EFFECT OF MOBILE BANKING ON CUSTOMER SATISFACTION IN KCB BANK LIMITED, KENYA

BRENDAN KENNETH ODONGO

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DECLARATION

I declare that this Research Proposal is my original work and has not been submitted to any other university or institution of higher learning for examination.

Signature.. Date..

Brendan Kenneth Odongo

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This Research Proposal has been submitted for examination with our approval as the University supervisor.

Signature.. Date..

Dr.Joseph Aranga

Lecturer, Department of Business Administration,

School of Business

University of Nairobi.

ACKNOWLEDGEMENT

DEDICATION

I dedicate this research project to my uncle Mr. Peter Kenyatta, parents and children, for their love, support, patience and encouragement.

ABSTRACT

Mobile Banking has become one of the most popular methods of banking that has experienced tremendous growth over the last couple of years. Technological advances have reshaped the size and nature of the financial industry, allowing it to extend beyond the traditional, brick-and-mortar concept of borrowing and saving. Internet banking, digital wireless banking and mobile banking are an extension of the technological progression that is now characteristic of the banking sector. The study used a descriptive survey approach methodology of one hundred and eighty customers of KCB Bank Limited Kenya spread across six geographical areas that the bank is divided into to understand the effect of mobile banking on customer's satisfaction. The study has used primary data collected from the one hundred and eighty customers selected randomly within the KCB branches. Statistical analysis was done with the aid of statistical Package of Social Sciences (SPSS) software. The findings revealed that mobile banking had statistically significant influence on the level of satisfaction amongst customers of KCB Bank Limited, Kenya. Data from individual customers indicate that 31.6% of the respondents aged between 26-34 years are actively using mobile banking and 23.9% of the respondents are extremely dissatisfied, 13.7% are somewhat dissatisfied, 9.4% neither satisfied nor dissatisfied, 23.1 somewhat satisfied and 29.9% extremely satisfied. Factors such as age, customer experience, product experience, and security of application are significant determinants of overall satisfaction with mobile banking. However, gender has no impact in determining the overall satisfaction. Based on the findings of the study, it can be concluded that usage of mobile banking has assisted greatly in improving various aspects of customer service delivery such as providing timeless banking to the customers, reduction of queues and reduction of time to access banking services. It is therefore recommended to the management of KCB Bank Limited Kenya that they need to explore ways of making mobile banking services more affordable and less costly than the conventional banking service.

ABBREVIATIONS AND ACRONYMS

ATM   Automated Teller Machine

CBK   Central Bank of Kenya

CS   Customer Satisfaction

ICT   Information and Communication Technology

M-BANKING   Mobile Banking

SPSS   Statistical Package for Social Sciences

ROA   Return on Assets

ROE   Return on Equity

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The banking landscape has changed significantly if not dramatically and this is mainly attributed to a number of factors which include changing demographics, competitive business environment, new technologies and disintermediation of financial services. Consumers are increasingly placing premium on convenience and thus adoption of technology by banks is redefining how financial services are developed, packaged, delivered and consumed. Mobile banking plays a big role in bringing financial inclusivity in most countries due to its wide array of different services that customers across different sectors of our society (Vaidya, 2011). According to Kent and Klapper (2012) half of adults in the world have not accessed bank accounts formally. According to Tiwari, Buse & Herstatt (2006) m-banking is any transaction that transfers right of ownership to use of goods and services electronically through a mobile device. Furthermore, they pointed out that m- banking means the offering of banking services with the assistance of a mobile telecommunications gadget. Mobile banking offers banking solutions to even the most remote areas of any country and this enables the banks clients to have the convenience and ease of accessing their accounts anytime anywhere throughout the world.

The study was anchored on assimilation theory, theory of contrast and negativity theory. Assimilation theory presumes that consumers are motivated enough to adjust both their expectations and their product performance perceptions (Anderson,1973). Theory of contrast was proposed by Yi (1990) and according to him, when actual product performance falls short of customers' expectations about the product, the contrast between the expectation and outcome will cause the consumer to exaggerate the disparity. Negativity theory suggested by Carlsmith and Aronson (1963) states that any discrepancy of performance from expectations will disrupt the individual, producing "negative energy".

Most leading commercial banks have incorporated strong digital strategies, with more customers now using their mobile phones and tablets to do their banking. As the world goes deeper into the era of advanced banking experience over and above bank products, the traditional banking system and operations have had to be remodeled to accommodate mobile technologies. In particular changes in IT and changing client's tastes and expectations have led to diverse innovations. In Kenya, KCB is ranked as the dominant bank in the market in terms of total assets and branch networks. Its customer base on mobile banking has grown over the years but not proportionately as the growth of its assets (www.kcbbankgroup.com). This differential growth as compared to competition is attributed to financial inclusion of the unbanked Kenyan population. KCB has made significant advances in adopting technology resulting to more than 79% of the transactions performed outside the branches. Mobile banking transactions have increased by 37%, Agency banking increased by 50%, point of sale transactions increased by 33% in Q1 2017 transactions as compared to the same time in the year 2016.Overal the same time, branch transactions have reduced by 27%. In 2017, the bank intends to make investments to increase mobile banking customers to over 15Million, grow the agency network to over 20,000. (https://www.kcbbankgroup.com)

1.1.1 Mobile Banking

Mobile-Banking is a system whereby financial service providers, individuals, customers and businesses are able to access their accounts, do transactions and obtain latest banking information's on products and services via their mobile phones at their own convenience on a 24/7 basis. The term 'm-banking 'is a system of banking whereby customers are able to do their transactions electronically using their phones (Simpson 2002).Owen (2008) defined m-banking as the facilitation of banking services using a mobile device. Chogi (2006), in his studies noted that only a small number of customers have access to banking services due to high transactional fees, lack of customized products and services, limited geographical reach and the apparent low requests and low bank income. mobi banking has gained traction in Kenya more so with the younger customers aged between 18 to 35 years of age who perceive it to be convenient to them that walking into a banking hall to do a transaction. The partnership between banks and Mobile telephony

companies like Safaricom and Airtel with the aim of increasing the financial inclusion as a way of reducing poverty and wealth creation has also contributed to a great extent on the adoption and usage of mobi banking. This mobile revolution has gripped the financial sector and today it's hard to come across a financial institution that does not offer mobile alternatives to their services and this new technologies continue to bring about previously unimagined banking conveniences to customers like good security, reducing cost of doing banking, easy access to their funds on a twenty four hour basis, ease of getting the banks information like promotional messages and new product offerings, increasing the customers satisfaction (Talmor,1995).

In today's digital age, mobi banking is very convenient and many banks are now offering impressive applications. The ability to check balances, transfer cash, with draw cash, review your recent transactions, pay bills are some of the reasons why people choose to use mobi banking. Various studies which been done on mobi banking shows that m-banking improves overall customer satisfaction and loyalty, it optimizes cross selling and finally it increases bank's revenue which comes on the back of an increase in mobile lending applications and that is why most commercial banks are shying away from the brick and mortar banking halls to encouraging customers to adopt mobile banking.Abiud Ochieng (2017, march 14).Cashless economy weighs heavily on bankruptcy law. The daily nation pp.40

1.1.2 Customer Satisfaction

Customer satisfaction is a well-known and established concept in several areas like marketing, consumer research, economic psychology, welfare-economics, and economics. The most common interpretations obtained from various authors show that satisfaction is a feeling which results from a process of evaluating what has been received against what was expected, including the purchase decision itself and the needs and wants associated with the purchase (Armstrong & Kotler, 1996). According to Oliver (1981), customer satisfaction is the "summary of psychological state when the emotion surrounding disconfirmed expectations is coupled with the consumer's prior feelings about the consumption experience. Bitner and Zeithaml (2003) stated that satisfaction is the customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations. According to Boselie, Hesselink, and Wiele (2002)

satisfaction is a positive, affective state resulting from the appraisal of all aspects of a party's working relationship with each other.

Customer satisfaction has been found to increase revenues (Rust et al., 1995; G6mez et al., 2004), make demand more inelastic (Anderson, 1996), and reduce the costs for attracting new customers and dealing with poor quality, defects and complaints (Anderson et al., 1997). Reflecting these benefits, customer satisfaction has been found to improve the long-term financial performance of firms (Mittal et al., 2005), increase firm profitability (Capon et al., 1990; Aaker and Jacobson, 1994; Anderson et al., 1994), and enhance firms' market value (Aaker and Jacobson, 1994; Ittner and Larcker, 1998).

Service quality and handling of customers complains affects overall customer satisfaction (Levesque & McDougall,1996). Bank features like the ambience, bank interest rates, and perception of employee's skills are factors that drive customer satisfaction. Customer satisfaction

is key driver of customer retention in the banking industry (Reicheld& Sasser, 1990). Past srtudies done have found that satisfaction of the Customers can help the brands to build long and profitable relationships with their customers (Eshghi, Haughton & Topi, 2007). Though it is costly to generate satisfied and loyal customers but that would prove profitable in a long run for a firm (Anderson, Forneil & Mazvancheryl, 2004). Black, et al., (2002), study showed that consumers' attitude on mobile banking acceptance and the manner in which they behave depends on whether consumers are computer literate or had prior knowledge on technologies, where prior experience with computers had more impact on the use mobile banking, while consumers who were satisfied with the existing delivery channels seemed to want to keep to their current banking services. In addition, references made by those already using mobile banking services including family members or other groups, influenced consumers' attitudes towards acceptance, in addition to whether they are dissatisfied with the banking services they are already using.

1.1.3 KCB Bank Limited

The KCB Bank has a rich history that dates back to 1896 when its Successor, the National Bank of India opened a branch in Mombasa (www.kcb.co.ke). In 1904, the bank opened a branch in Nairobi to take advantage of the construction of the railway track to

Uganda. In 1958, Grind lays Bank amalgamated with the Bank of India to form the Bank. When Kenya attained its independence in 1963, the Government acquired 60% of shareholding in National & Grind lays Bank as a way of bringing banking closer to the people. The major development came in 1970 when the Kenya Government obtained 100% of the banks shares to make it the sole owner and went ahead to rename it as Kenya Commercial Bank a name it held till December 2015 when it formed a holding company and its now known as KCB bank group since its now aiming to be a Pan – African bank.

Today KCB Group Plc is ranked as the largest bank due to its wide network coverage of 260 branches, 962 automatic teller machines (ATM) and over 15,000 KCB Mtaani agents offering banking services to its customers within the East African region. This is accompanied by digital banking services with a 24\7 contact center to enable the bank interact with its customers anytime anyday. The Bank has an extensive arrangement with other banks totaling to over 200 banks across the world assuring clients of a seamless assistance of their international trade requirements wherever they are. (www.kcbbankgroup.com).

1.2 Research Problem

Accessing formal financial services still remains a challenge and an impediment to the performance of a financial institution while at the same time satisfying customers is also critical to a firms success.Fornell (2001) posits that satisfied customers may be the most consequential of all economic assets.Firms that are unable to satisfy customers can expect to lose market share to rivals offering better products and services at lower prices. Therefore, to solve these challenges, the banking institutions have advanced their technologies through the use of mobile phones by the customers to access their accounts at their own convenience anytime anywhere on a twenty-four-hour basis throughout the week and this convenience has led banks to have more satisfied and loyal customers. The use of m-banking has enabled customers relate across the customer life cycle much easier than before technology (ICT) infrastructure and policy.

Mobile banking is very convenient in today's digital age with many banks offering impressive applications. The ability to deposit a check, to pay for merchandise, to transfer money to a friend or to find an ATM instantly are reasons why people choose to use mobile banking. However, establishing a secure connection before logging into a mobile banking app is important or else a client might risk his personal information being compromised. In Kenya, this transformation is real, with banks embracing mobile money transfers in the wake of phenomenal successes in mobile phone banking, largely enabled by safaricoms Mpesa technology. KCB has recently launched a mobile app called Vooma under its fintech strategy which is revolutionizing the way you can make payments for bills, goods and services and this has brought the convenience of paying bills or making other payments and performing bank transactions across all mobile networks and this has given customers a totally new exciting banking experience. Since its adoption the bank has been able to increase its non-funded income by 40% between 2016 and 2018 April, deepen its market penetration by increasing the number of customers from 4 million to the current number of 13million, and it has also increased its network footprint in the region.

Numerous studies have been done to establish the causes that affects the operation of banks. Ndii (2014) in his studies on the connection between m-banking deepening and financial operation of banks in Kenya. The study found out there was a weak positive relationship between m-banking and financial performance of banks in Kenya with external economic variables such as election violence, foreign exchange rates fluctuations and inflation playing a major role. Musyoka (2013) in his study of service quality and satisfaction among Kenyan Library users found that libraries that offered better customer services were more preferred by library users as compared to libraries that offered poor customer service. Mburu (2013) did a study about the determinants of customer satisfaction in the Kenyan banking industry and documented that customer satisfaction is determined by factors such as pricing, quality of service, value and relationship with the service provider's staff. Muturi et al (2012) conducted a survey on factors affecting customer loyalty and satisfaction in the mobile industry, a case study of Safaricom (K), and he found out that price, service quality and well trained manpower service providers

contributed immensely to the success string. Chepkemoi (2013) studied the outcome of m-banking on the financial performance of banks within Kenya and found out that m-banking has a positive effect on the financial performance of a bank. According to Kigen 2010, in his studies on the impact of m-banking on operations costs of microfinance organizations he established that m-banking had reduced operations costs to a great extent although it was not noticed by banks immediately because of the small mobile banking customer base. Vincent *et al* (2016) studied the outcomes of m-banking on the financial performance of banks in Kapsabet. The study recognized that mobile banking helps to ensure quick transfer of funds and easy payments of bills.

From the previous studies done, it's clear that no extensive research has been done in regards to financial and economic implication of m-banking on the operations of KCB bank Kenya and the study therefore targets to bridge this gap. To realize this, the study sought to answer the following question: What is the effect of mobile banking on customer satisfaction in KCB Bank Kenya limited?

1.3 Research Objective

To determine the effect of mobile banking on customer satisfaction in KCB Kenya.

1.4 Value of the study

The findings of this study intend to make theoretical, practical and methodological contributions to various stakeholders in the banking industry. Specifically, the findings will contribute to professional extension of existing knowledge in measuring and implementing service quality geared towards satisfaction of customers within organizations. By measuring the satisfaction level of customers, commercial banks can develop customer-centric service approaches to deal with customers in order to avoid the tendency of existing customers switching to a competing bank.

To KCB Management, the study will enable them come up with innovative strategies on how to drive the digital agenda that deepens financial inclusivity through mobile phones using KCB Mpesa and MyKash while satisfying their customer's needs. To the industry players it will help commercial banks have a deeper insight on how to package

their products to take advantage of the changes in technology to increase on their non-funded incomes through innovation of new products and services. The study will also help strategy makers of the commercial banks to make concrete decisions on how to improve security of the electronic banking in the industry so as to maximize the profits generated through mobile banking and other electronic channels.

The study will provide useful information to makers of policy and government agencies like Central Bank of Kenya in policy making especially in regards to regulating mobile money transfer services and banking cyber security rules. The public at large will also be educated of the benefits of mobile money transfer hence empowers the users and the providers on the information. Various books have been written on mobile banking and my findings will contribute to the already existing knowledge.

CHAPTER TWO

LITERATURE REVIEW

2.1: Introduction

The chapter presents the literature review on the theoretical foundation of the study, empirical literature and summary with knowledge gap.

2.2 Theoretical foundation of the study

This study looked at different theories which have been proposed by different authors to explain the issues affecting the adoption of mobile banking and the influence on customer satisfaction. These theories include the Assimilation theory, the theory of contrast and Negativity theory.

2.2.1 Assimilation Theory

This theory was proposed by Festinger (1957) and it states that consumers makes a sort of cognitive comparison between the expectations regarding the product and the products perceived performance. If there is a discrepancy between expectations and the products perceived performance, the dissonance will not fail to appear. According to Anderson (1973), consumers seek to avoid dissonance by adjusting perceptions about a given product to bring it more in line with their expectations. The theory presumes that the consumers are motivated enough to adjust both their expectations and their product performance perceptions. If the consumers adjust their expectations or product performance perceptions, dissatisfaction would not be a result of the post-usage process.

2.2.2 The Theory of Contrast

Dawes et al (1972) defined contrast theory as the tendency to magnify the discrepancy between one's own attitude and the attitudes represented by opinion statements. This approach states that whenever the customers experiment disconfirmation, they try to minimize the discrepancy between their previous expectations and actual product\service

performances, by shifting their evaluations away from expectations. According to this theory, any discrepancy of experience from expectations will be exaggerated in the direction of the discrepancy. According to Yi (1990), this theory, when actual product performance falls short of consumers' expectations about the product, the contrast between the expectation and outcome will cause the consumer to exaggerate the disparity. If a firm raise expectation in advertising, and then a customer's experience is only slightly less than that promised, the product\service would be rejected as totally un-satisfactory. Conversely, under promising in advertising and over delivering will cause positive disconfirmation also to be exaggerated.

2.2.3 The Negativity Theory

The theory was developed by Carlsmith and Aronson (1963) and suggests that and discrepancy of performance from expectations will disrupt the individual, producing" negative energy". This theory states when expectations are strongly held, consumers will respond negatively to any disconfirmation. Accordingly, if perceived performance is less than expectations or exceeds expectations then dissatisfaction occurs.

2.3 Empirical Literature Review

Various research have been done m-banking and customer satisfaction. According to Chung and Kwon 2009, mobile banking is the convergence of mobile technology and financial institutions. Chenge Sellah (2010) in her studies on the outcome of m-banking on the operation of banks in Kenya and established that banks which had embraced m-banking had a great improvement in their financial performance unlike those which didn't embrace the technology. According to Kigen (2010), in his studies on the effect of m-banking on operation costs of micro finance institutions, he established that m-banking has reduced operations costs to a great extent.

Kasyoki (2012) studied issues affecting acceptance of mobile banking by customers of banks and established that customers use mobile banking because it is convenient, cheap, safe and reliable. In his findings he suggests that the customer's workmates, associates

and family members influenced how they adopted and used mobile banking. On the banks side he suggests that banks should stress on the benefits such as savings of cost, convenience, elasticity and mobility by using mobile banking services. Kingoo (2011) did a study on electronic banking his main focus being M-banking and he found out that its adoption had revolutionized how banking is done. According to Munaye 2013 in his studies on the usage of m-banking as a tactical reply by equity bank to the challenges in the outside environment and found out that its effect was not considered while determining the financial performance of the bank.

According to Oliver (1981), customer satisfaction is the "summary of psychological state when the emotion surrounding disconfirmed expectations is coupled with the consumer's prior feelings about the consumption experience" (p. 27). Customer satisfaction is important as it helps firms achieve financial and market objectives (Oliver, 1997); then, by satisfying their customers, firms expect to achieve their loyalty (Del Águila-Obra *et al.*, 2013). Bravo, Matute and Pina (2011) add that satisfied customers develop loyalty intentions or a willingness to repurchase a firm's products and services. It is expected that if a service provider can satisfy the needs of its customers better than competitors, it will be easy to make them loyal (Moreira & Silva, 2015; Paiva, Sandoval & Bernardin, 2012). Hoyer and MacInnis (2001) said that satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight of a service. Thus extremely satisfied customers are less prone to overtures from competition (Fornell, 1992). Similarly, Anton (1996) asserts that satisfaction is positively associated with repurchase intentions and the likelihood to recommend a product or service offering. According to Kim, Park and Jeong (2004) customer satisfaction is customer's reaction to the state of satisfaction, and customer's judgment of satisfaction level. Customer satisfaction is very important in today's business world (Deng et al, 2009). The ability of a service provider to create high degree of satisfaction is crucial for product differentiation and developing strong relationship with customers.

Krishna et al (1999) conducted studies that found that the customer perceptions of the product and quality of those products were a driver of total customer satisfaction. They further recommended service delivery as having an impact on the level of customer

satisfaction. According to Karungu (2014), in his studies on issues delaying adoption of internet banking by commercial banks in Kenya, he concluded that internet banking is hindered by extreme doubts because of its faceless nature where there are no human interactions as the case with previous banking of offering transactions on a face to face basis. The findings established that that educational levels of the consumer influence customer decision adoption on e-banking, demographic factors like age, gender also influence to a great extent the adoption of online banking whereby the younger generation prefer doing transactions online due its convenience and time saving nature whereas the older generation still prefer doing transactions over the counter. On the Banks side she recommended that Banks should form their strategy around the value chain system, through marketing their service to differentiate it from the normal mobile banking transactions as Internet banking provides other services not offered in mobile banking.

Ngarari (2015) did a study on the issues affecting uptake of mobile banking expertise amongst female clients of banks in Kenya. The results suggest that most of the female bank customers were in possession of information technology skills with computers being the most used form of technology which is an indicator of lack of aversion to technology skills by women. Her conclusions were that technology skills had an influence on the uptake of M-banking by women although lack of it also did not keep women from using M-banking. The relationship between satisfaction and customer loyalty is supported by Chiou (2004) in his study conducted in the Internet service providers' context. Lin and Wang (2006) and Deng *et al*. (2010) found the same result in the mobile commerce and mobile internet messages.

Chepkemoi (2015) in her study on the effect of m-banking on financial performance of banks in Kenya, found out that mobile banking has a clear effect on a firm's financial performance. Hence, banks should continue investing in mobile banking as it positively influences financial performance. According to Wambari (2009), while assessing mobile banking in developing countries especially focusing on Kenya, he found out that it had a positive impact on transfer of fund, making of payments and withdrawals especially in small enterprises. It is a dependable cost effective and modest way of doing business.

Khayo (2015), while assessing the result of m-banking services on the operation of financial organizations in Kenya with precise reference to: pay bill/buy goods, loan and funds transfer services of mobile banking, observed that mobile banking services do not significantly affect the profitability of financial institutions and as such he recommended that the financial institutions in conjunction with the communication industry should work towards coming up with more self-service options in order to improve reliance on mobile banking.

Tirok (2012) did an analysis on the issues affecting consumer's adoption of mobile financial services in Baringo County and her findings were that perceived usefulness and ease of use, consumer's knowledge\familiarity on the use of mobile telephone technology affected the level of use of mobile banking. The study also established that social norms also affect the adoption of mobile financial service.

2.4 Summary of the Literature Review and knowledge gap

This chapter began by examining the conceptual and theoretical framework and has included a comprehensive review of the literature. Similar studies done in Kenya and other countries have been studied and they show there exists a knowledge gap in understanding the effect of m-banking on customer satisfaction in KCB bank limited Kenya. Therefore, financial institutions should come up with more innovative strategies on how to drive the digital agenda that deepens financial inclusivity through mobile phones whilst also having a deeper insight on how to package their products to take advantage of the changes in technology to increase on their funded income, reducing transactions costs and lowering the barriers to entry into the formal financial systems.

Previous studies done have shown that m-banking has gained traction throughout the globe and it plays a significant role in the banking industry today as it increases financial inclusion to the previously unbanked population by offering services such as account opening, checking of balances, withdrawals of money from the bank to the phone, paying bills and even borrowing loans. Other studies have also identified the factors that influence customer service over the years and they are mostly similar in what

aspects of customer satisfaction they are measuring which include customer expectations, perceived service quality, product quality, perceived value, price among others.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section presented a description of the research methodology which was used in the study. It involved research design, target population, sampling design, data collection and data analysis.

3.2 Research Design

The research design that was used is a descriptive survey design. Descriptive research design helps to ascertain and be able to describe the characteristics of the variables of interest in a situation and portrays the characteristics of a particular situation and it has the advantages of accuracy and flexibility (Kombo & Tromp, 2006).

3.3 Target Population

Ngechu (2004) defines population as a set of people, services, elements, and events, group of things or households that are being investigated. Cooper and Emory (1995) define population as the total collection of elements about which the researcher wishes to make some inferences. The target population for the study consisted of customers within banking halls from eighteen branches of KCB operating in Kenya.

3.4 Sampling Technique and Sample Size

Random sampling technique was used targeting 180 respondents who are spread across eighteen branches of KCB bank Kenya in order to have an even distribution of customer responses. In Kenya, the branches are divided into six regions namely Western, Central, Great Rift, Coast, Nairobi Environs and Nairobi Central.The branches are categorized into Small, Medium and Large branches.

3.5 Data Collection

Questionnaires were used to gather information as data collection tool which had open and closed ended questions. The use of structured questionnaire ensured consistency of questions and answers from the respondents. The questionnaire was used to collect data from the respondents about mobile banking, costs effectiveness, convenience, security and customer satisfaction. mobilized through mobile banking. The data consisted of response from 117 customers out of the 180 sampled from 35 branches within the six regions that KCB is divided into.

3.6 Data Analysis

Analysis of data was conducted using descriptive statistics which included frequency table, mean, standard deviation, standard error of the mean and sum. Using Statistical Package for Social Sciences (SPSS).

To establish the effect of m-banking on customer satisfaction of KCB bank Kenya, The study used a simple linear regression which was to determine the effect of mobile banking in predicting variations in customer satisfaction. In the model, customer satisfaction (CS) is the dependent variable and mobile banking (MB) is the independent variable, B_o is the constant, B_1 is the slope and ε is the error term.

$$Y = B_o + B_1X_1 + \varepsilon$$

Where Y = Customer satisfaction

X_1 = Usage of Mobile Banking

B_o = Constant

B_1 = The slope

ε = Error Term

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, presentation and interpretation of the findings on critical factors influencing the public infrastructure implementation. The collected data was collected, and descriptive table reports generated.

4.2 Response Rate

Questionnaires were administered to 180 respondents. From the research, 117 out of the 180 sample respondents filled-in and returned the questionnaires making a response rate of 65% as shown in Figure 4.1. According to Kothari and Garg (2018) the response rate of 50% is adequate for analysis and reporting; 60% is good and a response rate of 70% and over is excellent; therefore, this response rate was adequate for analysis and reporting.
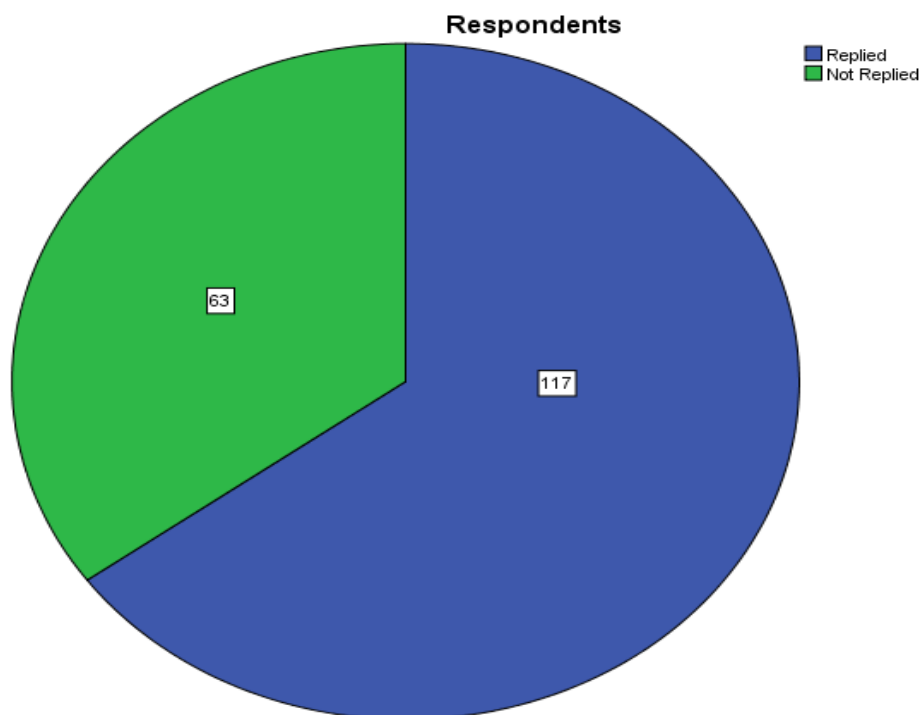
Figure 4.1 Response Rate

4.2.1 Reliability Test research

Prior to the actual study, pilot research was carried out to pre-test the validity and reliability of data collected using questionnaires. The pilot research allowed for pre-testing of the research instrument. The results on reliability of the research instruments are presented in Table 4.1

Table 4.1 Reliability Test

Scale	Cronbach's Alpha	Number of Items	Remarks
Mobile Banking	.949	11	Acceptable

Source: Primary Data

The overall Cronbach's alpha for the four categories which is 0.752. The findings of the pilot study showed that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Bryman & Bell, 2018).

4.2.2 Validity

Factor analysis was used to check validity of the constructs. Kaiser-Mayor-Oklin measures of sampling adequacy (KMO) & Bartlett's Test of Sphericity is a measure of sampling adequacy that is recommended to check the case to variable ratio for the analysis being conducted. In most academic and business studies, KMO & Bartlett's test plays an important role for accepting the sample adequacy. While the KMO ranges from 0 to 1, the world-over accepted index is over 0.5. Also, the Bartlett's Test of Sphericity relates to the significance of the study and thereby shows the validity and suitability of the responses collected to the problem being addressed through the study. For Factor Analysis to be recommended suitable, the Bartlett's Test of Sphericity must be less than 0.05.

The study applied the KMO measures of sampling adequacy and Bartlett's test of sphericity to test whether the relationship among the variables has been significant or not as shown in below in table 4.2. Factor 1 was based on eleven items that represented

mobile banking. The Kaiser-Mayor-Oklin measures of sampling adequacy shows the value of test statistic as 0.888, which is greater than 0.5 hence an acceptable index. While Bartlett's test of sphericity shows the value of test statistic as 0.000 which is less than 0.05 acceptable indexes. This result indicates a highly significant relationship among variables.

Table 4.2 KMO Bartlett's Test

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.888
Bartlett's Test of Sphericity	Approx. Chi-Square	267.177
	df	10
	Sig.	.000

4.3 Demographic Characteristics of Respondents

Respondents were required to give information concerning age, gender, customer experience, connection, product experience, easy of application and security of application.

4.3.1 Age of Respondents

The study sought to establish age of respondents. Study findings established that respondents 25 years and below were 9.4%, between 26-34 years 31.6 years, between 35-44 years 30.8%, between 45-54 years 14.5% and 55 years and above were 13.7% as shown in Table 4.3

Table 4.3 Age of Respondents

Age	Frequency	Percent
25 Years & Below	11	9.4
Between 26-34 Years	37	31.6
Between 35-44 Years	36	30.8
Between 45-54 Years	17	14.5
55 Years & Above	16	13.7
TOTAL	**117**	**100**

Source: Primary Data

4.3.2 Gender of Respondents

The study sought to establish the gender of respondents. The study findings established that male was 61.5% and female 38.5% as shown in Table 4.4

Gender of Respondents

Gender	Frequency	Percent
Male	72	61.5
Female	45	38.5
TOTAL	**117**	**100**

Source: Primary Data

4.3.3 Customer Experience

The research sought to establish how long participants have been customers of KCB. Results are presented in Table 4.5

Table 4.5 Customer Experience

Age	Frequency	Percentage
1 Year & Below	25	21.4
1-5 Years	20	17.1
6-10 Years	34	29.1
Above 10 Years	38	32.5
TOTAL	**117**	**100**

Source: Primary Data

The study findings in Table 4.5 established that respondents who have been customers at KCB for 1 year and below were 21.4%, those between 1-5 years were 17.1%, between 6-10 years were 29.1% and those above 10 years were 32.5%.

4.3.4 Connected to Mobile Banking Product

The study sought to establish whether respondents are connected to mobile banking product.

Connected to Mobile Banking Product

	Frequency	Percentage
Yes	61	52.1
No	56	47.9
TOTAL	**117**	**100**

Source: Primary Data

The study results revealed that 52.1% are connected and 47.9% are not connected with a mean score of 1.52 and a standard deviation of 0.502. This shows that the majority of respondents are connected to mobile banking product.

4.3.5 Product Experience

It sought to examine the product experience among the participants. Results are presented in Table 4.6

Product Experience

For how long you have used the mobile banking product \service

Table 4.7: Respondent score on product experience

	Frequency	Percentage
1 Year & Below	39	33.3
1-5 Years	43	36.8
6-10 Years	35	29.9
TOTAL	**117**	**100**

Source: Primary Data

The study findings established 33.3% of the respondents have used the mobile banking product for 1 year and below, 36.8% have used mobile banking product/service for between 1-5 years and 29.9% have used the mobile banking product for between 6-10 years with a mean score of 1.97. This indicates that the mobile product/service is in use.

4.3.6 Ease of Application

It sought to set whether the use of mobile banking application is easy or difficult. The pertinent results are presented in Table 4.7

	Frequency	Percentage
Very Difficult	27	23.1
Difficult	17	14.5
Easy	24	20.5
Very Easy	49	41.9
TOTAL	**117**	**1000**

Source: Primary Data

The study findings established that 23.1% of the respondents believe that using the KCB mobile banking application if very difficult, 14.5% believe that is difficult, 20.5% believe that it is easy and 41.9% believed its very easy to use mobi-banking application as shown in Table 4.8

4.3.7 Usage of Application

The study sought to establish how often do respondents use the KCB mobi-banking product/service. Response is presented in Table 4.8

Response on Usage of Application

	Frequency	Percentage
Daily	13	11.1
Weekly	17	14.5
Once a Month	20	17.1
2-3 Times a Month	30	25.6
Do not Use	37	31.6
TOTAL	**117**	**100**

Source: Primary Data

The study findings revealed that 11.1% of the respondents use the KCB mobi-banking product/service daily, 14.5% use it weekly, 17.1% use it once a month, 2506% use it 2-3 times a month and 31.6% do not use it. This shows that majority of respondents use the application although it varies as shown in Table 4.9

4.3.8 Satisfaction Level

The study sought to establish the satisfaction level of the respondents from based on their experience with mobi-banking application

	Frequency	Percentage
Extremely Dissatisfied	28	23.9
Somewhat Dissatisfied	16	13.7
Neither satisfied nor dissatisfied	11	9.4
Somewhat satisfied	27	23.1
Extremely satisfied	35	29.9
TOTAL	**117**	**100**

Source: Primary Data

The statement that based on your most recent experience please rate your satisfaction level with our mobi-banking product \ service, the study results revealed that 23.9% of the respondents are extremely dissatisfied, 13.7% are somewhat dissatisfied, 9.4% neither satisfied nor dissatisfied, 23.1 somewhat satisfied and 29.9% extremely satisfied with a mean score of 3.21 and a standard deviation of 1.580 as shown in Table 4.10

4.3.9 Security of mobile banking product/service

The study sought to establish the safety and security of the mobi-banking product/service. Results are presented in Table 4.10 below

	Frequency	Percentage
Yes	59	50.4
No	58	49.6
TOTAL	**117**	**100**

Source: Primary Data

The study results revealed that 50.4% of the respondents believe that mobi-banking product/service is secure and 49.6% believe that it is not safe.

4.4 Descriptive Statistics

Effect of mobile banking on customer satisfaction

The study sought to establish whether the respondents based on his/her experiences with the bank and the product on a scale of 0-10 can recommend the product/service to a friend or a colleague. The study results showed that 70% of the respondents can recommend a friend or a colleague to become a KCB customer. Results are presented in Table 4.11

Descriptive Statistics

	N	Mean	Std. Deviation
In your own assessment do you think that KCBs mobile banking platform satisfy its customers' needs and wants	117	4.58	.710
In your own assessment do you think most of KCB customers use their mobile banking platform	117	3.91	1.396
KCBs Mobile banking service meets your needs and expectations.	117	4.15	1.446
Customers are satisfied with the accessibility of KCB mobile banking services	117	4.03	1.339
KCBs mobile banking transaction costs are reasonable	117	3.54	1.540
KCB mobile banking services are easy to use	117	3.90	1.309
I feel safe using KCBs mobile banking services	117	3.95	1.286
KCB mobile banking services are reliable	117	3.50	1.330
I would recommend KCBs mobile banking services to my friends, relatives or colleagues	117	4.48	.638
KCB provides training to its customers on how to transact using mobile banking and sensitive risks associated with the process.	117	4.36	1.170

KCB has put in security measures to ensure customers money are safe and are protected against unethical practices like fraud.	117	4.31	1.228
Valid N (list wise)	117		

Average Score	4.06	1.217

The collected data was analyzed using 1 to 5-point Likert scale with 1= strongly disagree; 2 = disagree; 3 =weakly agree; 4 =agree; 5 = strongly agree.

The statement that in agreement that in your own assessment do you think that KCBs mobi-banking platform satisfy its customers' needs and wants had a mean score of 4.58 and a standard deviation of 0.710. The statement that in your own assessment do you think most of KCB customers use their mobile banking platform has a mean score of 3.91 and a standard deviation of 1.396. The statement that KCBs mobi-banking service meets your needs and expectations had a mean score of 4.15 and a standard deviation of 1.446. The statement that customers are satisfied with the accessibility of KCB mobi-banking services had a mean score of 4.03 and a standard deviation of 1.339. The statement that customers are satisfied with the accessibility of KCB mobi-banking services had a mean score 3.54 and a standard deviation of 1.540. The statement that KCB mobi-banking services are easy to use had a mean score of 3.90 and a standard deviation of 1.309. The statement that I feel safe using KCBs mobi-banking services had a mean score of 3.95 and a standard deviation of 1.286. The statement that KCB mobi-banking services are reliable had a mean score of 3.95 and a standard deviation of 1.286.

The statement that KCB mobi-banking services are reliable had a mean score of 3.50 and a standard deviation of 1.330. The statement in agreement that I would recommend KCBs mobi-banking services to my friends, relatives or colleagues had a mean score of 4.48 and a standard deviation of 0.638. The statement in agreement that KCB provides training to its customers on how to transact using mobile banking and sensitive risks associated with the process had a mean score of 4.36 and a standard deviation of 1.170. The statement in agreement that KCB has put in security measures to ensure customers

money are safe and are protected against unethical practices like fraud had a mean score of 4.31 and a standard deviation of 1.228.

4.5 Regression Model

4.5.1 Analysis of Variance (ANOVA)

The study used ANOVA to establish the significance of the regression model. In testing the significance level, the statistical significance was considered significant if the p-value was less or equal to 0.05. The significance of the regression model was as per Table 4.13 below with P-value of 0.00 which is less than 0.05. This indicates that the regression model is statistically significant in predicting factors of customer's satisfaction. Basing the confidence level at 95% the analysis indicates high reliability of the results obtained. The overall Anova results indicates that the model was significant at $F = 340.38$, $p = 0.000$

Table 4.13 Analysis of Variance (ANOVA)

				ANOVA[a]		
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	468.706	1	468.706	340.38	.000[b]
	Residual	158.321	115	1.377		
	Total	627.027	116			

a. Dependent Variable: Customer Satisfaction
b. Predictors: (Constant), Mobile Banking

4.5.2 Coefficients

The researcher conducted a multiple regression analysis as shown in Table 4.12 to determine the relationship between customer satisfaction and the four variables investigated in this study.

Table 4.14 Coefficients

<table>
<tr><th colspan="7">Coefficients^a</th></tr>
<tr><th></th><th></th><th colspan="2">Unstandardized Coefficients</th><th>Standardized Coefficients</th><th></th><th></th></tr>
<tr><th>Model</th><th></th><th>B</th><th>Std. Error</th><th>Beta</th><th>t</th><th>Sig.</th></tr>
<tr><td>1</td><td>(Constant)</td><td>10.425</td><td>1.557</td><td></td><td>6.694</td><td>.000</td></tr>
<tr><td></td><td>Mobile Banking</td><td>.084</td><td>.070</td><td>.125</td><td>1.193</td><td>.235</td></tr>
</table>

a. Dependent Variable: Financial Performance

The regression equation was:

$Y = 10.425 + 0.084 \, X_1$

Table 4.15 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.683^a	.466	.457	.93178

a.Dependent Variable: Customer Satisfaction
b. Predictors: (Constant), Mobile Banking

The model explains 46.6% of the variance (Adjusted R Square = 0.457) on customer satisfaction. This means that 46.6% of the relationship between customer satisfactions is explained by the identified four variables of mobi-banking investigated in this study. Clearly, there are factors other than the four proposed in this model which can be used to predict customer satisfaction. However, this is still a good model as Cooper and Schinder, (2013) pointed out that as much as lower value R square 0.10-0.20 is acceptable in social science research.

4.6 Discussion of the Findings

The study has revealed that transfer of funds from one account to another or from the account to a mobile account such as M-pesa is one of the prominent activities under mobi-banking at Kenya Commercial Bank. This finding is in harmony with that of Matthew, Alexanra, & Maxmillian, (2015) who in their survey established that the use of mobi-banking to transfer money between accounts was found to be one of the

activities that are rapidly increasing among the users of mobi-banking service. There are also a number of mobi-banking users who prefer to receive text message alerts from a bank whenever there was a transaction.

This study also established that a number of customers prefer accessing their bank account balances through the mobi-banking platform and also to request for bank statements through the same platform. The results agree with Mathew *et al*., (2015) who also asserts that the most common mobi-banking activities that are prevalent among users include checking financial account balances or transaction inquiries where 87 percent of mobile banking users were found to have performed this function in a duration of 12 months.

It was further evident from the study that KCB customers are also able to make a number of transactions and pay their bills from their mobile phones. This further agrees with the position held by Mathew *et al*., (2013) who indicated that there has been increased usage of mobile banking by customers to carry out a number of transactions. Most bank customers use mobi-banking to be able to carry out a number of payments including point of sale payments. Customers who have access to mobi-banking also prefer settling their bills using the mobile banking service because it is more convenient and consumes less time.

It was also clear from the research findings that mobi-banking has enabled customers to access timeless banking that can be done from anywhere anytime. It was further confirmed that mobi-banking improves customer service delivery through reduction in time to complete transactions and also the convenience of not walking into the bank.

This is also the position held by Adewoye (2016) who established that mobi-banking improves banks' service delivery in many ways such as transactional convenience, saving of time, quick transaction alert and save of service cost which has recuperate customer's relationship and satisfaction.

CHAPTER FIVE:

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter gives summarized report of research findings, examination, arrived conclusions and what the researcher recommends. It also presents suggestions of related nature that may be undertaken by future scholars.

5.2 Summary

The research revealed that the widely adopted mobi banking service is the transfer of funds from KCB account to an M-pesa account. The study established that majority of customers are able to access this service from KCB mobi banking platform. The second highest ranking mobi banking service adopted by KCB mobi banking platform is the balance enquiry and payment of bills from a KCB account. The findings reveal that most customers are able to obtain account balances and pay several bills direct from their bank accounts using the mobi banking platform. The findings further confirm that most KCB customers are able to conduct funds transfer from one account to another within KCB and to another bank. They are also able to access cash deposits and withdrawals from the mobi banking network as well as request for their bank statements using the KCB mobi banking network.

The study established that adoption of mobi banking service has assisted in improving customer service delivery in many ways. One of these ways is through the reduction of time to access banking services especially in relation to transfer of funds from a KCB account to another bank. It was also clear that cash deposits and withdrawals through the mobi banking network has assisted in improving service delivery through reduction of time to carry out all these transactions in a typical banking hall. The other way through which mobi banking has assisted to improve customer service delivery is through reduction of queues in relation to funds transfer from KCB to another bank account. The study also revealed that mobi banking especially in form of cash withdrawals and deposits

has provided customers with an opportunity to access timeless banking services. It has also enabled customers to avoid a lot of paperwork that is necessary for a number of transactions.

5.3 Conclusion

KCB has adopted a number of mobi banking services to great extent. These services include: balance enquiry, funds transfer from one KCB account to another, funds transfer from KCB to another bank, funds transfer from a KCB account to an M-pesa account, cash deposits and withdrawals, ordering of statements using the mobi bank platform and ordering of cheque books. mobi banking service has assisted greatly in improving various aspects of customer service delivery such as providing timeless banking to the customers; reduction of queues and reduction of time to access banking services.

5.4 Recommendations

The study has established that mobi banking service has not assisted in significantly reducing the cost of doing banking for customers. The bank needs to explore ways of making the mobile banking service more affordable and less costly than the conventional banking service.

It is also clear that mobile banking is yet to qualify as the most efficient way of providing customer service delivery. The bank should seek more innovative ways of making the mobile banking service the most efficient and effective way of providing customer service delivery.

5.5 Suggestion of Future Studies

There is need to carry out a survey of KCB customers including the subsidiaries outside Kenya. This will assist in providing a more elaborate picture of the effect of mobi banking on service delivery. It will also be important to carry out a comparative study with other international banks that have been successful in using mobile banking as a customer service delivery improvement tool. This will assist the bank to benchmark for best practice.

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Appendix 1: Questionnaire

PREAMBLE

Dear Respondent, the information sought in this questionnaire relates to the effect of Mobile banking on customer satisfaction in KCB Bank Limited Kenya.

This is an academic research and information sought will be used for academic purposes only.

Kindly provide as much information as requested and be sincere.

Your response is highly appreciated.

Section A;

Demographic Data;

1. What is your name (optional) ………………………………….

2. Age

a) 25 below ( )   **b) 26 -34 ( )**   **c) 35 – 44 ( )**   **d) 45 – 54 ( )**   **e) 55 + ( )**

3. Gender

a) Male ( )

b) Female ( )

4. How long have you been a customer of KCB bank?

a) 1 & below ( )

b) 1 – 5 years ( )

c) 6 – 10years ( )

d) Above 10 years ( )

5. Are you connected to our mobile banking platform?

a) Yes ( )

b) No ( )

6. For how long have you used the mobile banking product \service?

a) 1 & below ( )

b) 1- 5 years ( )

c) 6-10 years ( )

7. How easy is it to use our Mobile banking platform?

a) Very Difficult

b) Difficult

c) Easy

d) Very Easy

8. How often do you use our mobile banking product \service?

1. Daily [ ]	**4. 2-3 times a month [ ]**
2. Weekly [ ]	**5. Do not use [ ]**
3. Once a month [ ]	

9. Based on your most recent experience please rate your satisfaction level with our Mobile banking product \ service?

a) **Extremely Dissatisfied [ ]**   b) **Somewhat Dissatisfied [ ]**

c) **Neither Satisfied nor dissatisfied [ ]**   d) **Somewhat Satisfied [ ]**

e) **Extremely Satisfied   [ ]**

10. Are there any fraudulent incidences so far you have experienced?

1. Yes [ ]

2. No [ ]

11. On a scale of 0 to 10 how likely are you to recommend our mobile banking product\service to a friend or colleague?

0   1   2   3   4   5   6   7   8   9   10

Not Likely   **Very Likely**

Section B: Effect of mobile banking on customer satisfaction

Please answer the following questions by choosing the degree of precision that you think mobile banking affects customer satisfaction by choosing whether you agree or disagree with the statements being: 1. I Strongly Agree; 2. Agree; 3. Neutral; 4. Disagree; 5. strongly disagree.

1. In your own assessment do you think that KCBs **mobile** banking platform satisfy its customers' needs and wants?

1. **Strongly agree**   [ ]
2. **Agree**   [ ]
3. **Neutral**   [ ]
4. **Disagree**   [ ]
5. **Strongly disagree.** [ ]

2. In your own assessment do you think most of KCB customers use their mobile banking platform?

1. **Strongly agree** [ ]
2. **Agree**   [ ]
3. **Neutral**   [ ]
4. **Disagree**   [ ]
5. **Strongly disagree.** [ ]

3. *(Please indicate the extent to which you agree/ disagree with the following statements)*

STATEMENT	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
	1	2	3	4	5
1. KCBs Mobile banking service meets my needs and expectations.					
2. I am satisfied with the accessibility of KCB mobile banking services					
3. KCBs mobile banking transaction costs are reasonable					
4. KCB mobile banking services are easy to use					
5. I feel safe using KCBs mobile banking services					
6. I am proud of Using KCBs Mobile banking services					
7. I would recommend KCBs mobile banking services to my friends, relatives or colleagues					
8. The training KCB provides to me on how to transact using mobile banking and sensitive risks associated with the process is helpful.					
9. KCB has put in security measures to ensure customers money are safe and are protected against unethical practices like fraud.					

Thank you for your co-operation.