29</td>
<td>41.43%</td>
</tr>
<tr>
<td></td>
<td>Large Extent</td>
<td>35</td>
<td>50.00%</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>6</td>
<td>8.57%</td>
</tr>
<tr>
<td>Internet Access in the organization</td>
<td>Small Extent</td>
<td>14</td>
<td>20.00%</td>
</tr>
<tr>
<td></td>
<td>Medium Extent</td>
<td>32</td>
<td>45.71%</td>
</tr>
<tr>
<td></td>
<td>Large Extent</td>
<td>26</td>
<td>37.14%</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>4</td>
<td>5.71%</td>
</tr>
</tbody>
</table>

Source: Survey data (2011)
Types of Business ownership

From Table 4.2, it is evident that data majority corporate customer respondents were local based organization represented at 81.43%. Those that are foreign were 4.29% while those that specified others are 24.29%.

Computer Usage and Internet Access

Data collected in reference to computer usage as shown in Table 4.2 shows that majority of respondents have large extent usage of computers in their organizations at 50.00% representation. Small extent computer usage and others were lowest 8.57% respectively. In terms of organizations Internet Access, data collected in Table 4.2 shows that most majority of organizations that have medium extent in internet access at 45.71%, those that have large extent internet usage are represented at 37.14% while those organizations with small extent internet access are represented at 20.00%.

Availability of access to computers/Internet is a prerequisite for adoption of Internet banking (Sathye, 1999). The more widespread the access to computer/Internet the greater the possibility of use of Internet banking adoption. O’Connell (1996) study found that lack of access to computers as one of the reason for slow adoption of Internet banking. Daniel (1999) study in UK reveals that lack of customer access to suitable PCs as the main reason for low usage of electronic banking. In the same view Ramsay and Smith (1999) found that accessibility as one of the main reasons for non-adoption of Internet banking.
4.4 The extent of adoption of internet banking by the corporate customers

This section addresses the first objective on the extent of adoption of internet banking by the corporate bank customers. The respondents were asked to indicate the extent to which their organizations adopt the usage of internet banking in their daily banking transactions and services the results are represented in Table 4.3.

Table 4.3: The extent of adoption of internet banking

<table>
<thead>
<tr>
<th>No</th>
<th>Banking Services</th>
<th>N</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Bill payment</td>
<td>76</td>
<td>2.62</td>
<td>0.68</td>
</tr>
<tr>
<td>12</td>
<td>E-alerts</td>
<td>76</td>
<td>2.47</td>
<td>0.83</td>
</tr>
<tr>
<td>13</td>
<td>Wire Transfer</td>
<td>76</td>
<td>3.30</td>
<td>0.00</td>
</tr>
<tr>
<td>14</td>
<td>Stop Payment</td>
<td>76</td>
<td>2.64</td>
<td>0.66</td>
</tr>
<tr>
<td>15</td>
<td>Balance Inquiry</td>
<td>76</td>
<td>2.74</td>
<td>0.56</td>
</tr>
<tr>
<td>16</td>
<td>Check Image Retrieval</td>
<td>76</td>
<td>2.33</td>
<td>0.97</td>
</tr>
<tr>
<td>17</td>
<td>Ordering Cash</td>
<td>76</td>
<td>2.37</td>
<td>0.93</td>
</tr>
<tr>
<td>18</td>
<td>Retrieving Bank Statement</td>
<td>76</td>
<td>3.04</td>
<td>0.26</td>
</tr>
<tr>
<td>19</td>
<td>Balance inquiry</td>
<td>76</td>
<td>2.78</td>
<td>0.52</td>
</tr>
<tr>
<td>20</td>
<td>Utility bill payment</td>
<td>76</td>
<td>2.46</td>
<td>0.84</td>
</tr>
<tr>
<td>21</td>
<td>Email and text alerts</td>
<td>76</td>
<td>3.05</td>
<td>0.25</td>
</tr>
<tr>
<td>22</td>
<td>Order check books</td>
<td>76</td>
<td>2.22</td>
<td>1.08</td>
</tr>
<tr>
<td>23</td>
<td>Internal account transfer</td>
<td>76</td>
<td>2.45</td>
<td>0.85</td>
</tr>
</tbody>
</table>

Source data: survey (2011)

From Table 4.3, it is evident the respondents do wire transfers of funds on over the internet had a mean of 3.04, email and alerts and retrieval of bank statements to data collected are also highly accessed with means 3.05 and 3.04 respectively though still small extent of adoptionn of
internet banking, Order of check books and ordering of cash had means of 2.22 and 2.37 respectively. From the Table 4.3 the average mean is below 3.00 which therefore mean that generally most of the corporate customers are not using internet banking services.

4.5 **Results tests for the factors affecting adoption of internet Banking**

This section addresses the second objective on the factors affecting the adoption of internet banking by the corporate bank customers. The respondents were asked to indicate the extent to which their organizations adopt the usage of internet banking as per the underlined factors mentioned in the results analysis represented in the Table 4.4.

**Table 4.4 Results analysis for factors affecting internet adoption**

<table>
<thead>
<tr>
<th>STATEMENTS</th>
<th>N</th>
<th>Mean</th>
<th>StDev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issues related to using Internet Banking are easily evident</td>
<td>76</td>
<td>3.71</td>
<td>0.4295</td>
</tr>
<tr>
<td>Previous experience</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experience in using other Internet bank services is easier</td>
<td>76</td>
<td>3.43</td>
<td>0.7058</td>
</tr>
<tr>
<td>Experience in using other Internet services (e.g. booking tickets, ordering, goods or buying with credit card) is easier</td>
<td>76</td>
<td>3.37</td>
<td>0.7716</td>
</tr>
<tr>
<td>Attitude</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using internet banking is a wise idea</td>
<td>76</td>
<td>4.13</td>
<td>0.0084</td>
</tr>
<tr>
<td>Using internet banking is a good idea</td>
<td>76</td>
<td>3.97</td>
<td>0.1663</td>
</tr>
<tr>
<td>Using internet website is a pleasant idea</td>
<td>76</td>
<td>4.26</td>
<td>-0.1232</td>
</tr>
<tr>
<td>Perceived Behavioral Control</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The organization would be able to operate internet banking</td>
<td>76</td>
<td>3.50</td>
<td>0.6400</td>
</tr>
<tr>
<td>The organization had the resources to use internet banking</td>
<td>76</td>
<td>2.88</td>
<td>1.2584</td>
</tr>
<tr>
<td>Trust</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The internet banking site is trustworthy</td>
<td>76</td>
<td>3.24</td>
<td>0.9032</td>
</tr>
<tr>
<td>The benefits of the decision of internet banking sites are trustable</td>
<td>76</td>
<td>3.07</td>
<td>1.0742</td>
</tr>
</tbody>
</table>

33
Internet banking sites keeps its promises and commitments 76 3.05 1.0874
Internet banking sites keeps customers best interest in mind 76 3.13 1.0084

**Perceived Usefulness**

Using internet banking improves our performance of banking activities 76 4.04 0.1005
Using internet banking makes it easier to do banking activities 76 4.14 -0.0047
Using internet banking sites enables accomplishment banking activities more quickly 76 3.83 0.3111
Using internet banking would improve the quality or output of banking transactions 76 3.78 0.3637

**Perceived Ease of Use**

Interaction with internet banking is clear and understandable 76 3.30 0.8374
Interaction with internet banking doesn’t require a lot of mental effort 76 3.50 0.6400
It’s easy to use internet banking 76 3.82 0.3242
Learning to use internet banking is easy 76 3.41 0.7321

**Subject Norms**

The organizational decision to adopt internet banking will be influenced by competitors 76 3.59 0.5479
The organizational decision to adopt internet banking will be influenced by Media 76 3.34 0.7979
The organizational decision to adopt internet banking will be influenced by Bank policies 76 3.61 0.5347

**Source data:** Survey (2011)

4.5.0 Overview of the results

Table 4.4 shows the results of the factors that affect the adoption of internet banking. These are divided into sections i.e Awareness, Attitude, Perceived Behavioral Control, Trust, usefulness, perceived ease of use and subjective norms. From the Table 4.4 the factor that affect internet banking moist is Attitude with a mean of 4.26 followed by perceived usefulness while the least factor is Perceived behavioral control with a mean of 2.88.
4.5.1 Awareness

With a mean of 3.7 shown in the Table 4.4, majority of the corporate customers agreed to issues of awareness of internet services in their organizations. According to Rogers and Shoemaker (1971), consumers go through “a series of process in knowledge, conviction, decision and confirmation” before they are ready to adopt a new product or service. The adoption or rejection of an innovation begins when “the consumer becomes aware of the innovation” (Rogers and Shoemaker, 1971). Howard and Moore (1982) emphasized that adoption “consumers must become aware of new brand.” Lack of awareness is the most important factor that negatively affects Internet banking adoption (Sathye, 1999).

4.5.2 Previous experience

From the statistics shown in Table 4.4 it’s evident that most of the respondents have no clear experience in the usage of internet banking. As evident in the first question of easier experience which has a mean of 3.43 which is undecided trying to access internet banking services. The second question about experience in usage of other internet banking services which also has mean of 3.37 hence they don’t know what it means to them as shown in Table 4.4.

4.5.3 Attitude

From the Table 4.4, its clear that their positive attitudes towards the adoption of internet banking among the corporate customers as evident in the all the statements. Statement one had a mean of 4.13 while the last statement about internet is a pleasant idea has 4.26, averagely some respondents thought that the idea of attitude in regards to the goodness of the idea were undecided. This is supported by Theory of Reasoned Action adopt generalized framework for technology acceptance which says that Intention influence the human’s behavior to adopt or
reject new innovations. Intention influenced by attitude and subjective norms according to this theory. Subjective norms are influenced by beliefs and motivation, whereas attitude is influenced by beliefs and evaluations (Fishbein and Ajzen, 1975).

4.5.4 Perceived Behavioral Control

Majority of the respondents were undecided with a mean of 3.50 that their organizations would be able to operate internet banking but quite a number disagreed that their organization has no or little in terms of resources with a mean of 2.88 and this factor affect the adoption of internet banking as shown in Table 4.4. According to theory of planned behavior, attitude, subjective norms and perceived behavioral control are directly influencing the intention to use new technology (Ajzen, 1991) and Self-efficiency, technology facilitating conditions, and resources facilitating conditions influence perceived behavioral control (Taylor and Todd, 1995).

4.5.5 Trust

Among the predictors of the intention to use Internet banking, trust has been found to be one of the most important factors that influence an individual to use the technology [Md Nor and Pearson, 2007]. Trust is also a vital factor in determining whether an individual chooses to purchase goods or services via the Web [Quelch and Klein, 1996]. As noted by Spekman [1988], trust is the cornerstone of the strategic partnership between a business and its Internet customer. The finding from the data collected as in Table 4.4 show that most of the corporate customers were undecided whether the internet banking activities are trustworthy hence raising a major concern with a mean 3.12.
Ridings, et al. [2002] argue that trust is crucial in virtual communities where the absence of workable rules creates reliance on others behaving in a socially acceptable manner. As noted by Gefen [2000] and Jarvenpaa, et al. [2000], a customer’s willingness to buy from an Internet store is influenced by his or her attitude and perception of risk. Attitude and perception of risk are strongly affected by trust, which in turn is affected by a consumer’s perception of the size and reputation of the store. Trust is a prominent influence on an individual’s willingness to engage in online exchanges of money and personal sensitive information [Wang, et al., 2003]. Trust tends to influence an individual’s general buying decisions. According to Enders, et al. [2006], non-Internet believers require a substantial effort of persuasion before they start engaging in e-banking and create an e-habit. An empirical study by Poon [2008] indicates that approximately 70% of the respondents agree that trust is influencing them to use Internet banking. In another empirical study in Singapore by Fock and Koh [2006], the authors found that higher levels of trust are significantly associated with a greater willingness to try Internet banking.

4.5.6 Perceived Usefulness

In terms of perceived usefulness the respondents on the question of how internet banking improves performance of business activities the majority agreed with a mean 4.04, in the questions of how internet banking makes it easier to do banking activities they also agree 4.14, on the question of how internet banking will enable accomplishment of banking activities majority were undecided while the last question on the quality and output of business activities they were also undecided with a mean of 3.78 as evident in Table 4.4. According to TAM, attitude toward new technology is influenced directly by two main factors, which are perceived usefulness (PU) and perceived ease of use (PEOU) (Afari-Kumah and Achampong, 2010). According to Davis et al. (1989) perceived usefulness will directly influence the behavioral
intention. New technology should increase the performance of people to get positive intention use it. In addition, perceived usefulness is influenced by perceived ease of use. Whenever the technology is free of effort, people will realize its usefulness and again according to Technology Acceptance Model, Perceived usefulness is influenced by image, job relevant, output quality, and result demonstrability.

4.5.7 Perceived Ease of Use

Data collected from the respondents as in Table 4.4 Indicate that majority were undecided about the statements related to perceived ease of use with a general mean of 3.51. According to the first statement it is clear and understandable that they were undecided with a mean of 3.30, second statement on internet banking is doesn’t require a lot of mental effort, they were also undecided with a mean of 3.50 on the third statement of ease of use they were undecided at a mean of 3.82 while the last statement on learning to use internet banking is easy again they were undecided and thus why Cooper (1997) identifies “ease of use” as one of the three important characteristics from customer’s perspective for adoption of innovative service. Dover (1998) and Daniel (1999) studies in USA and UK respectively found that ease of use as one of the factors for customer acceptance electronic banking. For successful implementation of Internet banking, banks must ensure that the services are simple, easy and of sufficiently high quality to ensure customer satisfaction in order to maintain online customers. According to the Theory of Planned Behavior which is also derived from TAR. TPB added new factor on TAR model which is perceived behavioral control. According to theory of planned behavior, attitude, subjective norms and perceived behavioral control are directly influencing the intention to use new technology (Ajzen, 1991).
4.5.8 Subject Norms

This study also revealed that Subjective norms have positive effect on intention as shown in Table 4.4. This indicates the relative importance of the social influence on non-users of internet banking. This finding has implications for corporate customers; it indicates that advertisements in media or press play important roles in forming intentions towards internet banking adoption. From the study its highly agreed that competitors, Media and the Bank policies will play a big role towards the adoption internet banking According the Theory of Reasoned Action, Intention influence the human’s behavior to adopt or reject new innovations. Intention influenced by attitude and subjective norms according to this theory. Subjective norms is influenced by beliefs and motivation, whereas attitude is influenced by beliefs and evaluations (Fishbein and Ajzen, 1975). Extended TAM explains that subjective norms influence perceived usefulness and image. In addition, subjective norms are influenced by experience and voluntaries and again according to TAM, subjective norms are directly influence the intention to use new technology (Green, 2005).
5.0 Introduction

This chapter summarizes the findings, draws conclusions relevant to the research and makes recommendations on the same. Just to recap the study had two objectives namely to determine the extent of adoption of internet banking by corporate customers of the bank and to determine the factors that affect corporate bank customers' adoption of internet banking in Kenya. To achieve this, a survey study was conducted using a questionnaire.

5.1 Summary of the Findings

The first objective of the research was to determine the extent of adoption of internet banking by corporate customers of the bank. The findings indicate that it's very clear that majority of the respondents do wire transfers of funds over the internet with a mean of 3.04, email and alerts and retrieval of bank statements to data collected are also highly accessed with means 3.05 and 3.04 respectively though they are still according which is still in small average mean for the extent of accessing banking services over the internet is very small extent representing an average mean of 2.65, the access of order of checks is the least to be retrieved with a mean of 2.22. It therefore means that most of the corporate customers are use the traditional banking systems hence the extent of adoption is still minimal in Kenya as referenced in Table 4.3. This research was a continuum to the stream of studies related to user technology acceptance and internet banking. The difference of this research compared to the ones made before, is the fact that the empirical part of the research was done with corporate customers. Nearly all of the studies discovered were concentrating on retail customers, which means the private customers.
Only one research was found related to Internet banking and corporate customers (Rotchanakitumnuai and Speece 2003).

Regarding the second objective which was to determine the factors that affect corporate bank customers’ adoption of internet banking in Kenya the findings indicate that factors affecting internet banking most is Attitude with a mean of 4.26 followed by perceived usefulness and they have great influence while the least factor is Perceived behavioral control with a mean of 2.88 is the least influential.

As suspected, Attitude; it’s very clear that there is positive attitude towards the adoption of intent banking as most the statement were rated over 4.0. Trust according to the data collected Trust was an issue as most respondents were undecided whether the internet banking activities are trustworthy. In terms of Perceived Usefulness most the respondents agreed that internet banking will make it easier for them to do their banking activities. Subject norms the norms indicated in Table 4.5 have positive effect on the intention to use internet banking and Perceived Ease of Use were they agreed that it will be easy as most of the organstaions have computers usage and internet access in large extent .

5.2 Conclusions

In reference to Gender, Majority of the respondents were males 50 (65.79 %) while females were 26 (34.21%). As per Age factor data in respect to age was collected and the results of analysis are shown in the Table 4.1.Thirty five point five three percent of the respondents were in the age bracket 41-50 while 1.32% were over the age of 60.Thus majority of the respondents are youthful. Data in respect to level of education of the corporate customers was collected and the results of analysis are shown in the Table 4.1.Responses were received from customers with
various education levels, 51.32% of the respondents had undergraduate degree, 30.26% had masters degree High school had 2.63%. Data collected in reference to computer usage as shown in Table 4.2 shows that majority of respondents have large extent usage of computers in their organizations at 50.00% representation. Small extent computer usage and others were lowest 8.57% respectively. In terms of organizations Internet Access, data collected in Table 4.2 shows that most majority of organizations that have medium extent in internet access at 45.71%, Those that have large extent internet usage are represented at 37.14% while those organizations with small extent internet access are represented at 20.00%.

As per the objective, the study was successful as it identified the factors affecting the adoption of Internet banking by corporate customers in the Kisumu - Kenya. This research was able to identify that even though most of the corporate customers respondents have computer usage and internet access to large the adoption rate of internet banking should be fast tracked as, awareness is the most important and security is seen as the least important and ease of use are not important factors in influencing their adoption rate. This might be due to the fact that the users still think using Internet banking are complicated process.

Regarding the second objective which was to determine the factors that affect corporate bank customers’ adoption of internet banking in Kenya, the findings indicate that Insignificance of Perceived Usefulness in all the analysis was surprising.

Banks also communicating with their existing traditional customers regarding the online banking facilities provided by them. The only thing that deters them from using the online banking service is their reluctance to embrace delivery channel. This shows that, generally most business peoples are already aware of the service. In order to ease transactions over the Internet, customers would prefer banks to offer online help in circumstances where they experience any
difficulties. Hence customers feel that online transactions are not secure enough; and they are not willing to use it as referenced in the data at Table 4.3 that most of the corporate customers are using the traditional banking systems hence the extent of adoption is till minimal in Kenya.

5.3 Limitations of the study

This study was conducted to in the factors affecting corporate customers' adoption of internet banking services by corporate customers and the extent of its adoption; however a number of limitations arose as some respondents did not respond to the questionnaires while others responded late. As such there is still room for further investigation of adoption of internet banking services. The study focused on users who are inexperienced or just online users of internet banking services. First future studies be carried out on non internet users to investigate their adoption intentions of such service. Second as internet banking services are relatively new in Kenya, this study has been unable to measure the actual usage of such services which was suggested by the theory of planned behaviors (Ajzen 1985)

Additional research, both longitudinal and cross-sectional is needed to examine the difference of this frame work as users evolving from being aware of the internet banking services, to having experience with the service, to being continued use of the internet banking. More research with the alternative conceptualization of trust would be useful in more understanding the role of trust in the initial adoption of the online service.

5.4 Recommendations

This study makes significant contributions to knowledge in relation to corporate customers' extent of adoption and the factors affecting Internet banking adoption. In the light of these findings, several recommendations will be made which may be useful for bankers and other
related authorities. Banks should make their customer more aware of their new products or services, in this, Internet banking, to encourage higher adoption rate. They can do so by having seminars, exhibitions or giving free-trial periods to allow customers to evaluate their new inventions. Besides that, education and publicity through mass media will also prove to be effective.

Banks should take security of their Internet banking sites into serious consideration since fraud and websites hacking still haunt most of the customers. Perhaps they can implement more advanced encryption methods and build stronger firewalls to prevent security infringement. Government authorities like Central Bank of Kenya, Kenya ICT Board, and Comptuer Society of Kenya can play their role by issuing statements which reassure customer that the government recognizes Internet banking as secure. Internet banking sites should be made as user-friendly as possible as not many consumers are familiar with computer and the Internet, especially the older generation. Providing online help and giving customer the choice of their preferred language will ease their transactions.

In order to receive greater response towards Internet banking, it is recommended that bankers target their promotional activities towards those in the younger business personnel who are computer literate, well educated and are quite well to do as they seem to be the most likely users of Internet banking as indicated in this study.

5.5 Suggestions for further research

My suggestion is to conduct a research with corporate customers with a larger and more versatile target group. More non-users should be involved in the study, and other corporate banking areas where different transactions are in question. A comparison between ones thoughts regarding
private Internet banking and Internet banking for work purposes as a corporate user could reveal a good area of study. In addition a wider comparison between the countries should be conducted. A deeper analysis related to the demographics and background of the users would be beneficial in order to discover how they influence corporate customers decision-making and use of Internet banking.
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Dear Sir/Madam

RE: INTRODUCTION LETTER

I’m a post graduate student at the University of Nairobi undertaking a Master of Business Administration research project titled “An Investigate into the factors that affect the adoption of Internet Banking among Corporate Customers in Kenya”.

The purpose of this letter is to kindly request you to respond to the questionnaire that is needed to collected data for the project. The information obtained is to be used for academic purposes only and will be treated with at most confidentiality

Yours faithfully

Ondiek Collins Oduor
QUESTIONNAIRE
This survey is designed to understand Internet users’ perspectives on Internet banking, their experience with Internet banking, and their expectations of Internet banking services. Please give appropriate responses in the questionnaire in relation to your use of internet banking.

Section A (1) Demographics-Personal Background Information on the Respondent as corporate customer of Banking Services.

1) Please specify your Gender
   Male[ ] Female[ ]

2) What is your age bracket?
   Below 20[ ] 20-30[ ] 31-40[ ] 41-50[ ]
   51-60[ ] Over 60[ ]

3) Education-State your highest level of education
   PhD[ ] Masters Degree[ ] Undergraduate degree[ ] non-university
   Tertiary education[ ] High school[ ] Others Specify ______________

Section A (2) Demographics-Corporate Customers(firms)Background Information
In this section, you are expected to respond to the following items related to the firm/institution/organization which you work.

4) What is age of your firm/institution/organization
   1-5 years[ ] 6-10 years[ ] 11-15[ ] 16-20[ ] Over 20[ ]

5) Please specify the staff turnover rate in your firm/institution/organization
   Very Low[ ] Low[ ] Medium[ ] High[ ] Very high[ ]

6) Please state type of Business your organization operates
Agriculture [ ] Education [ ] Health [ ] Manufacturing [ ]
Others please specify [______________________]

7) Specify the type of ownership of your organization/firm
Local[ ] Foreign[ ] Both [ ] Other please specify [ ]

8) Specify the type of your organization/firm
Private [ ] Sole Proprietorship [ ] Partnership [ ] Corporation [ ]
Government Agency[ ] NGO [ ] Other please specify__________________

9) Please rate your firms/organizations in terms of Computer Usage.
Small extent [ ] medium extent [ ] Large extent [ ] others, specify ———

10) Please rate your firms/organizations in terms of Internet Access.
Small extent [ ] medium extent [ ] Large extent [ ] other, specify ———

SECTION B

The following are banking services that can be offered through internet banking. For each service please [✓] tick in the appropriate boxes to indicate the extent to which your organization get the service through internet banking.

<table>
<thead>
<tr>
<th>No</th>
<th>Banking Services</th>
<th>Very Large Extent</th>
<th>Large Extent</th>
<th>Small Extent</th>
<th>Very Small Extent</th>
<th>No Extent</th>
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<tbody>
<tr>
<td>11</td>
<td>Bill payment</td>
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<td>12</td>
<td>E-alerts</td>
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<td>13</td>
<td>Wire Transfer</td>
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<td>14</td>
<td>Stop Payment</td>
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<td>15</td>
<td>Balance Inquiry</td>
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<td>16</td>
<td>Check Image Retrieval</td>
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<td>17</td>
<td>Ordering Cash</td>
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<td>18</td>
<td>Retrieving Bank Statement</td>
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<td>Balance inquiry</td>
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<td>20</td>
<td>Utility bill payment</td>
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<td>21</td>
<td>Email and text alerts</td>
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<td>22</td>
<td>Order check books</td>
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<td>23</td>
<td>Internal account transfer</td>
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Please specify other services and rate appropriately in the spaces provided below

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29 Overall, how satisfied are you with internet banking service? Comment

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
The following statements relate to the factors affecting adoption of internet banking. Please tick in the appropriate boxes to indicate the extent to which you agree with each statement as having influenced your adoption of internet banking by your firm/organization/institution.

<table>
<thead>
<tr>
<th>STATEMENTS</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
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<td>Awareness</td>
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<td>Issues related to using Internet Banking are easily evident</td>
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<td>Previous experience</td>
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<td>Experience in using other Internet bank services is easier</td>
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<td>Experience in using other Internet services (e.g. booking tickets, ordering, goods or buying with credit card) is easier</td>
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<td>Attitude</td>
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<td>Using internet banking is a wise idea</td>
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<td>Using internet banking is a good idea</td>
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<td>Using internet website is a pleasant idea</td>
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<td>Perceived Behavioral Control</td>
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<td>The organization would be able to operate internet banking</td>
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<td>The organization had the resources to use internet banking</td>
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<td>Trust</td>
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<td>The internet banking site is trustworthy</td>
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<td>The benefits of the decision of internet banking sites are trustable</td>
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<td>Strongly Disagree</td>
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<td>Perceived Usefulness</td>
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<td>Using internet banking improves our performance of banking activities</td>
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<td>Using internet banking makes it easier to do banking activities</td>
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<td>Perceived Ease of Use</td>
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<td>Interaction with internet banking is clear and understandable</td>
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<td>Learning to use internet banking is easy</td>
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We thank you for your participation and hope you have a

Wonderful day!