

DECLARATION

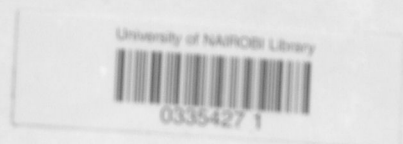
**PERCEPTION OF MANAGEMENT IN FINANCIAL INSTITUTIONS  
TOWARDS THE ADOPTION OF THE THIRD PARTY AUTOMATED TELLER  
MACHINE NETWORK OFFERED BY PESAPOINT IN NAIROBI**

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**A Management Research Project Submitted in Partial Fulfillment of the  
Requirements for the Award of the Degree of Master of Business Administration  
(MBA) School of Business University of Nairobi**

September, 2007



## DECLARATION

This is my own original work and has not been submitted for a degree in any other university.

Signed: *Kimani*.....

Date: *8<sup>th</sup> November 2007*.....

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

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Date: *12-11-2007*.....

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Finally I'd like to thank God for the this life and granting me the opportunity to use the gifts he has provided for me.

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## ABBREVIATIONS

AIDA	-	Attention, Interest, Desire and Action Model
ABC Bank	-	African Banking Corporation Bank
ATM(s)	-	Automated Teller Machine(s)
CBA	-	Commercial Bank of Africa
CBK	-	Central Bank of Kenya
CFC Bank	-	Credit Finance Corporation Bank
EABS	-	East African Building Society
FI(s)	-	Financial Institution(s)
HELB	-	Higher Education Loans Board
HF	-	Housing Finance
I&M Bank	-	Investments & Mortgages Bank
JCB	-	Japan Credit Bureau
MFI(s)	-	Micro Finance Institution(s)
NIC Bank	-	National Industrial Credit Bank
PIN	-	Personal Identification Number
SACCO(s)	-	Savings and Cooperative Society(s)
SPSS	-	Statistical Package for Social Sciences
TPAN	-	Third Party ATM Network



From the findings of this study it is **ABSTRACT** that further studies be conducted on

The third-party logistics market is growing all over the world, with an increasing number of organizations opting to outsource elements of their supply chain to logistics specialists so they can concentrate on their core business activities. Provision of ATM services is considered a non core issue, just like the provision of cleaning services. In March 2005 the PesaPoint concept was birthed upon the realization that there was an opportunity within the market, and far too few Kenyans enjoyed ready access to their cash through ATM services either because their banks did not offer ATM's or they were only placed in a few locations. Only 24 financial institutions of the 53 in the market have signed up to the network. One way of determining why only a few financial institutions have joined the PesaPoint network was through a study of perceptions of decision makers in the concerned banks.

The study was modeled on a descriptive survey design, the aim being to determine the perception of management in financial institutions. A sample size of 53 commercial banks, 11 nonbank financial institutions, 2 microfinance institutions and 4 building societies was used. Primary data was collected using a semi structured questionnaire. One respondent from each institution who is in the position of Marketing manager or Information Technology manager or its equivalent was used to collect the data. Both the E-mail system and "drop and pick later" method were used to collect the data. Data collected was analyzed using descriptive statistics. The study's response rate was 88%.

The study found that though there was a need for the services offered by PesaPoint in the market, and that the perceptions held by financial institutions are generally positive. There were however a few bottlenecks in the relationship between PesaPoint and the various financial institutions. The study faced different limitations. During the collection of literature, the author found that there was a lack of relevant local literature on the subject. The origins of information inevitably come from other countries, like the United States of America and Europe. This may not accurately describe the phenomenon and situation in Kenya, especially with the cultural differences between Kenya and the first world. Collecting data from financial institutions proved to be very difficult since most information in the financial institutions is regarded as confidential. Managers in financial institutions are also very busy persons who have little time to respond to questionnaires.

From the findings of this study, it is recommended that further studies be conducted on perception of customers and other end users (and not just management staff in financial institutions), on the adoption of third party ATM services offered by PesaPoint. Comparisons can then be made between individual customers and corporate customers in terms of the factors influencing their adoption decisions, the criteria for selecting ATM services providers, and the types of products and services perceived to be useful.

of this has been intense competition in several industries. With competition, consumers have a wider choice of products. Sales profits and the market share of companies have gone down drastically.

Coupled with competition, companies have to cope with accelerated technological advances. Technology is very dynamic, and for these companies to survive, they have to keep up with these changes. The consolidation, restructuring, and modernization of the banking sector and the development of capital markets and financial institutions are both important in accelerating economic growth. Financial service industries around the world have been undergoing rapid changes fostered by globalization and technological advances. Banking systems are consolidating in many markets and banks extending their presence across borders. (Barth, James, Caccio and Levine, 2001). New financial service providers are emerging. Nonfinancial entities, including telecommunication and utility companies, are also entering the financial services market. The impact on incumbent financial institutions of the various forms is particularly large. The effects are not limited to industrialized countries and the advanced emerging markets, but have also started to affect many developing countries like Kenya.

Financial institutions in Kenya have not been spared. They have had to invest heavily in technology in order to meet the needs of their customers by ensuring that they provide place and time clarity. Telephone banking, point of sale (cash dispensing and use of Automated Teller Machines are some of the technological developments financial institutions have taken up. Other survival strategies include mergers and acquisitions and product diversification.

### 1.1.1 The Concept of Perception

Perception is how we define our experiences (Berenson and Steiner, 1961). It is how we recognize and interpret stimuli. This applies to all types of business customers, who are constantly making decisions about companies and companies' products based on what they perceive to be true about those companies (Duffy, 1978). Not two people perceive anything the same way.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background

Liberalization and globalization of world economies have posed various challenges to organizations. In Kenya, liberalization has opened up markets. Many new players have entered the Kenyan market in diverse industries. The effect of this has been intense competition in several industries. With competition, consumers have a wider choice of products. Sales profits and the market share of companies have gone down drastically.

Coupled with competition, companies have to cope with accelerated technological advances. Technology is very dynamic, and for these companies to survive, they have to keep up with these changes. The consolidation, restructuring, and modernization of the banking sector and the development of capital markets and financial institutions are both important in accelerating economic growth. Financial service industries around the world have been undergoing rapid changes fostered by globalization and technological advances. Banking systems are consolidating in many markets and banks extending their presence across borders. (Barth, James, Caprio and Levine, 2001). New financial service providers are emerging. Nonfinancial entities, including telecommunication and utility companies, are also entering the financial services market. The impact on incumbent financial institutions of the various forms is particularly large. The effects are not limited to industrialized countries and the advanced emerging markets, but have also started to affect many developing countries like Kenya.

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Perception is how we define our experiences (Berelson and Steiner, 1964). It is how we recognize and interpret stimuli. This applies to all type of business customers, who are constantly making decisions about companies and company brands based on what they perceive to be true about those companies (Britt, 1978). No two people perceive anything the exact same way.

When it comes to customers, it is their perceptions of the quality of service that companies are offering that determines success of the firm. The final measure of quality customer service is simply how the customer perceives it.

Organizations worldwide are embanking on customer surveys so as to increase their customer loyalty since it is the only source of sustainable competitive advantage they can possess, especially in these challenging economic times (Reichheld, 2003). Customers will have to be reminded in many subtle ways that the product/service adds value to their lives or business. This is achieved by adopting vigorous marketing strategies aimed at creating awareness on what the company is offering and also improving the quality of products. By identifying customer's perceptions, companies can improve their services to meet the demands of this dynamic world.

### 1.1.2 The Consumer Adoption Process

According to Rogers and Shoemaker (1971), adoption is making full and regular use of a new idea or product as the best course of action available. It is the process by which an individual becomes committed to continued use of an innovation. It occurs at the micro level, being the individual's decision process leading to adoption or rejection of a product. In technology, adoption and diffusion are two interrelated concepts. Diffusion occurs at a macro level, being the process by which adoption spreads through a specific culture (Frambach, 1993). Diffusion as a concept is not evident on an individual basis but can be seen in a group of people who are identified by their common geo-demographic characteristics.

### 1.1.3 Third Party Automated Teller Machine Networks

Resistance is a common first reaction to change. Some users can be expected to put up a barrier that must be overcome before the benefits of an innovation are understood and accepted. At the other extreme, some users may perceive an innovation as the perfect answer to a problem and adopt it immediately. Other reactions to change may include compliance, acquiescence, and active or passive resistance. This range of reactions also may characterize someone's initial, short-term or final, long-term response to change. The introduction of a Third Party Automated Teller Machine Network (TPAN) is likely to encounter this full range of potential responses from the population.

The introduction, adoption and diffusion of an innovation through the potential user population appears to follow an S-shaped curve on a graph that represents the cumulative percentage of user adoption over time since introduction (Herbig, 1991). The first to adopt are often labeled



"innovators," whereas "laggards" is the term applied to those who wait to adopt or who never adopt an innovation. The percentage of innovators in the user population will determine the initial success of an innovation. The percentage of laggards partly determines the asymptote of the cumulative adoption curve. As the labels imply, there is a pro-innovation bias in much of the work that has studied innovation adoption and diffusion. Innovators are encouraged. New products are often designed to appeal to the requirements of the innovators. Innovation diffusion beyond the innovators depends on bandwagon effects as others emulate the innovators. Laggards are viewed as deficient in some way. A further implication of these labels is that there should be some consistent characteristics of innovative users and of laggards. Adoption of innovation seems to be situation or innovation specific. An innovator for one product may be a laggard for another. Moreover, studies that have searched for consistent personality traits associated with innovativeness have not found them (Robertson & Kennedy, 1968).

Companies are adopting the AIDA (Attention, Interest, Desire and Action) model so as to promote their sales through advertising. This hierarchical model follows the decision making process from lighting the lamp for people, through to the sale itself. At each level in the process the numbers of people dramatically reduce so that those who take action are a small fraction of those who are aware of or interested in the product. Firms are concerned about the adoption process because it gives them insight into how their products and services are being accepted by the market. A good understanding will in turn lead to creation and, or maintenance of the desired products and services (Ferrell, Hartline and Michael, 2005).

### **1.1.3 Third Party Automated Teller Machine Networks**

An automated teller machine (ATM) is a computerized telecommunications device that provides a financial institution's customers a method of financial transactions in a public space without the need for a human clerk or bank teller (Rogers et al. 1996). On most modern ATMs, the customer identifies him/herself by inserting a plastic ATM card with a magnetic stripe or a plastic smartcard with a chip, which contains his or her card number and some security information, such as an expiration date. Security is provided by the customer entering a personal identification number (PIN). Using an ATM, customers can access their bank accounts in order to make cash withdrawals (or credit card cash advances) and check their account balances. Many ATMs also allow people to deposit cash or cheques, transfer money between their bank accounts, pay bills, or purchase goods and services. The transactions are electronically recorded instantaneously (Ghose, 1987).



The third-party logistics market is growing all over the world, with an increasing number of organizations opting to outsource elements of their supply chain to logistics specialists so they can concentrate on their core business activities. Provision of ATM services is considered a non-core issue, just like the provision of cleaning services. This is the opportunity for an organization to provide ATM services to a financial institution. It lies in the fact that an ATM network requires a substantial capital outlay and great investment in technology. The management of the ATM fleet is left to the third party network owners as opposed to the financial institutions employing technology savvy personnel to manage the ATMs. Specialized operations by the third party operator lead to greater efficiencies and lowers costs, which the financial institutions may not be able to enjoy due to their focus on core banking activities. Use of a third party ATM network can also lead to an injection of unexpected revenue streams through transaction fees. Third Party ATM Networks (TPAN) enable financial institutions to improve the distribution of its services. The TPAN gives the financial institution a greater and wider reach of the market. This also gives the bank or Sacco an opportunity to penetrate new and, or different markets. However, customers will have to pay more for using third party ATM networks (Marshall and Wiley, 2002).

#### **1.1.4 Financial Institutions in Kenya**

Financial institutions act as agents that provide financial services for their clients. Common types of financial institutions include banks, building societies, credit unions, stock brokerages, asset management firms and other similar businesses. Financial institutions provide a service as intermediaries of the capital and debt markets usually for profit. These services include receiving deposits of money, lending money and processing transactions. They are responsible for transferring funds from investors to companies in need of those funds. The presence of financial institutions facilitates the flow of monies through the economy (Howells and Bain 2000).

In Kenya, the banking system comprised of 53 commercial banks, 11 non-bank financial institutions, two mortgage finance companies and 4 building societies as at the end of December 2006. The banking system remained relatively stable from 1999 compared to pre 1998 times when five commercial banks were placed under statutory management by the Central Bank of Kenya. Measures put in place by the Central Bank to rescue the banks under statutory management continued successfully. As a result, one bank previously under statutory management was reopened for business. The depositors formed committees to assist the

liquidation agents in restructuring the remaining banks under statutory management (CBK Quarterly June, 2006).

The development of the ATM market cannot be viewed separately from changes that are occurring in the financial services industry. One major change is that the industry is rapidly consolidating. Banks and other financial service firms are merging, reducing the number of firms even as they increase their capacity to provide services to cardholders. E.g. The impending merger between CFC Bank and Stanbic Bank (Mr. Subrajyoti Ghosh, General Manager CFC Bank, Nairobi). The main challenge faced by third party ATM service providers is the unwillingness of some financial institutions to use the service despite not meeting their customers' demands. Although PesaPoint ATMs are well-known in Kenya, the uptake of their services has been slow because of the perception held by some financial institutions towards their services. Much of the huge profits made by banks are derived from charges, such as the ATM transaction fees. Business analysts say that leasing of ATM services will lower the transaction cost to as little as Sh15, based on economies of scale as derived from the number of customers (Matthewman B, 2006). Joining the PesaPoint network does not mean the financial institutions are closing down their ATM points. ATMs within their buildings and elsewhere remain functional. Many people also queue for long hours or travel for long distances to get ATM services while the shared ATM networks are available.

#### **1.1.5 PesaPoint Kenya Limited**

PesaPoint Limited is a private company registered in March 2005. It is part of the Paynet Group which also comprises Paynet Kenya, EFT Kenya and Paynet Zimbabwe. The PesaPoint concept was birthed upon the realization that there was an opportunity within the market, and far too few Kenyans enjoyed ready access to their cash through ATM services either because their banks did not offer ATM's or they were only placed in a few locations. The simple vision was to provide all banked Kenyans easy access to their funds wherever and whenever it was required whilst at the same time encouraging more Kenyans to bank by providing relevant and convenient ATM locations. The strategy of the business has been to maximize the use of one infrastructure for multiple financial institutions, which will provide economies of scale particularly in marginal yet important areas and yet give the financial institutions an opportunity to provide ATM services to their customers while still concentrating on their core business. PesaPoint is determined to continue offering ATM services by providing the widest acceptance possible to locally and

foreign issued cards. This has been made possible with the acceptance of internationally renowned brands MasterCard, JCB (Japan Credit Bureau), AMEX (American Express) and Visa cards on the network.

PesaPoint Kenya Ltd, is the first Independent third party ATM operator which begun its countrywide rollout in 2005. So far it has installed 112 PesaPoint ATMs countrywide. The Key benefit with the PesaPoint ATM Network is that account holders of financial institutions that sign up as members can access their money at any of the 112 PesaPoint branded ATM machines countrywide. The company is owned by a strategic investor and management. The board sits in Kenya and operations are driven locally via an executive management team which includes initial founders of the business. Paynet Kenya provides ATM outsourcing services and management services to PesaPoint which own the ATMs and deployed infrastructure. The company management is optimistic that more banks, Saccos, building societies, cooperatives and other financial institutions will sign up to the PesaPoint network in the near future. Currently, there are a total of 26 financial institutions that have signed up with the PesaPoint network. These are listed in appendix III. They include all Visa, MasterCard, JCB and Amex enabled cards.

Competition among ATM owners occurs at two levels. For banks, ATMs are one of the means by which institutions compete for bank customers. Banks may compete on the basis of the size and range of their proprietary network, the level of their foreign fees, and their surcharges. Therefore, ATM surcharges should be viewed as one facet of banks' competition for customers in general. For nonbanks that own ATMs, the competition focuses more on placing ATMs in locations that capture ATM users who are willing to pay for the service. But all ATM owners—banks and others—have to compete for transactions, because if no one uses the machine, the investment will lose money.

According to Ostlund (1974), firms with weaker capabilities sometimes benefit more from outsourcing ATM services from third party networks owing to greater marginal benefit from using partners' resources and greater openness to learning from partners. The results show that outsourcing sometimes helps weaker firms adopt competence-enhancing innovations, but with substantial limits on this assistance. Outsourcing assists firms weaker on marketing capabilities to adopt innovations at similar levels as stronger firms. By contrast, outsourcing does not help overcome advantages of firms with stronger technical capabilities, while firms with recent

experience in related novel services may actually gain additional benefits from outsourcing. The result of this study will assist the researcher and the PesaPoint management to know the perception of management in current and potential financial institutions towards their services.

## 1.2 Statement of the Problem

Financial institutions in Kenya play a significant role in the payment system in the country. All firms and all salaried individuals need bank services to conduct their business. This has made banking an integral part of Kenyan society. Consequently, financial institutions have had to compete vigorously to attract customers. Stiff competition is a norm in the industry and banks have had to device ways to survive. This has been achieved through creation of new products and services, and keeping abreast with changes in technology. Paynet Kenya introduced a product in early 2005, PesaPoint, a third party ATM network after identifying a niche in this market. However, membership to date has been slow. Only 24 financial institutions of the 53 in the market have signed up to the network. One way of determining why only a few financial institutions have joined the PesaPoint network is through a study of perceptions of decision makers in the concerned banks. According to Kotler (2000), perception is the major determinant of buyer choices. By understanding consumer perception, PesaPoint can improve its services and increase the demand and usage of their fleet of ATMs.

Research by Abernathy and Clark (1985), Christensen (1997), and Tushman and Anderson (1986), shows that when innovations building on existing firm skills enter an industry, firms with stronger capabilities have advantages over weaker firms) since they have the capability to purchase the technology. Despite these findings, other evidence indicates that weaker firms can sometimes approach or even surpass their stronger competitors if they outsource this service. Also the bigger institutions can perform better by outsourcing some services. Their perception may either cause them to adopt or reject the services offered by third party ATM networks. Firms with weaker capabilities e.g. Macro-Finance institutions, sometimes reach innovation adoption levels similar to those of their stronger competitors when competence-enhancing innovations enter their industry because they adopt them faster than their competition, Christensen (1997). Strategic renewal through the adoption of technological innovations is critical to firm competitiveness. However, not all firms are equally positioned to adopt innovations.



Research shows that external partners can help firms grow faster (Sivadas and Dwyer, 2000) and more extensively (Zahra and Nielsen, 2002) by providing access to capabilities that fill voids in resource endowments (Teece, 1992). Other research sites internal inertia, overconfidence, or a too strong customer focus as factors causing leading firms to innovate less aggressively (Leonard-Barton, 1992 and Christensen, 1997). Although these mechanisms offer insights into when weaker firms may innovate more than their stronger counterparts, research has failed to address the role of collaborative outsourcing as part of the strategic arsenal that might aid weaker firms. This research done in the first world has been different to what is expected in Kenya today due to geo demographic differences in cultures and in legislation and generally the macro environment.

The problem of customers' continued wastage of time queuing to get served by their overcrowded ATMs continues while it's well known that the same can be served by third party ATM network if the mother bank can prescribe for those services. These studies have only been done in the first world. Such a study has not been done in Kenya before. In Kenya studies on perception, e.g. by Kiyeng, (2003), have been chiefly on E-commerce in the banking industry, and mostly on perception of consumers towards their products and services. According to the managing director of PesaPoint, Matthewman B (January 2007), there is hesitance in prescribing for third party ATM services. If PesaPoint can know the reasons for such resistance, efforts can be made to ensure that appropriate strategies are adopted to facilitate the adoption of the third party ATM network by financial institutions that have not prescribed to it. The study therefore sought to close this gap by determining the perception of management of financial institutions in Kenya towards the adoption of the third party ATM network offered by PesaPoint in Nairobi.

### 1.3 Research Objectives

The objectives of this study were to determine:

- i) The perception of management in financial institutions towards adoption of a third party ATM network offered by PesaPoint in Nairobi.
- ii) Whether the perceptions would differ between the different categories of financial institutions; banks, savings & credit cooperatives and building societies.
- iii) The perceived challenges the financial institutions face in using third party ATM networks



## 1.4 Importance of the Study

The findings of this study will be beneficial to the following:-

- i) PesaPoint will gain insight into factors affecting adoption of their services by some financial institutions, macro-finance institutions and savings and credit cooperative societies. It is further hoped that they will find the results of the study useful to their planning processes. The research also sought to make recommendations for institutional changes to intensify marketing so as to enhance or change the financial institutions perceptions.
- ii) Other interested parties who may find the PesaPoint network useful as a medium of distributing their products, e.g. Payment of utility bills (electricity and telephone), money transfer opportunities like M-Pesa, and mobile phone airtime top ups.
- iii) Scholars - the research will assist any scholars who might have an interest in developing the findings further or as a source of reference.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Consumer Adoption Process

The ATM has both product and process innovation characteristics (Ingham and Thompson, 1993; Humphrey, 1994; Haynes and Thompson, 2000). As a product innovation, the ATM provides additional retail banking services not previously available, such as 24 hours-a-day cash withdrawal, balance verification and bill payment at both branches and remote locations away from branches. As a process innovation, an ATM substitutes capital for labour, particularly for routine human-teller operations (Scarborough and Lannon, 1988).

Importantly, ATMs lower the transaction costs associated with the need to withdraw cash unexpectedly (Salop, 1990; Matatues and Padilla, 1994). Consequently, deposit holders obtain higher benefits through the large the number of geographically dispersed ATMs from which they can access their accounts (Saloner and Shepard, 1995). The source of these potential network benefits is the complimenting nature between the ATM hardware operated by the financial institution and the compatible software held by the deposit holder as represented by the debit or credit card.

Given the nature of the technology, ATMs have been adopted exclusively by banks and building societies in the UK. The diffusion of ATMs in the UK has consisted of three distinct periods, similar to those experienced in the USA, (McAndrews, 1991 and Prager, 1999). From the commercialization of second-generation machines in 1972, ATM technology displays indirect network effects since the technology is consistent with the software/hardware distinction, even though benefits for deposit holders are increasing directly with the number of ATMs (Economides, 1991 and Church et al., 2002).

Second-generation ATMs were 'on-line' enabling the deposit holder to withdraw cash using an ATM card with a magnetic strip containing account details, negating the need to purchase vouchers. In 1987 UK banks and building societies invested in proprietary ATM networks. Rival ATM networks were incompatible, so the relevant ATM network for the deposit holder was their own bank or building society's network. The majority of ATMs were situated in or at branches, so the expected network size for a bank or building society was the relevant branch size. There then followed a period of partial compatibility between 1988 and 2000 represented by the

establishment of shared networks, characterized by the use of withdrawal and interchange fees for transactions between rival networks in order to limit the substitutability effects of compatibility.

In 2000, ATM networks consolidated under the LINK network and withdrawal fees by members were removed, although interchange fees still exist and are set by LINK. Since 2000, the growth in ATM numbers has come from those deployed by the Independent ATM deployers (IDAs), which are non-bank and non-building society providers of ATM services. At the end of 1974 100% of ATMs were located at branches and by the end of 1987 this had fallen to 93% (APACS, 2000). As at the end of 2004, 59% of bank and building society ATMs are located at or in branches (APACS, 2005). Adoption has not been straightforward, requiring the development of trust in technology and willingness to modify behavioural strategies in a very sensitive domain, that of personal finance. Research has monitored this period, helping us to understand major drivers and inhibitors to widespread adoption.

## 2.2 Technology Adoption

Technology adoption and diffusion are two interrelated concepts. Adoption is the process by which an individual becomes committed to continued use of an innovation. It occurs at the micro level, being the individual's decision process leading to adoption or rejection (Frambach, 1993). Diffusion occurs at a macro level, being the process by which adoption spreads through a specific culture.

Since the mid-eighties, a relevant corpus of research has concentrated on identifying the conditions or factors that could facilitate ATM adoption. A number of models have been proposed to predict system use and assess the market potential of emerging technology. A widely accepted and robust tool is the Technology Acceptance Model (TAM). It was designed to understand the effect of external variables (e.g., interface design and training) on user acceptance of technology. TAM suggests that perceived ease of use and perceived usefulness are the two most important factors in explaining technology use. They directly affect the intention to use, which is the single best predictor of actual system usage. The role of attitude in this model is controversial. Some studies suggest that the impact of beliefs on intention is completely mediated by attitudes towards the behaviour; others exclude the attitude construct because it does not mediate the effect of perceived usefulness on intention (Mathieson, 1991). This discrepancy

can be explained by differences in the context where technology is used. In a work environment, one can use technology despite a negative attitude because it is useful; while in a personal context the role of attitude becomes more relevant.

### 2.3 Perception

Perception is "a process of information extraction by which people select, organize and interpret sensory stimulation into meaningful and coherent picture of the world." (Berelson and Steiner, 1964 and Britt, 1978). In other words, it is how people make sense out of the world around them. Based on the fact that perception is highly influenced by person's interests, beliefs, attitudes and other personal attributes that basically make us individual, it may be concluded that perception is highly subjective and selective (Runyon, 1977). We select our perceptions at one of two levels: low-level (perceptual vigilance) or high-level (perceptual defense) (Assael, 1985). This selection takes place after we receive stimuli and begin the next phase in information processing: registration. It is during the registration phase that we are utilizing past interpretations to help us select how to perceive the current stimuli (Travers, 1970). During this phase of information processing, we determine at which level the stimuli belong and, even more importantly, we determine if it belongs to us at all.

Evidence of low-level, or, vigilant perception, can be found in the way we respond to current activities going on around us in the present. This level is primarily concerned with physical safety and incorporates our senses to filter out what is not needed to achieve the task at hand. Thus, this bundle of stimuli is usually relegated to the box that Sherif and Cantril (1946) would call "selectivity of perception". "High-level perception, or perceptual defense, is more withstanding and long-term and acts as the baseline for interpreting "facts." This level is that at which we choose to perceive the world in which we live and relate it to our belief systems and ways of being. We are, as Sherif (1946) puts it in his field of perception concept, "self-referencing" by using ourselves as our own frame of reference.

It is at this level of selectively perceiving that we likely don't even realize we are, indeed, the ones doing the selecting. Over the course of time the meanings we've created become routinely imbedded in our general stock of knowledge. According to Burgoon and Miller (1981) once a certain response is evoked by a stimulus there is a great likelihood that, in the future, a similar stimulus will evoke a similar response.



According to Merleau-Ponty, (2002), in order to find a relationship between stimulus and perception we need to quantify perceptions. To quantify perceptions we need to know a little about numbers. There are four different types of number scales that can be used to measure perception, some providing more information than others. The simplest of scales is the nominal/categorical scale. With this scale, numbers are used only as labels, for example, the numbering of football players. A second scale is the ordinal scale. The ordinal scale is used to rank stimuli greater than or less than each other, for example, the rating of the pleasantness of odors. With this scale, the intervals between the assigned numbers are meaningless. A third scale is the interval scale. The interval scale is concerned with equality of intervals/differences between assigned numbers. An example of an interval scale is temperature scales in Fahrenheit or Celsius. The final scale is the ratio scale, which too has meaningful intervals. The difference between this scale and the interval scale is that the ratio scale has an absolute zero, as is the case when measuring length or weight or density (Stevens, 1951).

#### **2.4. Third Party Automated Teller Machine Networks**

Third party processors provide banks, especially smaller ones, with a competitive source for ATM processing. Equally important, third party processors offer a channel for the entry of competing regional ATM networks (Bidgoli, 2004). Third party processors typically maintain connections to several regional ATM networks, and those networks therefore can reach all of the banks connected to a third party processor. Accordingly, the cost of and barriers to entry of regional ATM networks fall dramatically.

In addition, third party processors themselves are potential entrants. Because a third party processor could switch transactions among its customer banks itself (a process known as "subswitching") rather than passing those transactions to the network switch, it is a potential "unbranded" ATM network. To become a competitor to the existing branded regional ATM networks, the third party processor need only put its brand on the ATMs and ATM cards of its customer banks and begin switching transactions.

With minor variations, most ATM transactions occur in the same manner. Cardholders insert their cards with its magnetic stripe loaded with account information into the ATM. They then enter the personal identification number or PIN, which the bank has assigned, using the key pad. The ATM contacts (usually by telephone wire) the data processing company that operates, or



drives that particular ATM and transmits the PIN and the account information. The processor determines which institution issued the card contacts it and works through all the validation and authorization routines- such as correct PIN, limits on withdrawals and whether there are sufficient funds in the account. If all the routines are executed successfully, the processor signals the ATM to complete the transaction (Whiteley 2003).

To carry out the tasks required in an ATM transaction, each machine is typically connected to several computer networks. If the ATM is owned by a bank it will be on the bank's own network. In addition, the ATM is usually connected to a shared network, the largest of which, Plus and Cirrus, are run by the major credit card associations, VISA and MasterCard respectively. Typically, the computer driving the ATM will use the lowest level that can complete the task. The computer checks first to see whether the card was issued by the bank that owns the ATM. If the card was issued by the owner bank, the transaction is known as an "on-us" transaction. If the transaction is not "on us" but the issuing institution is a member of the regional computer network, the processor will transmit the transaction information either through the shared regional network computer or directly to the ATM processor of the card issuing institution. (Whiteley 2003). Such a transaction is known as an "off us" transaction. Bypassing the regional network by contacting that processor directly is called sub switching.

If the issuer of the card is not a member of the regional network, one of two things can occur. Sometimes two regional networks will have an agreement to accept each other's cards and as part of that agreement have an electronic gateway that allows them to accept each other's transactions. If the regional networks have not entered into a gateway agreement, the transaction goes to one of the national networks. In any event the ATM owner controls the routing for all transactions and sets the routing to obtain maximum profit from each ATM transaction. Shared ATM networks earn revenue from carrying out transactions. Networks compete for transactions by persuading the deployers of ATM's and ATM cards to sign up for their services. The decision of which network to join will determine how foreign transactions will be handled (Whiteley 2003).

## **2.5 Factors Affecting Adoption of Third Party ATM Networks**

It takes time for innovations to be diffused and adopted within a population of consumers. The amount of time taken for an innovation to be adopted or rejected has been one of the important research issues in the innovation and diffusion literature (Olshavsky, 1980). Previous research on

technology based services has intimated that perceived attributes of technology play a critical role to determine whether the customers are willing to use these options or not (Meuter et al, 2000; Dabholkar, 1996). According to Dabholkar (1996), from a customer point of view, speed, control, and ease of use are all important attributes in measuring adoption of third party ATM networks.

Dabholkar (1996) initially suggested that expected speed of delivery is an important factor for choosing and evaluating technology-based service options. Foley et al. (1990) suggest that the time it takes to accomplish a certain task is one of the most important factors when users evaluate the quality of computer technology. Several empirical studies have proven speed of delivery and waiting time to be important factors in customers' evaluation of both self-service and personnel-based service. Perception of management in financial institutions on the speed of service delivery by third party ATM network e.g. ATM repair, cash loading, location etc. may influence their adoption or rejection of the services.

A person will perceive a service as easy to use when it won't require any extra efforts from him/her. This can prompt the person to adopt or recommend others to adopt or reject any technological innovation. The degree to which an innovation is perceived as relatively difficult to understand and use can therefore hamper its speed of adoption. Davis (1989) claims that an application which is perceived to be easier to use than another is more likely to be accepted by users. Hence it follows that the less complex a system or service is, the easier it will be for the users to use the service, the less effort it demands, and therefore the higher the probability for the user to use the service and recommend others to do the same.

Thus perceived ease of use, in addition to being an antecedent of perceived usefulness, predicts the end-user's beliefs on a technology and therefore predicts his attitude toward the technology, which in turn predicts its acceptance (e. g. Ma & Liu 2004; Davis et al. 1989; Venkatesh & Davis, 2000). Hung et al. (2003) showed that perceived ease of use influences intention to use third party ATM services positively.

It follows from the definition of perceived usefulness that people will consider a system to be useful when it enhances their job performance. A system high in perceived usefulness, in turn, is one for which a user believes in the existence of a positive use-performance relationship (Davis 1989). Within an organizational context, people are generally reinforced for good performance

by raises, promotions, bonuses, and other rewards (Pfeffer, 1982; Schein, 1980; Vroom, 1964). The rationale behind this is that if the system or service will enhance person's job performance it will be considered as useful and thus a person will have higher incentive to adopt or even recommend others to use the system or service as it helps to gain a positive use- performance relationship.

Parasuraman et al. (1985) found that the safer bank customers feel when conducting their transactions. A system will be useful in general if it "contributes to accomplishing the end- user's purpose" or "to which a potential adopter views the innovation as offering value over alternative ways of performing the same task"(Agarwal & Prasad 1999). As long as the system, or ATM service, contributes to consumer's accomplishment of a certain purpose or if the customer feels that when performing the same task, this system or service will give him/her higher value or satisfaction, then the system or service will be perceived as useful. In this way, a person will have a higher incentive to use a system or service as it helps to accomplish certain task and gain positive value and satisfaction. Hence, perceived usefulness will lead to positive usage intentions.

Some financial institutions may lack the need to join third party ATM networks since most of their customers either use credit cards or debit cards (plastic money). Other may perceive that a lot of time is wasted in line at shared networks. Control means the amount of control that customers feel they have over the process and the outcome. According to Langeard et al. (1981) control is the most important factor for customers in using technologies. Control is a complex term and can be conceptualized as behavioral, cognitive or decisional (Bateson, 1985). Behavioral control means the ability to influence the process. Cognitive control means understanding and anticipating the process. Decisional control concerns the ability to set or change the objective or outcome in a particular situation. A person's belief that he/she has control, even in the absence of real control, will result in benefits similar to those associated with real control (Glass and Singer, 1972 and Langer, 1975). The general perception of ATM's among some building societies and savings and credit cooperatives is that ATMs are a technological device for rich, educated people, living a busy life rather than as a commodity for everybody. This may be dictated by the nature of most of their customers. They may feel inadequate due to their income and educational levels.

Reliability refers to the outcome in use of new technological service options, whether it's reliable and perfect, or is there any risk involved in this process. Ram (1989), suggests four types of risks

that make customers more resistant to innovations in general: These are, functional risk, which is the fear of performance uncertainty, economic risk, the fear of economic loss, social risk, which is the fear of social obstruction and finally, psychological risk, which is the fear of psychological discomfort.

Parasuraman et al. (1985) found that the safer bank customers feel when conducting their business at an automatic teller, the more likely they are to use the ATM. Reliability has a positive effect on service quality. Some financial institutions may delay joining third party ATM networks because they perceive the network to be unsafe in terms of their financial commitments (cash deposits), or actual usage of the ATM on site by members of the institution.

Design factors are qualities such as physical appearance and modernity of the equipment. Physical appearance has an effect on adoption or rejection of a third party ATM services. Some researches begun to explore personality and demographic factors related to the acceptance of technology-based service. Dabholkar (1991) personality factor, "need for interaction" with a service provider, had a significant negative effect. Some financial institutions would prefer to transact without the use of ATMs so that they can have direct contact with their customers to facilitate loyalty. ATM's are perceived as technology. Prendergast and Marr (1994) suggest that banking customers resist technology because they prefer human interaction. Evans and Brown (1988) suggest that safety and convenience are important factors.

Some people feel more in control when they perform the service for themselves, whereas others feel more in control having someone else wait on them (Bateson, 1985; Dabholkar, 1990; Langeard, et al. 1981; Lovelock and Young, 1979), a sense of "behavioral" control. Some technology-based self-service offers the customers not only control but also privacy. The above points are some of the variables that will be used during this survey.

## 2.6 Challenges of Adopting a Third Party ATM Network

Challenges to the adoption of a TPAN occur to both end use consumers and to the financial institutions seeking to enjoy the benefits accrued from subscribing to a TPAN. The end user's prime concern is the element of cost. Using another institution's ATM often leads to high charges and the assumption is that TPAN are just as costly. Safety of the individual and his or her finances are also a big concern for customer. Other challenges include, ease of use, concerns



of privacy during use and convenience. The challenges to the financial institution range from educating customers on the new service to lack of control in the distribution strategy, i.e. the placement and location of ATMs. Other issues include operationalising contractual agreements, technical adaptation to new systems and conflicting policies and procedures between the TPAN and the financial institution.

## 2.7 Summary of the Literature Review

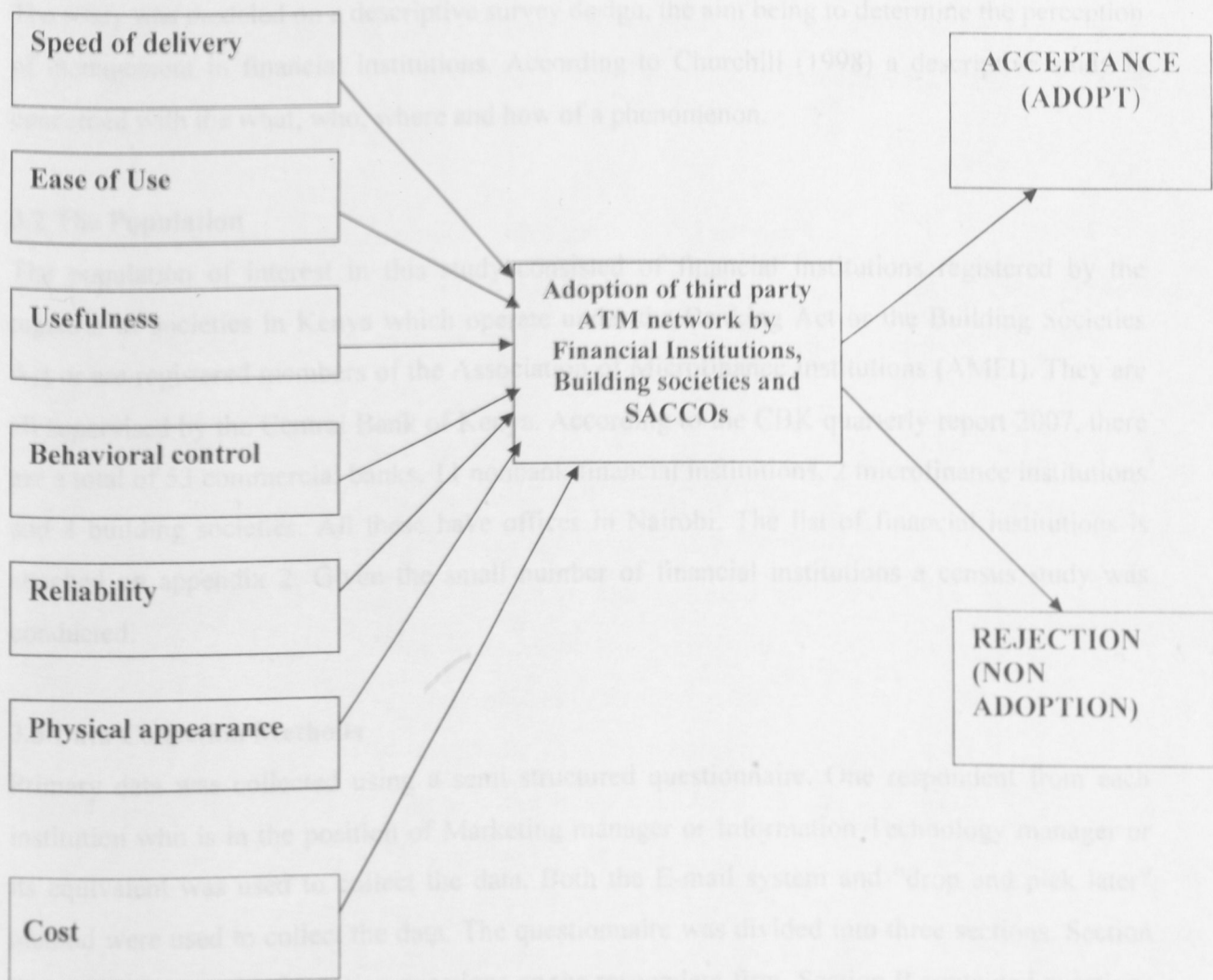
Most of the research mentioned serves as a springboard for future research on the perception of FIs on third party ATM networks. It must however, be remembered that most previous studies have been conducted in the UK or in the USA, therefore these may not necessarily be reflective of the type of results that would be yielded by this study. Due to the fact that Kenya has different demographics, the aim of this study is to identify which of the factors discovered in the other studies are salient to the Kenyan context. Improvements to the personal and interactive nature of ATMs might result in the use of ATMs by non-users as well as increased usage by existing customers, claim Rogers et al (1996), thus leading to many FIs hooking up with other networks.

It is important to understand that consumers will not perceive the same message from all marketing communications. Therefore, the study of perception is important in order to make each message reinforce positive images in current users' minds thus increasing prescription of many people to the TPAN. Studies on perception by Ajzen and Fishbein, (1980), clearly indicate that there is a cyclical process involved in perception. A product that reinforces positive images in a consumer's mind makes the continued assumption of that position easier. Likewise, a product that does not reinforce positive marketing messages well (i.e., a poor product) creates dissonance in the consumer's mind and risks being perceived in a poorer light than competitors. This study will investigate and identify how financial institutions perceive services offered by PesaPoint. Figure 1 shows a conceptual framework detailing factors influencing the adoption of a TPAN.

## Conceptual Framework

### CHAPTER THREE RESEARCH METHODOLOGY

Figure 1: Factors Influencing the Adoption of a Third Party ATM Network.





### 3.5. Operationalizing the Dimensions of Third Party ATM Networks

The perception of management in financial institutions towards the adoption of the PesaPoint ATM network was measured using the following dimensions; Speed of delivery, reliability, ease of use, behavioral control, cost of use, physical appearance and convenience. These have been operationalized on Table 1. A 5 point likert scale was used to measure the extent to which managers perceive these dimensions.

**Table 1: Operational Dimensions of a Third party ATM network**

Dimension	Relevant Issues	Relevant Question
Speed of delivery	Cash dispensing Cash replenishment	2(a)
Ease of use	Easy cash withdrawal Easy to understand instructions Easy to access account information	2(a)
Behavioral Control	ATMs located in secure locations ATMs in convenient locations	2(e)
Cost	Transaction costs are affordable Relative cost is acceptable	2 (b)
Reliability	ATMs always have cash ATMs always powered ATM communication links always up Cash required in right denominations	2(c) 2(g)
Physical Appearance	Signage appropriate Branding and livery attractive Outlet design attractive	2(e)
Convenience	ATMs fit into lifestyles	2(d)

*Source: Researcher*

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND FINDINGS

#### 4.1 Introduction

This chapter presents the findings of data collected through the use of questionnaires and scheduled interviews by the researcher. The data gathered has been analyzed using the statistical package for social science (SPSS). The information is presented and discussed in relation to the objectives and research questions investigated in this study. The questionnaires were administered to 50 employees of different financial institutions selected as the study population, out of which 44 responded. This translates to an 88.0% response rate. We consider this response rate to be fairly representative.

#### 4.2 Background Information

The names financial institutions picked for their identity are used to signify special and tangible things, either living, as in the case of a person or an animal, or inanimate, as in the case of a place or a concept. Names of businesses also have meanings; they could be related to the nature of business or a catchy phrase which acts as a marketing slogan. The sampled financial institutions were also found to have been registered using their names.

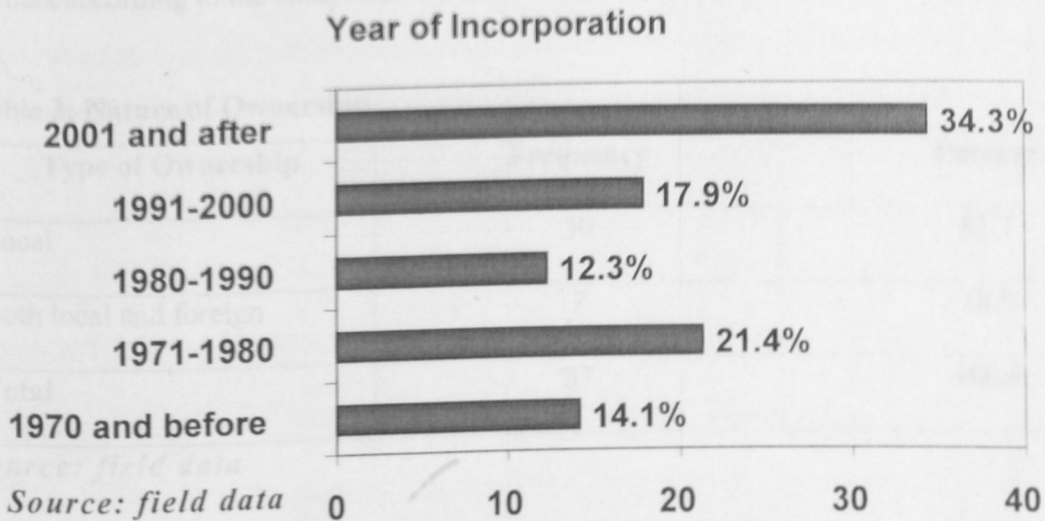
The findings revealed that all the financial institutions that were visited during this study had a unique name that helped customers to locate where they are located and the services they were offering. Some names were very enticing and had contributed to the growth of some business due to the goodwill associated with that name. Examples of names given to some financial institutions are: Standard Chartered, Guardian Bank, Equatorial Bank, Commercial bank of Africa, CFC bank, Consolidated Bank, Post bank, Embu farmers SACCO, K-Rep, National Bank of Kenya, Consolidated Bank, Family Bank, Embu teachers SACCO etc. The names of all the sampled businesses are detailed in Appendix IV.

The Incorporation Act of Kenya obliges registration of any organization according to organization's article of association and memorandum of understanding. Each financial organization must be registered either as a company (company act 485) or as a cooperative society under the Cooperatives Act. These measures are put in place to check the incorporation of dubious financial institutions whose aim is to defraud citizens. The researcher found out that most financial institutions had considerable time in the market and had a considerable following.



Majority of the sampled financial institutions were incorporated the after the year 2001. Those that were incorporated in between the year 1991-2000 were presented at 17.9%, between the years 1980-1990, 12.3% financial institutions were incorporated, while 21.4% were incorporated in the year 1971-1980. Only 14.1% of the respondents responded that their institutions were formed before the year 1970. The Graph below summarizes the findings of this study.

**Graph 1: Financial Institutions' Year of Incorporation**



Financial institutions exist in different forms based on their nature of operations and licenses awarded by the government. There are commercial banks e.g. National Bank of Kenya, Mortgage house and building societies such as Housing finance, Micro-finance and those registered under the cooperative act. Even though the sample was purely random, research findings indicate that 35.7% of the respondents were employees from savings and credit co-operative societies. 14.3% of the respondents were Micro-finance institutions employees. The remnants 50.0% are employed by different commercial banks in Kenya.

**Table 2: Type/Category of Financial Institution**

Financial Institution	Frequency	Percent
Commercial bank	23	62.2
Micro-finance institution	4	10.8
Saving and credit Cooperative society	10	27.0
Total	37	100.0

Source: field data

Most Kenyan financial institutions are known to be local, that is, majority shareholding is held by the government in the form of a parastatal e.g. Post bank, Kenya commercial bank or even National bank of Kenya, or they are owned by individuals e.g. Family bank. A section of these financial organizations is owned by international stakeholders such as the United Kingdom's Barclays or South Africa's Standard Chartered Bank. The research findings indicate that 81.1% of the respondents' institutions were all locally owned either by individuals or controlled by the government as the major shareholder. 18.9% of the institutions are owned by local and foreign owners according to the study. Table 2 summarizes the findings.

**Table 3: Nature of Ownership**

Type of Ownership	Frequency	Percent
Local	30	81.1
Both local and foreign	7	18.9
<b>Total</b>	<b>37</b>	<b>100.0</b>

*Source: field data*

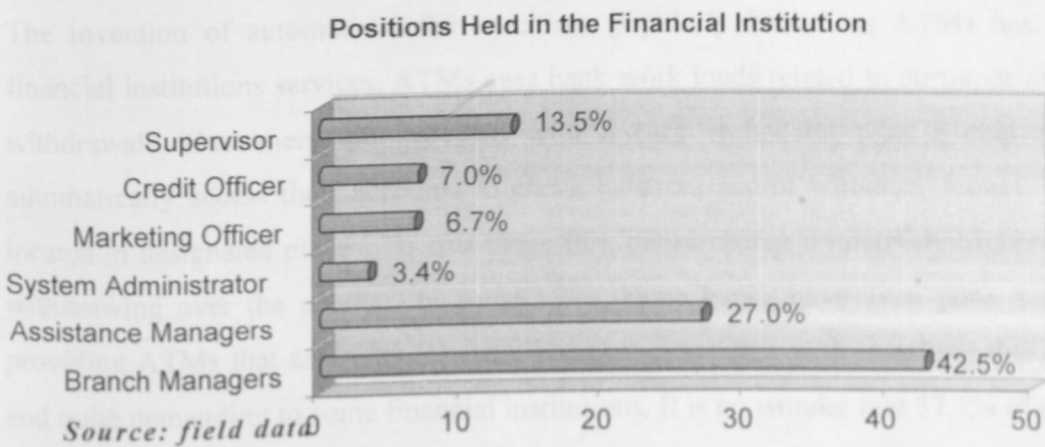
The researcher asked respondents to indicate the title that best describes their current position and found out that branch managers were presented by 37.8%, assistance managers were 27.0%, System Administrators were 3.0%, Marketing Officers were 6.0%, credit officers were 7.0%, supervisors were 7.0% while I.T officers. 13.5%. Each job title had its own unique activities and characteristics relevant and contributing to the achievement of the organization's goals and objectives. The branch managers was the most frequently interviewed employee in the financial institutions.

#### 2.1 Physical Location of the Financial Institutions

The branch manager's duties are to coordinate program implementation at the branch level, set branch policies and procedures congruent with overall policies and guidelines, conducts regular supervision of branch staff in order to assess performance and identify problems. They also monitor weekly collectibles/repayment rate/portfolio at risk, conduct regular field visit to the branch area of coverage, conducts regular group/center assessment and provide recommendations as necessary, prepares and submits annual projected plans of the branch and make quarterly revisions when necessary, prepares and submit monthly assessment of branch

operations quarterly status reports and plan of action of the branch, reviews and validates documents/reports and subsequent loans and maintain harmonious relationships with the staff and funding agencies. The researcher also found that branch managers provide timely reports to Deputy General Manager/General Manager at the headquarters. The duties of a branch manager were found to be formulation of recommendations to improve day-to-day operation of the branch, monitoring of the centers' growth and development, monitoring of members' individual projects, maintaining harmonious relationship with all branch staff and members, preparation and submission of branch weekly updates, facilitating weekly staff meeting and branch staff meetings regarding project implementation. They are also involved in the provision of technical assistance as required by staff, preparation of cash vouchers, weekly collectibles and summary of loan releases, preparation of financial reports for submission to the headquarters, monitoring of collection remittances by staff, and are responsible for the recruitment and management of loans. The chart below summarizes the findings.

**Graph 2: Respondent's Position in the Financial Institution**



#### 4.2.1 Physical Location of the Financial Institutions

The findings showed that the majority of financial institutions had considered factors like traffic pattern, lifestyle of people, competitor's presence, part of town, location relative to streets, parking etc when setting up their businesses. Their businesses were located in very convenient locations depending on what type of customers they were targeting and services they were offering and also were using different pricing strategies to attract different consumers. For example, some financial institutions were found to be using low ATM transaction rates, no ledger fees, low interest loans etc while other financial institutions were having corporate

branches where higher prices exist to convey an upscale image. All the financial institutions that participated in this study are located within Nairobi.

#### 4.2.2 Services offered by the Respondents

Most of the financial organizations offer the same services which range from opening of accounts, cash deposit, fixed deposits and standing instructions. They also offer credit facilities in the form of loans and overdrafts depending on the type of account and also letters of credit and discounting of Bills for international business clients or those dealing with imports and exports. A good number (27%) of the organizations visited offered foreign currency transactions while almost all the others (73%) offered services related to the operation of either a savings or current accounts. Organizations like the Postbank make payments of pensions and HELB loans. Safe custody is another service offered by these financial organizations. Generally, a majority of the services offered by the visited organizations require ATM facilities.

#### 4.2.3 Financial Institutions that have their own ATMs

The invention of automated teller machines popularly known as ATMs has revolutionized financial institutions services. ATMs ease bank work loads related to customer over the counter withdrawals. Customers are provided with a card embedded with a chip to allow them automatically access their accounts to check balances and/or withdraw money from machines located in designated places. To encourage this, banks charge a relatively higher tariff for those withdrawing over the counter. In some cases, some banks have even gone a step further by providing ATMs that can take deposits. The cost associated with installing this system is huge and quite demanding to some financial institutions. It is no wonder that 57.1% of the respondents observed that their banks did not own individual ATMs network. Only 42.9% of the respondents had banks with individual an ATM network. Those that do not have their own ATMS were either procuring services from third party ATM providers, or from ATMs owned by other financial institutions. The chart below summarizes the findings.

**Table 4: Ownership of ATM Networks**

Ownership of ATM Network	Frequency	Percent
Yes	17	45.9
No	20	54.1
Total	37	100.0

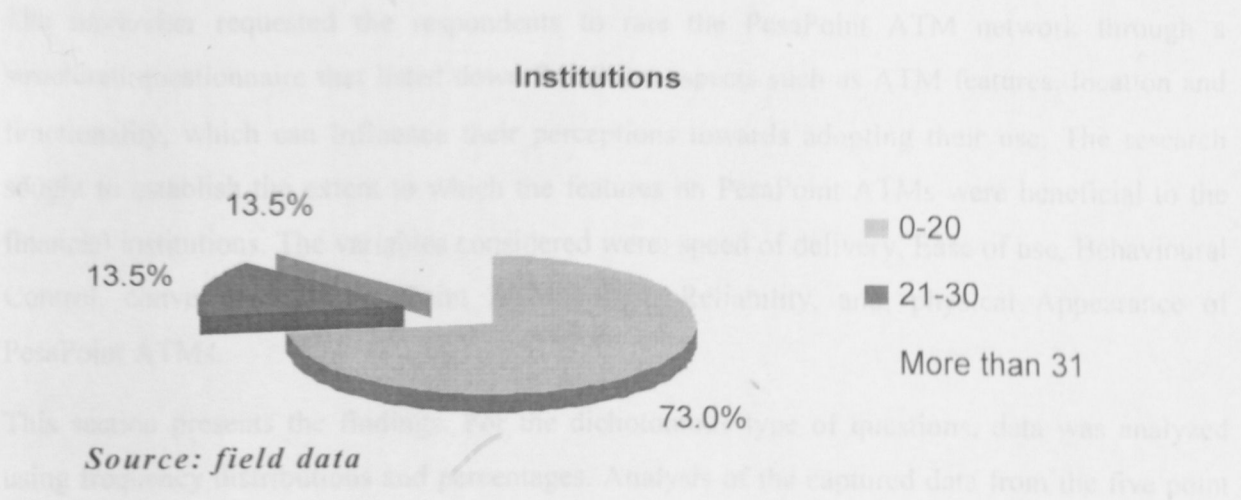
*Source: field data*



#### 4.2.4 ATM Fleets Owned by the Financial Institutions

ATM facilities have become a marketing tool among financial organizations. The higher the number of ATMs, the better it is for the organization. 73.0% of financial institutions had ATM machines totaling between 0-20, while those who had between 21-30 machines represented 13.5% respondents. The rest, 13.5% respondents had more than 30 but less than 40 ATM machines. This implies that most financial organizations value ATM services.

**Pie Chart 1: Number of ATMs Owned by the Sampled Financial Institutions**



#### 4.2.5 ATMs Linked with other Bank Networks

Due to the cost associated with putting up an ATM system, banks have opted to link their networks with other ATM networks. This enables customers to access their money even from ATMs owned by other banks. For the convenience of their customers, most financial organizations are trying to have as many cash points as possible. This is a credit on the customer care aspect and is attributed to the stiff competition within the Industry. This is why a majority 73% of the respondents in this study indicated that their network was linked to other Banks. This enlarges their network making it possible for their clients to access services from various points. Only a small fraction 27% respondent indicated that they were not linked to other bank networks.

**Table 5: Bank ATMs that are Linked to other Bank Networks**

Link to other Networks	Frequency	Percent
Yes	27	73.0
No	10	27.0
Total	37	100.0

*Source: field data*

### 4.3 Perceived Benefits to Financial Institutions

The researcher requested the respondents to rate the PesaPoint ATM network through a structured questionnaire that listed down PesaPoint aspects such as ATM features, location and functionality, which can influence their perceptions towards adopting their use. The research sought to establish the extent to which the features on PesaPoint ATMs were beneficial to the financial institutions. The variables considered were; speed of delivery, Ease of use, Behavioural Control, convenience of PesaPoint ATMs, Cost, Reliability, and, physical Appearance of PesaPoint ATMs.

This section presents the findings. For the dichotomous type of questions, data was analyzed using frequency distributions and percentages. Analysis of the captured data from the five point Likert scale questions was done by use of Mean Scores and Standard Deviations. Mean scores were used to measure the extent to which the perceived benefits were valued by the financial institution on a five point Likert scale ranging from “great extent” (5) to “no extent” (1). Standard deviations were used to determine the extent of variation in the responses between the different financial institutions.

A mean score of 4.5 and above meant that benefits were perceived to a very large extent, 4.0 to 4.5, to a large extent, 3.5 to 3.95, to a moderate extent, 3.0 to 3.49 to a small extent, while a mean score of less than 3.0 was interpreted to mean that benefits were perceived to no extent .

A standard deviation of less than 1 means that there were no significant variations in the responses, while a standard deviation of less than 1 means that there were significant variations in responses.

**Table 6: Speed of Delivery**

Dimension	All the financial institutions		Commercial banks		Micro-Finance		Savings and Credit	
	Mean Scores	Standard Deviation	Mean Scores	Standard Deviation	Mean Scores	Standard Deviation	Mean Scores	Standard Deviation
	Ω		Ω		Ω		Ω	
1 The speed of service in PesaPoint ATMs is fast e.g. Money reloading on time	3.47	1.134	3.1304	1.057	5.0000	.000	3.7143	.951
2 The speed of services in PesaPoint ATMs is fast e.g. repair incase of breakdown	2.97	0.999	2.9565	.824	3.5000	.577	2.7143	1.603
3 PesaPoint ATMs dispense cash fast	3.21	1.066	3.1304	1.013	4.0000	.000	3.0000	1.414
4 The services offered at PesaPoint ATMs are positively varied and customers focused e.g. cash withdrawals etc)	2.7059	1.219	2.4783	0.947	4.7500	.500	2.2857	1.253

*Source: Researcher*

The speed of service delivery by third party ATM networks e.g. ATM repair, cash loading and uptime, may influence their adoption or rejection. The researcher wanted to know the perception of the respondents regarding the speed of PesaPoint network and when he asked to which extent PesaPoint network speed is beneficial to customers, 76.5% respondent's rated PesaPoint speed as high. The data further reveals that saving and Credit institutions majority of (71.4%) perceived PesaPoint speed of service to be high. This was followed by commercial banks at 65.2% rating while Micro finance institutions only 50.0% of micro finance institutions rated it as high.

In the service industry, speed of service is paramount if the organization has to remain competitive. Customers who are pressed fro time prefer to withdraw their cash from ATMs.

When all the support systems are properly functioning, they can access their money whenever and wherever they need it. This however is not always the case. Sometimes the ATMs break down disrupting bank operations. Customers have confidence in systems that take less time to be repaired in case of a break down or any other problem. The study findings indicate that 70.6% of the respondents perceived that PesaPoint ATM service providers are efficient in delivering all their services e.g. repair of the network and reloading of money. Majority () of saving and credit institutions rated the response to repair of network and reloading of money as high. This was followed by micro finance institutions at 75.0% while 78.3% commercial banks had a positive perception. Rating was found to be influence by the ability of financial institutions to purchase their own ATMs and their level of dependency with outsourced third party ATM networks.

In general, 67.7% financial institutions perceived that PesaPoint ATMs dispense cash fast. Among this, 85.7% were from saving and credit, 78.3% were from commercial banks while 75.0% were from micro finance institutions.

The services offered at PesaPoint ATMs were perceived to be positively varied and customers focused e.g. cash withdrawals etc by 50.0% respondents from all the sampled financial institutions. The saving and credit institutions scored very high at 71.4%, micro finance had 65.0% while commercial banks had 47.8%.

**Table 7: Ease of Use**

Dimension	All the financial institutions		Commercial Bank		Micro-Finance		Savings and credit	
	Mean Scores Ω	Standard Deviation	Mean Scores Ω	Standard Deviation	Mean Scores Ω	Standard Deviation	Mean Scores Ω	Standard Deviation
1 PesaPoint ATMs are easy to use	3.76	0.74	3.869	0.757	4.2500	.500	3.1429	.378
2 Use instructions are easy to understand	3.32	1.147	3.3478	1.191	4.0000	.000	2.8571	1.215
3 Onscreen graphics are user friendly	3.41	1.131	3.2609	1.176	4.2500	.500	3.4286	1.133

*Source: field data*



When technology is user friendly, it attracts many clients since they will have no problem using it. When it becomes so technical and difficult to use, very few clients will be willing to make use of the same. Perceived ease of use has a direct positive effect on intention to adopt or reject PesaPoint ATMs. Majority of the respondents (58.8%) indicated that PesaPoint ATMs are easy to use. This was ranked very high by 85.0% of savings and credit institutions followed by 75.0% micro finance institutions, with commercial banks being the last at 65.2%.

To operate an ATM machine efficiently, one needs to understand the instruction provided. Institutions providing ATM services have tried as possible to make usage instruction simple and straight forward. They have even gone a step a head and incorporated national languages like Swahili for users not quite good in English. This helps in making sure that no customer care persons are required during transactions. According to the research findings, 73.5% of the respondents found usage instructions at PesaPoint ATMs easy. This view was rated very high by 85.0% micro finance managers followed by 78.7% management of savings and credit and 78.3% management of commercial banks.

Marketing principles favor the use of graphics that are user friendly. Graphics that give out certain information, rather than use of abstract graphics that are complex for the users to comprehend encourage users to adopt or reject the services being offered. PesaPoint ATMs have graphics that are user friendly as was indicated by 76.5% respondents. This element was rated very high by 85.7% managers of saving and credit institutions, 55.0% from micro finance institutions and 43.5% from commercial banks. This finds shows that though not many saving and credits had procured service from PesaPoint, majority of the management has a positive perception toward the network as it had helped them pay their clients without necessary having their own network.

**Table 8: Behavioral Control and Convenience of PesaPoint ATMs**

Dimension		All the financial institutions		Commercial banks		Micro-Finance		Savings and Credit	
		Mean Scores	Standard Deviation	Mean Scores	Standard Deviation	Mean Scores	Standard Deviation	Mean Scores	Standard Deviation
		Ω		Ω		Ω		Ω	
1	PesaPoint ATMs are located in safe locations	2.91	0.933	2.9565	1.296	4.0000	.000	3.4286	0.534
2	PesaPoint ATMs are located in convenient locations	3.26	1.238	2.7826	0.795	4.7500	0.500	2.7143	1.253

Source: field data

How secure a financial institution is has been a paramount issue since banking services started. ATM security is very important. This includes both the ATM facility being free from undesirable social elements, and the customer's security while using the ATM. Financial institutions have tried to make sure ATM machines are located in safe areas where customers can access the machine without feeling insecure. The perception of the majority of the respondents as to whether PesaPoint ATMs are located in safe locations was positive as was indicated by 55.9% respondents. However there is room for improvement as far as the location of the PesaPoint ATMs in more secure areas is concerned. Among this ranking, 55.5% was from micro finance institutions followed by 47.8% from commercial banks while 42.0% was rating from saving and credit financial institutions.

Customers' convenience should be the focus when an ATM facility is being placed at any location by considering security of the customer the ATM facility as a whole. Most financial institutions providing ATM services try as much as possible to make sure that their Automated Teller machines are strategically located. They try to serve their customers better by making sure most of the market area is covered. The finding of this survey shows that majority of the respondents (64.7%) agrees that PesaPoint ATMs are located in good, secured places, and convenient to most of its customers. This may encourage adoption and continued usage of the services offered by PesaPoint. Specifically, safety of location of ATMs was found to be varied with majority of micro finance institutions (63.2%) rating it highest, followed by 56.5% at

management from commercial banks while the 28.7% saving and credit management rated it lowest. The difference in rating from different financial institution will help PesaPoint marketing team to know the marketing strategies they need to adopt when dealing with each category of financial institutions.

**Table 9: Cost**

Dimension		All the financial institutions		Commercial banks		Micro Finance		Saving and Credit	
		Mean Score Ω	Standard Deviation	Mean Scores Ω	Standard Deviation	Mean Scores Ω	Standard Deviation	Mean Score Ω	Standard Deviation
I	PesaPoint charges are not prohibitive	3.85	0.783	3.869	3.869	4.2500	0.500	4.0000	.577

While price in most cases is determined by demand and supply, it also to some extent determines the usage. ATM networks that charge more than the prevailing market rates are not attractive to users. The findings of this study show that charges levied on cash withdrawals at PesaPoint ATMs was not prohibitive as indicated by 67.6% of the respondents. This may have contributed to the fact that more financial institutions are now joining the network.

**Table 10: Reliability**

Dimension		All the financial institutions		Commercial banks		Micro-Finance		Saving and Credit	
		Mean Scores Ω	Standard Deviation	Mean Scores Ω	Standard Deviation	Mean Scores Ω	Standard Deviation	Mean Scores Ω	Standard Deviation
I	PesaPoint ATMs are reliable	3.68	0.944	3.5652	0.843	4.7500	0.500	3.4286	1.133

*Source: field data*

The dependability of a product or service is very important especially in the current generation where competition is the order of the day. The higher the reliability, the better the product and the more attractive it becomes. More so, customers do not like ATMs that frequently break down or quickly run out of money. Reliability of the ATM network becomes key in pulling customers to be ATM users. PesaPoint ATMs were rated to be reliable by 97.1% respondents. Among them, majority (100.0) were from micro finance institutions followed by 85.7% from saving and

credit institutions while 34.8% were from commercial banks. Since most commercial banks already have their own ATMs networks though some of them has procured PesaPoint service while others will join later, the research findings shows that they perceive their own network to be superior. This belief was found to be deferent with the saving and credit management and microfinance institutions management since most of them have no their own network but depends on outsourcing.

**Table 11: Physical Appearance**

Dimension	All the financial institutions		Commercial Banks		Micro-Finance		Saving and Credit	
	Mean Scores $\bar{Q}$	Standard Deviation	Mean Scores $\bar{Q}$	Standard Deviation	Mean Scores $\bar{Q}$	Standard Deviation	Mean Scores $\bar{Q}$	Standard Deviation
1 PesaPoint ATMs have state of the art features	2.91	1.026	2.6522	0.775	4.5000	0.577	2.8571	1.215
2 PesaPoint ATMs have a good physical appearance	3.00	0.953	2.8261	0.777	4.0000	.000	3.0000	1.414
3 PesaPoint ATMs have good branding	3.15	1.019	2.9130	0.848	4.2500	.500	3.2857	1.380
4 PesaPoint ATMs have the best ATM foot print in Kenya	3.03	0.673	2.9565	.638	3.0000	.000	3.2857	.951

Source: field data

Design factors are qualities such as physical appearance and modernity of the equipment. As technology becomes more sophisticated, so does the banking systems. State of the art tools are therefore needed to make sure an institution stays in the fore front of its field. ATM systems are also dynamic. Technology has greatly influenced the development of ATM features over time. 55.8% of the respondents found PesaPoint ATMs lacking in state of the art features. Among



them, 55.0% who were the majority were from micro finance institutions, followed by 52.3% from commercial banks while 42.9% were from saving and credits institutions.

Physical appearance has an effect on adoption or rejection of a third party ATM services. To some customers, physical appearance of ATMs is a very important factor considered before adopting it. They will as such feel privileged to be in such networks that have attractive appearance. Banks continue to make their ATMs very attractive physically to attract customers and retain those they have. The study found out that, PesaPoint ATMs have a good physical appearance according to 67.7% of the respondents. Majority (100.0%) were from micro finance institutions followed by 69.6% from commercial banks while 42.9% were from saving and credit institutions. It is assumed that the new concept of off site ATM locations in the local market may take a while for the market to understand and appreciate the dynamics of the physical features of PesaPoint installations.

The perception of a majority of the respondent who participated in this study indicates that the branding of the PesaPoint ATMs is good as was indicated by 79.4% respondents. However, there is needed to keep on reviewing this with a view to maintaining and improving it, since branding has an effect on adoption and continued usage of a service. Specifically, 87.5% saving and credit rated this very high, followed by 85.0% management of microfinance institutions while 78.3% were from commercial banks.

When the respondents were asked to indicate the extent to which the PesaPoint ATM have the best ATM foot print in Kenya, 82.4% respondents indicated that PesaPoint had the best ATM foot print in Nairobi and in Kenya as a whole. Though some commercial banks have their own networks, majority (78.3%) believe that PesaPoint ATMs has the best foot print in Kenya. This may be attributed to the fact that PesaPoint deals with ATMs services as it core business while other financial institutions have other financial services. This view was held was also held by 76.0% management fro microfinance institutions. The least 28.6% management from saving and credit financial institutions was also found to poses the same perception.

#### **4.3 Challenges experienced prior to signing up to the PesaPoint Network**

To join PesaPoint ATMs network, every financial institution is required to sign up for the contract. Contractual clause is on procedures to be followed in the operational phase of the project. It plays a role of making sure that operational problems are solved in time and each stake

holders knows the limits of the contract. The study uncovered that most of the stake holders found the clause wanting. There were those who felt that the procedures to be followed were long and tedious. Others said that although the clauses were tough, they were manageable. Another group of respondents singled out the dispute resolution clause and said that it was in favor of PesaPoint. Many others (75.6%) respondents said that the contractual clauses were all inclined to favor PesaPoint. Those who said that the procedures to be followed were long and tedious represented 13.6% of the respondents while those who said the clauses were tough but manageable represented 5.4% of the respondents same as those who isolated the dispute resolution clause and said it was in favor of PesaPoint (5.4%). This finding indicates that the contractual clauses on procedures to be followed in operational phase of the project are unpopular with most financial institutions

#### **4.3.1 Company Procedures in Financial Institutions that are in Conflict with the PesaPoint Systems**

For those financial institutions that have joined PesaPoint network, company's procedures and policies are revisited to make sure no conflicts persist with PesaPoint systems. Majority 62.2% of the respondents did not have company procedures that are in conflict with the PesaPoint system. However, 29.7% respondents indicated that this was a bit hard but manageable without changing any of their policies. Those who had to change some of their policies to meet the requirement of PesaPoint represented 8.1% of the respondents. These findings would suggest that not many companies have procedures and policies that are in conflict with PesaPoint and the few that have are able to accommodate PesaPoint.

#### **4.3.2 The Management of Disputes**

In operation of financial services, disputes come about and need to be addressed. The procedure put in place have to follow in order to ensure that no mistakes are made. PesaPoint like any other network faces these problems. It has as such put in place procedures to be taken in case of disputes. Banks using the PesaPoint network have mixed feelings about how PesaPoint deals with these issues such as customer funds reconciliation issues. According to the research findings a majority 81.1% of the respondents said that some customers do not use PesaPoint network because, though the clauses are clear on contractual documents, the actual management of dispute resolution are done very slowly. This is despite the fact that PesaPoint has a policy of ensuring that all reconciliation issues are resolved within one working day. The procedure used

in management of dispute is longer compared to other banks. This perception was made by 10.8% of the respondents. Another 5.4% of the respondents said that the management of dispute was poor due to lack of faith and trust with the PesaPoint. However 2.7% of the respondents said that PesaPoint has been very helpful in the area of dispute management. Something has to be done to improve on the speed of PesaPoint dispute resolution.

#### **4.3.3 Cash Deposit Requirements from PesaPoint**

To join PesaPoint ATM network, each financial institution is required to deposit some money with PesaPoint which also include cycle payments. The research findings indicate that this is rather demanding for many financial institutions, in addition to the opportunity cost. According to them, a new budget becomes necessary among other infrastructure being put in place. The new budget alters the existing ones by reducing them. The perception of a majority of the respondents on cash deposit requirement by PesaPoint is that the initial deposit required is very high. Most of the organizations had either to adjust their budgets to accommodate PesaPoint or come up with a new or additional budget. These perceptions were received from 86.5% of the respondents while 13.5% of the respondents said that they had no challenge on PesaPoint cash deposit requirement.

#### **4.3.4 Limits of Liability on the part of PesaPoint**

This poses a great challenge to financial institutions linked to PesaPoint. Financial institutions linked to the PesaPoint ATM network feel that liability should be equal for both parties should the unforeseen happen. The perception of a majority of the respondents (64.9%) is that PesaPoint avoids liability and it tries to minimize liabilities as much as possible. This leaves the client with the higher percentage of liability. However there are those clients who feel that there are no challenges as far as limits of liabilities is concerned and these represent 32.4% of the respondents. On the other hand, 2.7% of the respondents indicated that PesaPoint does not give a clause on how to deal with the unexpected and expected events. It is true that no business would embrace liabilities and it is good to avoid liabilities as much as possible. However, so vivid denial of liability may have an adverse effect on the growth of any business. This is because new clients will avoid engaging. It is important for PesaPoint to clearly stipulate the clause on liabilities to avoid those clients who have either not read or seen it.

#### **4.3.5 Pricing of Transactions**

To attract customers and maintain those already acquired, financial institutions try to make sure that their services are priced as reasonably as possible. Even when linking up with PesaPoint, transactions pricing is considered. On its end, PesaPoint try to make sure that its prices are competitive and within the prevailing market rates taking into consideration Kenyan market is very price sensitive. The perception of a majority 89.1% of the respondents is that the pricing of transactions by PesaPoint is too high. This contractual issues should be focused on the price sensitive Kenyans. The perception is that many people have avoided PesaPoint because of the pricing. However 10.9% of the respondents said that the pricing is not a challenge since it is within the market range. The pricing of transactions should be balanced such that the customer realizes the convenience, despite the prices while PesaPoint also gains. A lot of communication and renegotiation with the financial institutions is required here because the transaction cost is actually inflated by the various financial institutions, sometimes by as much as 80% of the commission that PesaPoint earns. To some financial institutions, PesaPoint has facilitated additional revenue streams.

#### **4.3.6 Observance of Agreed Tariffs**

The perception of a majority 75.7% of the respondents is that once the tariffs are agreed, they are strictly observed. This may be attributed to the fact that the tariffs are clearly stipulated and understood prior to signing up to the network. However 21.6% of the respondents indicated they had no challenge on observance of the agreed tariffs since after the agreement, they go as per the plan while 2.7% respondent said that the tariffs though higher than other banks are being observed.

#### **4.3.7 Technical Delays during the Project Phase**

PesaPoint operate in a different way in relation to ordinary financial institutions such as banks. These differences have to be smoothed out for efficient interlinks to be created with the organizations. During project phase where the link is being set up, some financial institution find it taking long. Other feels that when technical delays come PesaPoint does not act in time to alleviate the problems. Procedures to be followed are long to be cleared. The researcher observed that most of the clients did not understand why there were delays in the initial stages of the contract. Most of them realized the delays without establishing the cause. This explains why majority 72.2% respondents just indicated that technical delays were a major challenge while



5.4% respondents indicated that there were technical delays due to restricted sort codes in their organizations. Those who said the technical delays were due to the procedure or process being too long represented 27% respondents. There were yet another lot of respondents who attributed the technical delays to the fact that PesaPoint do not act immediately in times of crisis. They represented 2.7% respondents same as those whose perception was that PesaPoint does not set clear information in terms of finance to be incurred by their client, time to be taken and merchandise required. These delays should be explained to the client in time and appropriate action take from both sides. This is unclear as PesaPoint adheres to a strict project plan which details either party's expectations.

#### **4.3.8 Sharing of Marketing and Communications Budgets**

To provide the customers with information such as promotions, launch activities or even activation, both PesaPoint and other organization linked to their system share a budget. This results in a complex relationship giving way to diverse views from respondents. To some organizations this plays a large part of advertising PesaPoint rather than their institution. Others feel that it is good for both parties. Sharing of marketing and communications budget should not be left to one party since both parties stand to benefit from the contract. It would be prudent if both the parties agreed on this budget prior to signing up to the network. However it is apparent that this issue is not clear in the PesaPoint contractual documents since a majority 67.6% of the respondent indicated that there was no clear information on how the budget would be shared. However 24.3% respondents indicated that they had no challenge on this issue while 8.1% respondents said that most of the budget is provided by the client, PesaPoint takes the lesser percentage. These perceptions may not augur well for PesaPoint. It is important to review the contractual documents and come out clearly on how this budget should be shared. An effort should be made to ensure that the clients understand the sharing prior to engaging into the contract.

#### **4.4 Challenges of Managing Operations and Risk**

Managing operations and risk is a very important component in any business. This guarantees continuity and or profitability of the business. In this study, a majority 67.6% respondent indicated that PesaPoint has a lot of bureaucracy hence managing operations and risk becomes very difficult. The perception of 18.9% of the respondents is that the volumes will continue to grow as PesaPoint services gain popularity but the management of these volumes is not factored.

thus the risk of system downtime increases with optimum usage. The rest of the respondents (13.5%) indicated that they had no challenges on this issue. It is important for PesaPoint to review its procedures and cut down on the unnecessary bureaucracy to improve on managing operations and risks. They should also take into account the increasing volumes as the service gains popularity and take the necessary action to avoid the system downtimes that may occur.

#### **4.4.1 Building Customer Confidence**

The general understanding is that building customer confidence in the use of PesaPoint has not been very easy with most of the organizations. However there are some who found it easy since PesaPoint has established cash points in most of their distribution locations. The convenience of their customers has been their key selling point. On the other hand some organizations especially the mainstream banks have found it very difficult to build customer confidence in the use of PesaPoint ATMs because they have well established ATM network all over the country and PesaPoint pose as a major competitor. In this study, most organizations (53%) indicated that they face difficulties in building customer confidence in the use of PesaPoint ATMs since the PesaPoint ATMs pricing is too high. Others (22%) respondent said that they are unable to build customer confidence in the use of PesaPoint ATMs because they are not reliable due to frequent default. Those who said that they face difficulties in building customer confidence due to the hectic ways of resolving dispute represented 2.7% of the respondent. However 22.3% of the respondent indicated that they had no challenge in building customer confidence in the use of PesaPoint ATMs.

#### **4.4.2 Matching the Distribution Strategy with the PesaPoint ATM Foot Print**

A majority 91.9% of the respondents did not have any challenge on this issue since most PesaPoint ATMs are within their distribution location. However 8.1% respondents indicated that they lacked resources to open up more branches where PesaPoint is located. This would imply that the strategy the PesaPoint is using to sign up new customers is quite in order.

#### **4.4.3 PesaPoint Partners**

This research was also conducted within the organizations that had already joined the PesaPoint network or were in the process of doing so. This explains why a majority 72.2% of the respondents indicated that their organization had already joined PesaPoint ATM network. However there were a few co-operative societies which were visited and indicated that they had

not joint the PesaPoint ATM network. These represented 27.8% of the respondents.

## DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

### 4.4.4 Reasons for Not Joining the PesaPoint ATM Network

Almost all the organizations that were visited and had not joint PesaPoint ATM network were co-operative SACCOs. Most of them (86.5%) indicated the reason for not joining the PesaPoint ATM network is a lot of bureaucracy which has to be followed before joining while 13.5% said that PesaPoint has not done proper marketing to SACCOs. There is ready market within the SACCOs and PesaPoint should direct their marketing energies to this market.

### 4.4.5 Reasons for Joining the PesaPoint ATM Network

Those who had already joined the PesaPoint ATM network had various reasons of doing so. The majority 83.8% indicated that they joined the network for the convenience of their customers. The PesaPoint ATM network is quite good and reliable. Those who said that they joined the PesaPoint ATM network because their customers get easy access of their funds represented 8.1% of the respondent while 5.4% respondent said they joined because the PesaPoint ATMs are strategically located. There are those who joined the PesaPoint ATM network because PesaPoint has opened network with other banks and they represented 2.7% of the respondents.

**DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS**

**5.1 Introduction**

The main focus of this study was to determine the perception of management in financial institutions towards adoption of a third party ATM network offered by PesaPoint in Nairobi, determine whether the perceptions differ between the different categories of financial institutions; banks, SACCOs and building societies and to determine the perceived challenges the financial institutions face in using third party ATM networks and to investigate. Based on the results obtained in the study, this chapter summarizes the results.

**5.2 Discussion**

The findings have important implications for research, banks and third party ATM service provider as well as those that are planning to enter the market to offer the same type of services. This study has established the perception management in financial institutions have towards PesaPoint ATMs which has either hindered or accelerated their adoption processes. Majority of the respondents perceived that PesaPoint ATM are easy to use, reliable, located in secure places and convenient to its customers, and have a good physical appearance.

The research has further revealed that the PesaPoint ATMs have state of the art features and that the company delivers quick services e.g. incase of repairs and reloading of cash. PesaPoint ATMs were further stated that they have the best ATM foot print in Kenya while some financial institutions management felt that PesaPoint ATMS have good branding. PesaPoint ATMs were said to easy to understand instructions, onscreen graphics are user friendly and that usage instructions are easy to understand. Though many financial institutions management had positive perception at different level of PesaPoint ATMs they cited several challenges which hinder or delay many institutions from joining the network.

Contractual clause is on procedures to be followed in the operational phase of the project. However this study has uncovered that most of the stake holders found the clause wanting. There were those who felt that the procedures to be followed were long and tedious. This finding indicates that the contractual clauses on procedures to be followed in operational phase of the project are unpopular with some clients.



Company's procedures and policies are revisited to make sure no conflict persist with PesaPoint. Banks using PesaPoint network have mixed feelings about how PesaPoint deals with this issues such as customer funds reconciliation issues.

Each financial institution is required to deposit some money with PesaPoint which also include cycle payments. According to them, a new budget becomes necessary among other infrastructure being put in place. The new budget alters the existing ones by reducing them PesaPoint to limit liability on it part, this pose a great challenge to financial institutions linked to PesaPoint ATM network because to absorb liability as it comes. Financial institutions linked to the PesaPoint ATM network feel that liability should be equal for both parties should the unforeseen happen.

Some managers felt that when technical delays occur PesaPoint does not act in time to alleviate the problems. To other, how are current members, they cited that they plays a large part of advertising PesaPoint rather than their institution while other felt that PesaPoint has a lot of bureaucracy hence managing operations and risk becomes very difficult.

### **5.3 Conclusion**

According to most managers in financial institutions speed of service delivery by TPAN providers is deemed a key influence to the adoption of ATM services. Dabholkar (1996) initially suggested that expected speed of delivery is an important factor for choosing and evaluating technology-based service options. The perception of management in financial institutions towards third party ATM service providers has been identified. They include perceived risk, perceived ease of use, and perceived usefulness of PesaPoint ATM among others. The study further established that risk perceptions by potential users hindered the adoption of PesaPoint ATMs.

### **5.4 Recommendations**

To retain, increase and improve the customer's perception towards PesaPoint ATMs, the management at PesaPoint should hold consultative meetings with the financial institutions to address the various negative issues e.g. clause in the contract forms, different institutional frame works, consensus on tariff to be charged. This will harness their relationship with those financial institutions and will find more institutions joining the network. Also the PesaPoint needs to invest in making ATMs more innovative by coming up with new products and services.

## 5.5 Limitations

Concerning the research, limitations cannot be totally avoided. Firstly, although a third party ATMs is not new in Kenya, it is still in its infancy since only two companies' offers this type of services.

- i) During the collection of literature, the author found that there was a lack of relevant information. The origins of information inevitably come from other countries, like the United States of America and Europe. This may not accurately describe the phenomenon and situation in Kenya, especially with the cultural differences in between, the Kenya and the first world.
- ii) Collecting data from financial institutions proved to be very difficult since most information in the financial institutions is regarded confidential, and managers and staff take an oath of confidentiality. Also the financial institutions managers are very busy persons who had less time to respond to questionnaires.

## 5.6 Suggestions for Further Research

Limitations and shortcomings of this study provided implication for future research.

- i) The study on perception of adoption of third party ATM services offered by PesaPoint can be extended to customers rather than the financial institutions management.
- ii) Comparison can then be made between individual customers and corporate customers in terms of the factors influencing their adoption decisions, the criteria for selecting ATM services providers, and the types of products and services perceived to be useful.

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APPENDIX I

P.O.Box 1980, GPO, 00100

Nairobi,

Tel: 0736 777 182

1<sup>ST</sup> August, 2007

Dear sir/Madam,

**RE: REQUEST FOR RESEARCH DATA**

I am a final year postgraduate student in the faculty of commerce, University of Nairobi majoring in marketing. I am undertaking a research on the perception of management in financial institutions towards the adoption of the third party ATM network offered by PesaPoint.

In order to undertake the research, you have been selected to form part of my study. This is therefore to request your assistance in filling the attached questionnaire as truthfully as you can.

The information you give will be treated in the strictest confidence and is needed purely for academic purposes. Even where a name has been provided, it will not under any circumstances appear in the final report.

Your assistance and co-operation will be highly appreciated

Yours sincerely

**Kimani Mburu**

APPENDIX II

QUESTIONNAIRE

Section A: Background information

1. Name of financial institution \_\_\_\_\_

2. Year of incorporation \_\_\_\_\_

3. Form of financial institution.

- (i) (a) Commercial bank
- (ii) (b) Mortgage house
- (iii) (c) Building society
- (iv) (d) Microfinance institution
- (v) (e) Savings and Credit Cooperative Society

Any other please specify \_\_\_\_\_

4. Nature of ownership

- (i) (a) Local
- (ii) (b) Foreign
- (iii) (c) Both local and foreign

Any other please specify \_\_\_\_\_

5. What is your position in the organization? \_\_\_\_\_

6. Physical location of the organization \_\_\_\_\_

7. Please list the services you offer to your clients

- (a) \_\_\_\_\_
- (b) \_\_\_\_\_
- (c) \_\_\_\_\_
- (d) \_\_\_\_\_
- (e) \_\_\_\_\_

8) (a) Does your bank have its own ATM network?

- (a) Yes
- (b) No

b) If yes, how many ATMs machines do you have in the fleet? \_\_\_\_\_

- c) Is your network linked with other bank networks? (a) Yes
- (b) No



**Section B:**

2) Indicate the extent to which the PesaPoint network is beneficial to your current and potential customers on the following using a scale of 1-5, where: 5 – A very large extent; 4 – A large extent; 3 – To some extent; 2 – A small extent, and 1; To no extent.

	STATEMENT	5	4	3	2	1
(i)	PesaPoint ATMs are easy to use					
(ii)	PesaPoint charges are not prohibitive					
(iii)	PesaPoint ATMs are reliable					
(iv)	PesaPoint ATMs are located in convenient locations					
(v)	PesaPoint ATMs have state of the art features					
(vi)	PesaPoint ATMs are reliable					
(vii)	The speed of services in PesaPoint ATMs is fast e.g. Money reloading on time					
(viii)	PesaPoint ATMs have the best ATM foot print in Kenya					
(ix)	PesaPoint ATMs have a good physical appearance					
(x)	PesaPoint ATMs are located in safe locations					
(xii)	PesaPoint ATMs have good branding					
(xiii)	The speed of services in PesaPoint ATMs is fast e.g. repair incase of breakdown.					
(xiv)	Use instructions are easy to understand					
(xv)	Onscreen graphics are user friendly					
(xvi)	Usage instructions are easy to understand					
(xvii)	PesaPoint ATMs dispense cash fast					
(xviii)	The services offered at PesaPoint ATMs are positively varied and customer focused e.g. cash withdrawals, Balance enquiries, Mini statement, funds transfer, Mobile top ups and payment of utility bills					

**Section C.**

1. Prior to signing up to the network, and on joining the PesaPoint network during the partnership, what challenges did you have or are you having with regard to the following areas:

i. Contractual clauses on procedures to be followed in the operational phase of the project  
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ii. Company procedures and policies that are in conflict with the PesaPoint systems  
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iii. Management of disputes e.g. customer funds reconciliation issues  
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iv. Cash deposit requirements from PesaPoint i.e. the amount and cycle of payment  
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v. Limits of liability on the part of PesaPoint  
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vi. Pricing of transactions  
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vii. Observance of agreed tariffs

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viii. Technical delays during the project phase occasioned by differences in operating systems between PesaPoint and the your organization

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ix. Sharing of marketing and communications budgets e.g. Launch activities, promotions and activations

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x. Challenges of adhering to ongoing systems and generally managing operations and risk

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xi. Building customer confidence in the use of PesaPoint ATMs.

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xii. Matching your distribution strategy with the PesaPoint ATM foot print.

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xiii. Other Challenges (Please specify)

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xiv. Has your financial institution joined the PesaPoint ATM network? (a) Yes

(b) No

a) If your answer is no, please state your chief reason for not joining the PesaPoint ATM network

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b) If your answer is yes, please state your chief reason for joining the PesaPoint ATM network

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.....

THANK YOU!

- 15. K-Rep Bank
- 16. Mwalimu Soko
- 17. National Bank of Kenya
- 18. National Industrial Credit Bank (NICB)
- 19. Paragon Bank
- 20. Prime Bank
- 21. Standard Chartered Bank
- 22. Sika Soko
- 23. American Express
- 24. Japan Credit Bureau (JCB)
- 25. Mastercard
- 26. Visa International



### APPENDIX III

#### List of PesaPoint Partner Financial Institutions as at August 31st 2007

1. African Banking Corporation Bank (ABC)
2. Bank of Africa
3. Bank of Baroda
4. Commercial Bank Of Africa (CBA)
5. Consolidated Bank
6. Credit Finance Corporation Bank (CFC)
7. Diamond Trusk Bank Kenya
8. East African Building Society (EABS)
9. Equatorial Bank
10. Fina Bank
11. Guardian Bank
12. Housing Finance
13. Imperial Bank
14. Investments and Mortgages Bank (I&M)
15. K- Rep Bank
16. Mwalimu Sacco
17. National Bank of Kenya
18. National Industrial Credit Bank (NIC)
19. Paramount Bank
20. Prime Bank
21. Standard Chartered Bank
22. Stima Sacco
23. American Express
24. Japan Credit Bureau (JCB)
25. Mastercard
26. Visa International

## APPENDIX IV

### List of Financial Institutions to be visited

1. African Banking Corporation Bank (ABC)
2. African Development Bank, Nairobi
3. African Mercantile Banking Co. Limited
4. Akiba Bank, Nairobi
5. Bank of Africa
6. Bank of Baroda
7. Bank of India, Nairobi
8. Bank of Oman, Nairobi
9. Bank of Tokyo, Nairobi
10. Bankers Trust, Nairobi
11. Banque Indosuez, Nairobi
12. Barclays Bank of Kenya, Nairobi
13. Biashara Bank of Kenya, Nairobi
14. Chase Bank
15. Citibank, Nairobi
16. City Finance Bank, Nairobi
17. Commercial Bank Of Africa (CBA)
18. Community Bank
19. Consolidated Bank of Kenya Limited
20. Continental Bank of Kenya, Nairobi
21. Cooperative Bank of Kenya,
22. Credit Finance Corporation Bank (CFC)
23. Development Bank of Kenya, Nairobi
24. Diamond Trusk Bank Kenya
25. Dubai Bank Kenya Limited
26. East African Building Society (EABS)
27. East African Development Bank, Nairobi
28. Equatorial Commercial Bank
29. Equity Bank
30. Embu Farmers SACCO
31. Embu Teachers SACCO
32. Family Bank
33. Fidelity Commercial Bank
34. Fina Bank Limited
35. First American Bank of Kenya, Nairobi
36. Guardian Bank
37. Habib Bank Zurich, Nairobi
38. Housing Finance
39. Imperial Bank
40. Industrial Development Bank, Nairobi
41. Investments & Mortgages Bank Limited
42. K- Rep Bank

43. Kenya Commercial Bank, Nairobi
44. Kenya Women Finance Trust (KWFT)
45. Kilifi Teachers Sacco
46. Korea Exchange Bank, Nairobi
47. K-Rep Bank Ltd,
48. Mashreqbank, Nairobi
49. Middle East Bank, Nairobi
50. Mwalimu Sacco
51. National Bank of Kenya
52. National Industrial Credit Bank (NIC)
53. Pan African Bank, Nairobi
54. Paramount Bank
55. Postbank
56. Prime Bank
57. Prudential Bank, Nairobi
58. Stanbic Bank, Nairobi
59. Standard Chartered Bank
60. Stima Sacco
61. Victoria Commercial Bank, Nairobi