FACTORS AFFECTING INTERNET BANKING ADOPTION IN KENYA: CASE STUDY OF NATIONAL BANK OF KENYA AND EQUITY BANK

BY

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A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA).

UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

SPRING 2017
STUDENT’S DECLARATION

I, the undersigned, do hereby declare that this research project is my original work and has not been submitted in any form to any institution or university other than United States International University for academic credit.

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This project has been presented for examination with my approval as the appointed supervisor.

Signed: ________________________ Date: ______________________

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Dean, Chandaria School of Business
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ABSTRACT

The general purpose of the study was to determine the factors affecting the adoption of internet banking in Kenya among users of National Bank of Kenya and Equity Bank. The writing of the research paper was directed by the subsequent research questions: How do culture, customer perceptions and perceived risk affect the adoption of internet banking in Kenya? How do cost and resources reduction affect the adoption of internet banking? And how does privacy and security risk affect the adoption of internet banking?

The study was conducted through the use of a descriptive research design, quantitative and qualitative research techniques were used to obtain information. The target population for the study comprised of 3,300 corporate account holders from National Bank of Kenya and Equity Bank, which consist of 1,500 corporate customers from National Bank of Kenya and 1,800 corporate customers from Equity bank at Harambee and Kenyatta avenue branches for National Bank of Kenya and Upper Hill and Kenyatta avenue branches for Equity Bank in Nairobi. The sampling frame consisted of corporate customers and sampling techniques used include the random sampling method. Data was collected from the respondents and the collected data was numbered, edited and entered in the system so as to be run through the use of Statistical Package for Social Sciences (SPSS). The researcher then used descriptive statistics technique to the data collected, the analyzed data was then presented through the use of tables and charts that showed the different percentages and frequencies of the data.

The findings on the Culture, and customer perceptions of internet banking usage indicated that most customers are not influenced much by culture. Among all the variables used culture was the weakest psychological determinant in respect to internet banking adoption but still played a key role and cannot be ignored. Research and findings contradict the earlier by other authors indicated that the intention to use internet banking was being affects primarily and positively by the culture of the internet user.

The findings on the resources and rewards of internet banking services indicate that banks should create awareness on the benefits of using internet banking. Customers can have easy access to the global markets, reducing the costs banking, save time and improve banking services was important to them. The automation of banking services and user friendly tools for managing the customers’ funds give the latter increased comfort in time.
management. Since the customer can access internet banking services at his convenient time, then they are able to schedule and utilize their time without unnecessary travels to a physical bank. A customer can use internet banking to send or receive money instantly, transfer money to another country at a touch of a button and at the comfort of their homes.

The findings on the privacy and security of internet banking services indicated that customers do not trust banks to secure their personal information and this is a big inherence in the adoption of internet banking. Lack of trust among the respondents on financial institutions was a significant issue that prevents customers from internet banking acceptance. Respondents believe that trust and privacy are critical component in attract and retain present customers as well as improving and encouraging the adoption of internet banking in Kenya.

The study revealed that banks should capitalize on the benefits that Internet banking offer as consumers tend to want value for their money and relate rewards that they get from the use of internet banking as a reason for wanting to engage in internet banking. A large number of respondents do not have experience with the Internet banking which makes them to be drawn to what they are used to and what they trust that is the physical bank.

The study revealed that the perception of security has the stronger impact on customers' attitude, which in turn influences customers' intention to use electronic banking services. Utilization of internet banking services indicated that the respondents are worried about releasing their personal information and banking details, they believe that it is not safe to use internet banking which results in financial institutions experiencing problems in appealing to customers. Respondent’s perception about security risk was found to be the most dominant influential factor, followed by resources.

The study recommends that bank managers should focus on the promotion, encouraging and educating the customers on the invaluable advantages that are gained from the use of internet banking. Banks should ensure that internet banking privacy, trust and security is given a high priority to increase consumer confidence through improving their technological, infrastructure and websites to ensure that they provide structural and systems which will include safety nets, regulations and security checks to promote a sense of security and privacy about the related technological that they are using.
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I wish to express my sincere gratitude to the almighty God for all the blessings He has shown me and for being with me throughout the study. I would like to appreciate Unites States International University for giving me the opportunity to study there, it has been a great honor and experience and I feel fortunate to have had the opportunity to carry out my project at as this fine institution. I wish to express my appreciation to all the people who in one way or another, directly or indirectly, played a role in the realization of this research project, without your assistance and help the realization of this project would not have been possible. In particular, I would like to express my sincere gratitude to my supervisor, Mr. Kepha Oyaro for his tireless dedication of time and guidance throughout all the stages of this report. Without his advice, corrections, patience and support during the writing of this project, it would not have been possible, may God bless you all greatly for your help.

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DEDICATION

I dedicate this project to all the faculty members, students, family and friends who have given me huge support both educationally and financial. They have supported me and been with me every step of the way and I will forever be grateful to all of you. Thank you and God bless you.
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# ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
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<tbody>
<tr>
<td>ATMs</td>
<td>Automated Teller Machines</td>
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<tr>
<td>EFT</td>
<td>Electronic funds transfer</td>
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<td>ICT</td>
<td>Information Communication Technology</td>
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<td>IDT</td>
<td>Innovation Diffusion Theory</td>
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<td>ISP</td>
<td>Internet Service Providers</td>
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<td>ITU</td>
<td>Internet Technology Utilization</td>
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<td>NBK</td>
<td>National Bank of Kenya</td>
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<td>SPSS</td>
<td>Statistical Package for the Social Sciences</td>
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<td>TAM</td>
<td>Technology Acceptance Model</td>
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<td>TPB</td>
<td>Theory of Planned Behaviour</td>
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<td>World Wide Web</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Financial institutions particularly banks are enormous in each nation and feature an enormous impact in assisting economic development through efficient financial offerings. They provide a mechanical machine to person and institution saving and translate them into investment. For over a decade, banks have been tormented by adjustments associated with globalization and financial liberalization. Reacting to those adjustments, banks increase the choice of offerings presented to the customers and increase their reliance on era (Al-Smadi & Al-Wabel, 2011).

Financial services industry over time has be opened to historic transformation that can be termed as internet developments which is advancing rapidly in all areas of financial intermediation and financial markets such as internet finance, internet money, electronic banking (internet banking), internet brokering, internet insurance, internet exchanges, and even internet supervision. In recent years, the adoption of internet banking began to occur quite extensively as a channel of distribution for financial services due to rapid advances in information technology and intensive competitive banking markets (Mahdi & Mehrdad, 2010).

Banks have been significantly affected by the evaluation of technology; competition between banks has forced them to find new market to expand, and the number of financial institutions that offer electronic banking products increased. Hence, banks have begun to offer electronic banking services to improve the effectiveness of distribution channels through reducing the transaction cost and increasing the speed of services. Recently, electronic banking has become the way for the development of banking system, and the role of electronic banking is increasing in many countries. Banks are mostly using electronic channels to receive instructions and deliver their products and services to their customers. It offers opportunities to create services processes that demand few internal resources, and therefore, lower cost. As well as it provides wider availability and possibility to reach more customers. Looking at it from the client’s point of view, internet
banking allows customers easier access to financial services and time saving in managing their finance (Ayrga, 2011).

Bindiya, Manish & Krishna, (2011) all banks are using information technology as a strategic vehicle to stay competitive against other players. Banking technology helps in increasing customer satisfaction, customer loyalty, improvised growth, and performance of the banks. The perception of customers towards the use of technologies with respect to factors such as convenience, privacy, security, ease of use, real time accessibility, and accurate record of varied transaction that enable customer’s adoption of Banking Technology. Among various banking technologies, Internet banking, which is the act of conducting financial intermediation on the Internet is the latest banking technology and is one of the most fast growing banking technology throughout the world. There is a growing need for the banking industry to keep pace with the emerging requirements of the business world by adopting suitable technology for its effectiveness. The business sectors today want banks that can enable them carry out all their banking transactions anywhere, anytime to anybody with the sole objective of enhancing customer outreach and flexibility in transactions (Bindiya, Manish & Krishna, 2011).

Internet banking is expected to appeal to customers with benefits such as cost savings, greater control over service delivery, reduce wait times, higher perceived level of customization and convenient access to service without time or space constraints. This application of information technology also appeals to financial institutions because it can standardize service delivery, reduce labor and service cost, expand the options for delivery and reach customers who are unreachable through other channels (Montazemi & Saremi, 2013).

Increase use of the Internet is quickly turning out to be the instrument of global communication, influencing producers and entrepreneurs to sell their products online. This has prompted many banking and finance institutions to come up with the idea of Internet banking or online banking. Numerous benefits such as lower fee to go online, higher interest rates, online viewing of account details and statement information, pay bills, transfer money between accounts, scheduling automatic periodic payments such as rent or loan payments, applying for accounts or loans and managing loyalty points to achieve first objective. In the process, banks are able to reduce cost of operations. But these benefits came with a lot of challenges that tend to discourage the customer from
using the service like steep rise in online banking crimes and to loss of privacy, which
tend to undermine its success (Natarajan, Balasubramanian & Manickavasagam, 2010).

Delgado, Henado and Nieto (2007) suggest that empirical facts indicates internet banks
worldwide have underperformed newly chartered traditional banks mainly because of
their higher overhead costs and cost of implementing internet banking. In 2001, the Bank
of America was the first bank in the world to reach 3 million online banking customers.
Over the next ten years, online banking grew exponentially, and some banks came into
existence which only existed online. These banks were able to offer better interest rates,
more features, and other services because they had the advantage of not having to
maintain the expenses of brick and mortar bank buildings (Tech, 2011).

Notwithstanding its appeal, internet banking adoption by customers is low. According to
the research firm score, 423.5 million people accessed internet banking sites globally
during April 2012, reaching 28.75% of the internet users. This consisted of 45% of the
internet users in North America, 37.8% in Europe. 25.1% in Latin America, 22% in Asia
Pacific and 8.8% in Africa. Such a low adoption rate is troublesome to banking
institutions. To increase the adoption rate, banks need to better manage factors that affect
consumers’ adoption to internet banking (Montazemi & Saremi, 2013).

In the face of rapid expansion of electronic payment systems throughout the developed
and the developing world, Kenyan financial sector cannot remain an exception in
expanding the use of the system (Gardachew, 2010). The concept of Internet banking
developed with the development of the World Wide Web, during the 1980,s and was
intended to benefit customers in terms of saving time, speed in banking transactions and
easy access to their accounts (Yahya, 2011). In Kenya, majority of banks have introduced
internet banking, mobile banking and other internet banking facilities, to enhance delivery
channels to their customers. It is however, important that the introduction of these
products be accompanied with programs to broaden consumer horizon by enhancing their
knowledge in the new and more innovative way of conducting banking business
(Nyangosi, 2011).

Despite all this, mobile banking as really taken root and is performing much better than
internet banking mainly because of the developing state of the economies internet is not
readily accessible to most individuals willing to conduct financial transactions, the
The greatest challenge to the adoption of this technology was the use of computers with internet connections whereby only a few individuals had access to these gadgets, either those working in companies with computers with internet connections and those who really needed the service having to visit cyber cafes for access of the internet which can be very inconvenienting (Xiao, 2010).

The Internet has an ever growing importance in the banking sector because of the advantages it brings to both the banks and their customers. Even though information system expenses are considered to be costly and risky, financial institutions are one of the largest investors in information system technology. Financial institutions have discovered that internet is the cheapest delivery and most reliable channel of offering their banking products and services as it allows the firm to cut down on their branches and down size the number of service staff employed. Financial institutions should take advantage and ensure easy accessibility of their website by their customers to give them a competitive advantage over their competitors. Most banks agreed that the most important and beneficial contribution that internet had to the customer was convince, reduction on cost of transaction and saving of time when they avoid queue in bank branches. Banks also concluded that some of the greatest challenges of internet banking included fraud, lack of proper security when it comes to customer information in relation to the net and government access (Kaleem & Ahmad, 2008).

1.2 Statement of the Problem

In Kenya, traditional branch based retail banking remains the most widespread method for conducting banking transactions with agency banking and mobile banking being the recently adopted and widely used (Wambari, 2009). In recent past, banks are challenged by technological up scale that lead to innovative products which stiffed up competition for market share. However, internet technology or internet banking is rapidly changing the way personal financial services are being designed and delivered by commercial banks. Now commercial banks in Kenya are trying to introduce internet based electronic banking systems to improve their operations and to reduce costs (Gikanda & Bloor, 2010).

There is a shift from paper based, traditional branch based retail banking to electronic payments and reliance on ATMs rather than costly branch offices to deliver cash and
other depositor related services. Both banks and customers are increasingly migrating from traditional banking channels to the internet banking channel but despite the benefits and advantages of internet banking for both sides, it entails some critical issues both for customers and the banks (Ghazi & Khalid, 2012). Convenience and efficiency are the main motivating factors to use internet banking from a customer’s point of view. Customers who use internet banking enjoy the luxury of not going to the bank branches, making long queues on the bank or being constrained to using bank services during normal bank opening hours only. Banks are trying to make internet banking to be more attractive to all customers through offering lower charges than normal banking, better and attractive rates on deposits and loans, quicker and easy access to the websites and more advance technology. This offers and services help to increase the level of innovation as well as level of competition on the market, these incentives benefits customers as the benefits are passed on to the users in the form of cost cutting, convinces and time saving. Many customers find internet banking to be appealing to them because of the features that the banks put like easy and quick access to their accounting information, easy access to banking information and services or easy and quick payment of bills and transfer of money (Qureshi, Zafar & Khan, 2008).

Despite all their efforts aimed at developing better and easier internet banking systems by banks, these systems remains largely unnoticed by the customers and without doubt under used in spite of their availability. In this view the customer represents demand for what a bank can offer and is transferred from the bank to the customer by satisfying that demand. Those who have not adopted internet banking simply represent a marginal of customers that are unable or unwilling to use this technology. By focusing only on optimizing the value chain and overlooking the factors that effectuate adoption of the technology by customers, the value chain focus hinders innovation means increasing customers (Montazemi & Saremi, 2013). The implication of this view is that increasing adoption of internet banking requires that banking institutions to identify and manage the factors affecting the customer’s intention to adoption and continues usage of the technology.

This research is therefore aimed at unearth the challenges, barriers and opposition that come with the provision of internet banking service in Kenya focusing on the effects relating to adoption, implementation, use and transmission of this services. Convincing customers to change their habits from the normal traditional branch based retail banking
and start using internet banking has been the main obstruction to the embracing of the internet banking technology. Therefore this research is aims at the factors affecting the adoption of internet banking in Kenya

1.3 Purpose of the Study

The main purpose of the study is to establish the factors affecting adoption of internet banking at the National Bank of Kenya and Equity Bank.

1.4 Research Questions

1.4.1. How do culture and customer perceptions affect the adoption of internet banking?

1.4.2. How does cost and resources reduction affect the adoption of internet banking?

1.4.3. How do privacy, perceived risk and security risk affect the adoption of internet banking?

1.5 Importance of the Study

1.5.1 National Bank of Kenya and Equity Bank

The findings will be very useful to National bank of Kenya and Equity bank management. Through the recommendations made by the study, the management can work towards improving on their internet service provision to their customers and also will help them know some of the challenges experienced in delivery of internet banking services not only in the bank but also the banking industry as a whole. Hence be able to create a competitive advantage over the rest in the industry.

1.5.2 Banking Industry

The findings of the study greatly contributed to the existing literature on internet banking and internet banking. For the other banks that may require to understand factors related to the internet banking; this document was a relevant reference material which would provide information various concept that would be applied in making comparisons in their performance and adoption of internet banking.
1.5.3 Researchers and Academicians

The study will be of great importance to future researchers, scholars and academicians as it will form basis and reference for future research as well as provide literature review for future scholars and analysis of trends through the effect of technology and its adoption.

1.6 Scope of the Study

The study will focus mainly at National Bank of Kenya and Equity, Harambee, Upper Hill and Kenyatta avenue branches in Nairobi. The research will source information on the effects of factors that affect the adaption of internet banking such as the ease of use of the internet services, effectiveness of the services to the customers, the effect of the perceived trust and risk on the internet banking services and the general challenges experienced by N.B.K and Equity Bank. The target population will be corporate customers of N.B.K and Equity branches in Nairobi and the data for the study will be collected using questionnaires. The expected time frame for the research will be January 2017 to March 2017.

1.7 Definition of Terms

1.7.1 Internet Banking

Internet banking is a automated system of doing banking transactions that allow bank customers to get access to their accounts and other general banking products and services be accessing the bank website, this is done through the net without directly involving the bank staff. Internet banking has been explained by numerous researchers in different ways and thus it has numbers of definitions. Partially, internet banking offers several types of the services through which customers of the banks can request for getting information and also can carry out most of the banking transactions through their smart devices and computers (Suriya, Mahalakshmi & Karthik, 2012).

1.7.2 Electronic funds transfer (EFT)

EFT is the electronic exchange or transfer of money from one bank account to another, either within the same bank or different banks. The sending of money between financial institutions electronically and account exchange information over secure private communications networks (Ahmadou, Sere, Iguchi & Jean, 2011).
1.7.3 Smart Cards

The Card System is a unique electronic payment type. The smart cards are plastic devices with embedded integrated circuit being used for settlement of financial obligations. The power of cards lies in their sophistication and acceptability, to store and manipulate data, and handles multiple applications on one card securely. A smart card or a chip card is a pocket-sized card with embedded integrated circuits which contains volatile memory and microprocessor components. Smart cards can provide identification, authentication, data storage and application processing (Ahmadou, Sere, Iguchi & Jean, (2011).

1.8 Chapter Summary

This chapter presents the background and statement of the problems factors affecting the adoption internet banking in Kenya. The chapter looked at the statement of the research problem, the research questions that guided the researcher, the importance of the study to different entities, definition of the terms used in the paper and the scope of the research. Chapter two presents the literature review and what other authors wrote in relation to the research topic.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter gives the various relevant literature reviews that have been done by scholars and academicians in line with the factors affecting internet banking adoption in Kenya and across other countries in the world. The chapter is divided into three area guided by the research objective. The first section focuses on perceived cultural influence to the consumers, the second section focuses on cost and resources reduction benefits to the consumers, the third section focuses on the privacy, perceived risks and security risk that affect the consumer’s intentions to adopt internet banking. It borrows heavily from past similar studies that have been done in various countries in the recent past.

2.2 Perceived Cultural Influence on Adoption of Internet Banking

A person perceived culture pressure to engage or not to engage in behaviour is mainly determined by their perception which is very important in social model thinking, decision making process and performing of particular behaviors. People are in one way or another drawn to behavior in accordance with a specific social model despite the fact that they might or might not like the behaviour. The role model might be superiors’ person like parents or teachers or his or her peers like friends, colleagues, or classmates. There is a significant amount of theoretical and empirical facts in relation to the importance of the role that culture plays on internet banking use, directly or indirectly. According to Safeena, Date & Kammani, (2011) intention to use internet banking is mainly and positively influenced by culture, while Zolait, (2010) revealed that culture was the weakest psychological determinant in reverence to internet banking adoption in Yemeni.

Bindiya et al., (2011) explored a research framework based on the theory of planned behavior and the diffusion of innovations theory. The theory was used to identify the attitude, social and perceived behavioral control factors that would influence the adoption of Internet banking. The findings showed that attitude and perceived behavioral determine the factors, relatively to social factors, performing a very important role in determining the intent to adopt Internet banking. It is mainly in relation to perceptions of uses advantages, compatibility and the amount of risk the user will have to incur in using
internet banking were the main reasons influencing the intentions to agree to use Internet banking services.

2.2.1 Customer Perceived Usefulness

A benefit can be defined as a positive change that derives some utility. Benefits are quantifiable and measurable improvements with a tangible value that can be expressed in terms of monetary or other resource. Internet banking widens the scope of business. In order for customers to enjoy internet banking facilities, it is very important that the banks should have an efficient ICT infrastructure and internet facility in place (Oye, Shakil & Iahad, 2011).

Perceived value is noted as a motivator for engaging in internet banking to facilitate transactions that would be offered although at a slower rate at a brick and mortar establishment. In a study it was found that the Bank of Thailand, being the regulator in the banking industry, encouraged the investment in ICT infrastructure by providing financial platforms, frameworks and incentives that would serve the needs of all players in an attempt to exploit the advantages provided by the adoption of internet banking. In this respect, most commercial banks invested heavily and launched corporate websites to attract the use of internet as a new distribution channel for their services (Lee, 2009).

The acceptance of internet banking comes with benefits for both the users and the banking institution. These benefits are expressed by some authors as either direct or indirect. While banks can reduce the cost of running and managing of its branches, by motivating, encouraging and supporting the use of the internet banking platforms by its customers, the customers can also reduce their expenditure by not paying for transactions charges and benefit from internet banking exclusive product which have great return and convenience to the customers. (Martins, Oliveira & Popovic, 2014). There are two main types of perceived usefulness:

2.2.1.1 Unintended Perceived Rewards

The unintended rewards are those benefits that are obvious and tough to measure like services that allows customers to perform banking transactions anywhere in the globe, even in the comfort of their home or office (Ling, Bin, Hoi, Keoy & Hassan, 2011). Reliability also plays a big role in increasing customer confidence, this can be the promises given by the Manager of bank or staff. If the staff cannot keep or breaks the
promises, it dissatisfies customers and results in negative word of mouth. In contrast, when the company is able to keep its promises, it increases customer confidence on the staff and creates customer satisfaction and lead to rewards that cannot be measured but are important to customers (Yuen & Chan, 2010).

2.2.1.2 Intended Perceived Rewards

Intended rewards are the immediate and tangible rewards that consumers enjoy using online banking services such as lower transaction fees, high deposit rates, opportunities to prizes among others (Ling, Bin, Hoi, Keoy & Hassan, 2011). Reviews reveal that roughly 97% of customers who engage in internet banking dealings will continue implementing this type of actions, with a majority showing that they plan to considerably increase their variety of dealings over the next 12 months (Ernst & Young, 2012). In general, customers are pleased with internet banking as an efficient, fast, and less expensive way of performing banking and their internet businesses is growing different ranges of goods, services and solutions (Ghazzawi, Khoury and Saman, 2014).

According to Gikandi & Bloor (2010), 2005 to 2009 there was a huge shift on the importance that was attached to the drivers of internet banking in Kenya. In the survey conducted in Kenya in the year 2005, 70% of the retail banks considered internet banking as an essential channel for their business. New products and services would hence be based on an internet banking platform (Gikandi & Bloor, 2010). In their follow up survey carried out in year 2009, Gikandi and Boor, observed that banks rated internet banking at 100% to drive their banking business. Internet banking has brought in a new era where the banking industry explores new areas of growth and development that enhances business operations and opportunities for them to grow.
Figure 2.1: Model on Acceptance of Technology

Source: Davis (2003).

2.3 Cost and Resources Reduction

Internet banking as introduction a new and improved generation of how banks operate and carry out their banking activities without being forced to invest in expensive physical buildings and branches. Internet banking provides many economic benefits for both the banks and their customers. Research carried out showed that the factors that make banks to adopt the use of internet banking. The findings of the study indicated that a large number of young, and well organized banks that are situated in towns incur great cost in terms of premises cost and other fixed assets, this pushes them to move towards the adoption internet banking. Furthermore, findings of a comprehensive study indicated that the market share, or the strength of a bank, is positively related to its decision to provide internet banking. This is mainly because the large and well established banks felt pressure to provide their customers with the latest financial products and services in order to give their customers a wider range of choices and thereby promote customer retention (Daniel, 1999).

2.3.1 Reduction in Operational Costs

Costs is the price that the consumers are prepared to pay for a specific goods or service being offered to them and this consists of monetary cost and other cost (Ho & Ko, 2007). Internet banking adoption will be mainly driven by the perceived costs and the benefits
that the particular innovation brings to both the banks and the customers, there are two main key factors the adoption and determine the user needs, namely price factors and non-price factors (Rothwell & Gardiner, 1984). According to Ho & Ko (2007) price is the main factor that contribute a great deal in brand switching. For the consumers to see and feel the need to use new technologies, the technologies should be realistically priced as compared to that of the previews product. If that is not done then the acceptance of the new technology may not a good option from the point of view of the customer. In internet banking there are two types of costs are involved, which are the usual costs connected with Internet access fees and connection charges and the bank fees and other related charges. According to Bradley & Stewart (2003) high set up costs; cost reductions and the costs incurred during execution of the system are considered as the greatest endurance to the adoption of internet banking. Consumers are not ready to adopt new changes in relation to financial product unless it can help them reduce on their cost or transaction and also the change will not force them to change their normal behaviour when using it.

Internet banking reduces the costs of accessing banking services to the customers. Various internet banking products including Electronic Funds Transfer (EFT), Automated Teller Machines (ATM), internet bills and internet payments which enable both the bank and customers to save on the transaction costs that would be encountered if the traditional banking channel was used. The use of internet banking, administrative work and associated costs including expenditures on paper slips, pre-printed standard forms and other bank stationery is greatly reduced, in effect raising the profit margin. Electronic banking has a positive financial impact, as traditional account maintenance fees are not charged highly, electronic bill payment saves mailing costs, customers travel less to their physical bank than before and are able check their bank account balances and print statements online (Oye, Shakil & Iahad, 2011).

Ombati (2010) established that the use of internet banking in Pakistani for instance, though slow, has opened doors for other players, including dealers in computer hardware and software developers, to apply their entrepreneurial skills and expertise while competing in a quality service delivery. The study revealed that although there were many bottlenecks in the introduction of internet banking, the diffusion had taken place ultimately, where issues like safety, lack of trust and security of ATMs being over ridden...
by the many benefits that started to move stealthily in, including reduction in operational
cost, savings on time, reliability and convenience.

2.3.1.1 Cost Benefits from the Bank Side

Internet banking has a lot of benefits to the banking industry, the main benefits that it has
to the banks are related to cost savings, cost cutting, reaching new markets, offering
service efficiency, improvement of bank image and brand and customer satisfaction
(Sheshunoff, 2000). Most Banks that offer internet banking services have better brand
image and enjoy the benefits of good services. The banks that offer internet banking are
considered to be leaders in innovation and technological implementation. Therefore, this
are not the only benefits that come with the use of internet banking, other benefits can’t
be measure in monetary terms. According to Robinson (2000) the cost of doing banking
transaction electronically is noticeably cheaper as compared to the normal queuing on the
bank branches.

Sheshunoff (2000) indicated that the most significant strength in implementing internet
banking is to generate situations that will prevent customers from leaving the bank to join
other competing banks. Sheshunoff felt that customers will stay put in one bank when
they get the best services and at a lower cost. He further argued that once a customer gets
the best internet banking service, the possibility of the customer leaving to join another
bank is considerably low. He further suggested that the bank will have a competitive
advantage when their customer use internet banking as compared with banks that don’t
offer internet banks. The reasons for this conclusion can be related to the consumer
behavior theory which implies that customers do not like switching from one product to
another because it requires much time and effort from the customer.

Mols (1998) conducted a survey in Denmark and his finds indicated that internet banking
might be useful for increase cross selling and price discrimination. Customers are more
attracted and satisfied with their banks because they can get a variety of services twenty
four hours a day through internet banking. Customers become less sensitive to price, there
is an increase in intention to repeat service. Traditional banks operating cost account for
between 50% and 60% of revenues, running costs of internet banking is estimated at
between 15% and 20% of revenues (Booz & Hamilton, 1997).
2.3.1.2 Cost Benefits from the Customers’ Side

The customers benefit from internet banking through time saving, cost cutting, convenience and comfort in terms of where to access the services, quick and continuous access to transactions information can be made any time twenty four hours a day without the customer go to the physical branches to interaction with the bank staff (Tan & Teo, 2000). In the study on internet banking drivers, Aladwani (2001) found, that providing faster, easier and more reliable services to customers were amongst the top drivers of internet banking development.

According to Aladwani (2001), who carried a research in Estonia bank, customers use bank office services on average 1.235 times per month, and wait in queue in bank office on average for 0.134 hours. It showed that making payments through internet banking facilities rather than in the bank offices create economy savings in the amount of 0.93% of GDP. From a customer point of view, the introduction of internet banking, lower switching costs and easy accessibility via the internet, customers who are dissatisfied with the services or products offered by their banks are more likely to withdraw their loyalty if their requirements are not provided for (Poddar, 2005).

2.3.2 Time Saving

The most important aspect of adopting internet banking, in the customers’ perspective, is the time saved. Internet banking enables the bank to provide its services at the press of a button. The automation of banking services and user friendly tools for managing the customers’ funds give the customers increased comfort in time management. Since the customers would access internet banking services at their convenient time, then they are able to schedule and utilize their time without necessary travels to a physical bank. To the bank’s perspective, the time saved when the customer do not physically engage a teller is utilized through scheduling the tellers to other tasks. A customer can use internet banking to send or receive money instantly, transfer money to another country at a touch of a button, without waiting or queuing at the banking hall (Baten & Kamil, 2010).
2.3.1 Reduction in Operational Costs

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2.4 Privacy and Security Risk

According to Kuisma, Laukkanen & Hiltunen, (2007) most internet banks are still lagging behind in relation to their customers’ quality expectations. In order to be able to improve customer loyalty, banks need to put more effort and importance on their customers’ needs and demands, which are changing and ever-increasing with time because of the growing rivalry in the internet banking industry. It important to realize that customer loyalty has been acknowledged as the main and key factor to having long term profitability in the banking industry. In relation to retail banks, the inception of internet banking has brought with it a drastic transformation on the way banks relate with their customers and how banks are building and maintaining these relationships. The banks which have been using old or traditional system of banking had to have high contact service, internet banking channel removes the direct personal interaction between the customers and the bank staff to use the banking services as a way of create value perceptions for customers (Horst, Kuttschreuter & Gutteling, 2007).

Although internet banking risks are constantly there, technology offers the internet bank users an extensive range of benefit and opportunity that they cannot resist. The main and greatest benefit that internet banking offers to its consumers is that they can be able to performing all the transactions at their own comfort and convenience without time or distances limitations (Nasri, 2011).

2.4.1 Privacy Issues

Horst, Kuttschreuter & Gutteling (2007) stated that privacy risk refers to the potential loss of control over personal information which is used without knowledge or permeation. The greatest challenge of the electronic banking sector will be winning the trust of customers over the issue of privacy and security. Internet banking involves the use of information from customer hence it requires a lot of information usage, collection, disbandment and disclosure by the clients. This makes internet banking to be at high risk of privacy, fraud and internet theft (Seounmi, 2009). Privacy risk is mainly associated with the perception of how the personal financial information is collected, stored, used and distributed on the internet (Angst and Agarwal, 2009). Technology can help to facilitate and ensure that the customer trust that there is enough secure in the use on internet banking. With plenty of confidential information at the hands of service providers, internet bank customers need
more guarantee of their privacy to be protected and more direct control of the information that is being view or that can be released (Littler & Melanthiou, 2006).

According to Jensen (2005), a research firm, which interviewed 1,000 American adults for a study on internet banking safety, found that many consumers were anxious that their personal data could either be stolen by hackers or sold to third parties by the banks. Nearly 83% of those who conduct internet banking report such concerns, while 73% of respondents said private data stealing are a problem that holds them back. In Internet banking, security has been found to be a matter of intense concern, especially with regard to the acquisition and dissemination of personal and sensitive data. Perceptions regarding this aspect of service quality are generally operationalised in the form of transaction security, as represented directly by the safe and accurate transfer of funds and payment of credit information and indirectly by transaction risk (Liao & Cheung, 2008).

2.4.2 Perceived Risk

Kaleem and Ahmad (2007) view risk in the context of security concerns, and trust in one’s bank, which indicates that perceived risk is related to reliability and system failure. Consumer behavior studies define perceived risk in terms of the customer's perception of the uncertainty and potential adverse consequences of buying a product or services. The degrees of risk that customers perceive and their own tolerance of risk taking are factors that influence their purchase decision. On another hand, introducing a new technology may involve both benefits and risks to the user, and before deciding to adopt the technology, the individual may want to weigh risks and benefits. Internet banking services will not be an exception to this general rule. A larger perception of risk will reduce the perceived benefit of the technology. Most of the researchers noted that customers' perceived risk was a kind of multi dimensional construct, and such dimensions may vary according to the type product or service being offered by the different banks (Nasri, 2011). Different dimensions of perceived risk have been identified in the previous studies:

2.4.2.1 Security Risk

The security of internet banking is a major issue for an increasing number of consumers. Previous research in countries with different levels of internet banking adoption shows that security risk is an important predictor of internet banking adoption. Consumers
associate security risk with the loss of bank account or credit account numbers and passwords, which can result in the loss of money (Manzano, Navare, Mafe & Blas, 2009). Security perceptions are defined as “the subjective probability with which consumers believe that their private information will not be viewed consistent with their confident expectations”. Security of transactions over the internet is a burning issue and it is an important factor that clients consider before adopting internet banking. Some customers avoid electronic banking as they perceive it as being easily susceptible to fraud. Customers avoided the adoption internet banking because they are concerned about security and safety of transactions over the internet. Moreover, customers will not be ready to change from present familiar behavior of banking to internet banking unless their specific needs are being satisfied (Jagannathan, 2014).

Consumers believe that security risk is related to the threat of losing money. Surveys have shown that security risk is one of the important factors that can have influence on adoption of internet banking services. The gap between the perceived security of a technology and its real security level can affect behavior of people (Huang, Rau., Salvendy, Fei, & Jia, 2011). According to Peotta, Holtz, David, Deus, and Sousa, (2011) the majority of the risk directed at internet banking are targeted at the user, the main focus the fraudster is to be able to obtain verification and identities of the internet users so as to obtain information through the use of social engineering and compromise the user’s internet banking access device in order to install malware that will automatically performs banking transactions, apart from obtaining verification data. This shows that internet banking system providers should engage security mechanisms, stopping the risk of user related information leaks out and finding their way to fraudster’s hands.

2.4.2.2 Financial Risk

Financial risk is defined as the potential for monetary loss due to transaction error or bank account misuse. Nasri, (2011) there has been an increased interest in internet banking services in some developed countries despite the risk involved in internet banking. This could be due to the fact that the benefits presented by the internet banking services are more beneficial than the financial risks to customers. The fundamental advantage of the internet banking is the transfer of the information about the money’s worth to any place at any time with the click of a mouse. Many customers resist using internet banking because
of the fear of lose of money through making of errors during execution of the transaction (Dube, Chitura, Chitura & Langton, 2009).

### 2.4.2.3 Systemic Risk

This is a risk that occurs due to a problem within the payment system. If a customer sends some money through an EFT but a wrong account is credited with the funds then the problem is said to be systemic. This would also be due to transaction risk as the customer’s expectations of a safe, secure, reliable and accurate system is met by an inefficient and error-prone system. (Kenswitch, 2010).

Policy considerations should be made when creating an enabling environment: Encryption and decryption techniques provide authentication, authorization, confidentiality and integrity to services, increasing the security of ecommerce transactions. They are necessary, for instance, for processing credit card information; Digital signatures and electronic contracts are relevant, for instance in cases of dispute between trading partners in an internet commerce transaction; Certification authorities secure electronic transactions and act as trusted third parties to verify information about parties. African certification authorities must take part in the international framework for supporting ways to link certification mechanisms and the mutual recognition of different certification authorities and consumer protection in an electronic marketplace it is not easy for consumers to identify and localize suppliers so it is necessary to promote protection mechanism. Without much information available on mechanisms adopted locally to guarantee confidentiality (Mashhour & Zaatreh, 2008).

### 2.4.2.4 Performance risk

Performance risk refers to losses incurred when engaging on internet banking services. Customers are often worried that a break down in the system servers will occur while conducting electronic services because these situations may result in unexpected losses. The network interruptions cause banks to suspend their operations during systems down time. Since the internet banking is computer based then in case of network failures the operations are adversely affected. Customers whose banks have frequent network failures may find their customers resisting adapting to an improvement to the existing system or a completely new system of internet banking. Some ATMs may not have sufficient funds when a customer needs to make a withdrawal or others may lack envelops which are
necessary to make a deposit, thereby preventing customers from making deposits. The system must be compatible with the customer’s needs and system to avoid problems of interconnectivity between the banks and customers system. Network failures or problems of interconnectivity disjoins the customers who inconveniently, may have to queue during open bank hours or due to lack of cash, may forego shopping, medical attention or reschedule travel due to unavailability of cash, especially during non-banking hours (Kuisma Laukkanen & Hiltunen, 2007).

2.4.2.5 Social risk

Social risk refers to the potential loss of status in one's social group as a result of adopting a product or service. It is possible that one's social standing may be enhanced or diminished depending on how electronic banking services are viewed; social risk has a negative impact on attitude for consumers (Yang, Park & Park, 2007).

2.4.2.6 Encryption Threat

Human resources working for internet bank provider create the greatest threat of insider fraud racket. Same as to any internet banking system, the threat is in the implementation and adjustment of payment directions by the personnel working with the banks as they are responsible for making the change or modify a payment process and procedures (Szmigin, 1999). Use of software to committee cyber crime is on the rise, cyber criminals are constantly attacking internet bank users and specifically payment services more. According to Lee and Park (2006) the use of viruses are on the rise and have been seen as the main point of entry by most of the cyber criminals to websites, they cause a very big threat. Use of malicious code, worms, malware and other forms of software’s that are normally downloaded onto the server or computer of the internet bankers without their knowledge, carries out so illegal operation that as a negative impact on the integrity and ability of the bank to secure personal and financial information of the customer (Luarn and Lin, 2005).

2.4.2.7 Time risk

Time factor is one of the main aspects that customers look for in an internet banking service quality. Saving time is an importance factor which influences the customers prefers to use internet banking. Banks can make the information of products and services available on their site, which is, an advantageous proposition. Time risk refers to the loss
of time in implementing, learning how to use and trouble shooting a new electronic service. Consumers are less likely to adopt an electronic service that they consider having high setup and maintenance costs or are time consuming and complicated for them to use (Natarajan, Balasubramanian & Manickavasagam, 2010).

2.5 Chapter Summary

The chapter reviewed literature in relation to the extent in which perceived cultural influences potential users to adopt internet banking services. The second section of the literature review looked at how cost and resources reduction determine the potential users‘ adoption of internet banking services, third section of the literature looked at the challenges of privacy and security risks facing the adoption of internet banking services. The next chapter looked at the research methodology.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter looks at the research methodology applied in the research. The main important areas that were looked at in this section were research design, general population, sampling design adopted and sample size, data collection method, research procedures used and data analysis methods applied by the researcher.

3.2 Research Design

The researcher utilizes a descriptive research design and According to Gill and Johnson (2010) descriptive research design handles specific uniqueness of a specific population of a given subject, at an exact and specific time or varying time for comparative purposes. The research design was adopted as it allows for the collection of large amounts of data from the target population. Descriptive research design entails the collecting of data that will enable the researcher find answers to the research questions on specifics about the respondents take on the topic. Descriptive research design gives a more accurate representation of the event or the situation of the respondent, making it simpler to make any references about the target population (Saunders, Lewis & Thornhill, 2012). The research study design was useful to the researcher in reporting objectively, accurately and generate statistical data which can be of great help to the various stakeholders in the banking industry in their decision making process.

3.3 Population and Sampling Design

3.3.1 Population

Population refers to a group of people in which the outcomes of the research findings are generated from. Population is generally the persons who possess certain characteristics or a set of features that make them fall within a certain group that is being studied or examined and analyzed so as to attain a certain result (Frankel & Wallen, 2000). Population can also be referred to as the sum of all the number of units of a certain events that a research is being carried on and also which will represent observation of the same
kind (Kumekpor, 2002). The research population was 3,300 which consist of 1,500 corporate customers from National bank of Kenya and 1,800 corporate customers from Equity bank as indicated in table 3.1.

Table 3.1: Total Population Distribution of the Corporate Customers

<table>
<thead>
<tr>
<th>Corporate Customers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Bank</td>
<td>1500</td>
</tr>
<tr>
<td>Equity Bank</td>
<td>1800</td>
</tr>
<tr>
<td>Total</td>
<td>3,300</td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design and Sample Size

3.3.2.1 Sampling Frame

According to Cooper and Schindler (2014) sampling frame is a series of each and every one the clusters from where the sample range was collected from and it is suspiciously connected to the total population. From the sample frame, the researcher can be able to get the number of subjects, respondents, elements and firms to select from in order to make a sample. This makes it very important so ensure that the sample frame is unbiased, current and accurate (Saunders, Lewis & Thornhill, 2012). In this study, the sampling frame constituted of corporate customers from the four branches of National Bank of Kenya and Equity Bank.

3.3.2.2 Sampling Techniques

In the sampling techniques includes random sampling method which is the best way of determination the corporate customers to be included in the study and also helps to explain how cases are to be selected from the selected population for observation.

Probability samplings requires that every member of population has an equal chance of participating in the study. Probability sampling includes random sampling, stratified systematic, multistage, and cluster sampling methods, this method is preferred as it is applies random selection in all population so as to have equal probability or likelihood of being selected, it also reduces sampling biasness In non-probability sampling technique, the sampling group members are selected on a non-random base, therefore members do
not have equal chance of participate in the research study. Non-probability sampling methods include purposive, quota, convenience and snowball sampling methods (Saunders, Lewis & Thornhill, 2012). The researcher used random sampling technique when sampling units within different groups meet the set criteria. In this case the chosen group will be corporate customers banking with National Bank of Kenya and Equity Bank.

### 3.3.2.3 Sampling Size

A sample is defined as a finite part of a statistical population whose properties are studied to gain information about the whole (Merriam Webster, 2003). It is also defined as a set of different elements from which data is derived from (Thierart et al, 2001). The sample size is part of the whole target population that the researcher selected so as to be able to carry out the analysis and find out the truth about that whole population (Schindler & Cooper, 2014). The degree of confidence related to the data has to be estimated and associated with the sample data size (Pervez & Kjell, 2002). The larger the population size, the smaller the percentage of the population required to get a representative sample, however Schindler and Cooper (2014) advise that the greater the desired precision of the estimate, the larger the sample should be.

According to Mugenda & Mugenda (2008) the researcher should clearly defined the categories of the sample size so as to make sure that the sample size correctly represented the whole population. The researcher should make sure that they determine the required sample size and then pick the best method of picking members of the group from the total population.

**Table 3.2: Allocation of Sample Size**

<table>
<thead>
<tr>
<th>Corporate Customers</th>
<th>Total</th>
<th>Sample</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Bank</td>
<td>1500</td>
<td>150</td>
<td>10%</td>
</tr>
<tr>
<td>Equity bank</td>
<td>1800</td>
<td>180</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>3,300</td>
<td>330</td>
<td>10%</td>
</tr>
</tbody>
</table>

3.4 Data Collection Method

Structured questionnaires were used by the research to collect data, these questions were structured in a way that enabled the research to collect as much important information as possible in relation to the research objective. The questionnaire was structured to collect primary data in an open and closed form mate. Structured questionnaires are questionnaires in which the questions asked are precisely decided in advance. The researcher used both open and closed questions on the questionnaires and the questionnaires were administered randomly to the corporate customers (Schindler & Cooper, 2014).

The questionnaires were in line with the research objectives and were delivered to the customers. The researcher structured the questionnaire into five key areas that cover the respondent general information, respondent’s internet usage information, cultural factors preventing internet adoption, cost and resource factors and privacy and security issues. The main research variables were measured using interval scales of a four point liker scale where 1-representing strongly agree, 2- representing agree, 3- representing disagree and 4- representing strongly disagree.

3.5 Research Procedures

The researcher requested the respondents to spare some of their time before filling them. The researcher made a pilot test questionnaire to test how the respondents would react to the set of questions and also to evaluate the totality, accuracy and clarity of the questionnaires. This was done to make sure the consistency of the data collection instruments used. The excises help the researcher to be able to gauge and make the necessary amendment to the final questionnaire. The researcher hired the help of a research assistant to assist with the distribution of the questionnaires to the respondents. This helped to increase the speed and times spend on data collection. The filled questionnaires were all given a unique number so as to differentiate them from each other and also to enable easy recording. Statistical Package for the Social Sciences (SPSS) software was used to carry out the analysis of the data.
3.6 Data Analysis Methods

The data analyses in this study involve the use of descriptive statistics in order to help the researcher establish the relationship between the independent variables and the dependent variable. The collected data can be refined to help have some meaning and easy to make sense of through the use of selected, organized, coded and summarized data into easy to read information using charts, tables, percentages and frequency distribution tables which are referred to descriptive statistics. Records analysis is the transforming of data amassed from the respondent into information that may be understood and read by means of the help of frequency distribution tables and charts (McDanile & Gates, 2001).

3.7 Chapter Summary

This section represented the studies method utilized by the researcher. It protected the studies layout, population, sampling design and pattern size, information series technique, studies tactics and data analysis methods used on the research. The questionnaires had been completed by using the respondents to assist within the series of primary statistics. The next chapter captures information analysis results and presentations of the findings.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter looks at the results, findings and the examination of the research study, based on the objectives of the research study. The first section of the findings are based on general information, the second section of the findings are based on internet usage information and the final part are based cultural effect on internet usage adoption, resource allocation on internet banking and perceived security risk on internet adoption.

A total of 330 questionnaires were distributed to the corporate customers of the four branches: Out of the 330 questionnaires given out, the responded filled and returned 277 questionnaires, which was a rate of 83.94% of the total number of questionnaires given out to the response has outlined in Table 4.1. This response rate was satisfactory to make conclusions for the study as it acted as a representative.

<table>
<thead>
<tr>
<th>Group</th>
<th>Target</th>
<th>Respondents</th>
<th>Respondent Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Bank of Kenya</td>
<td>150</td>
<td>122</td>
<td>81.33%</td>
</tr>
<tr>
<td>Equity Bank</td>
<td>180</td>
<td>155</td>
<td>86.11%</td>
</tr>
<tr>
<td>Total</td>
<td>330</td>
<td>277</td>
<td>83.94%</td>
</tr>
</tbody>
</table>

4.2 General Information

The respondent’s general information followed this sequence: the respondents age group, gender whether male or female, respondent occupation, respondent level education and respondent marital status. The second part looked at internet usage which covered, use of internet banking, reasons for accessing internet banking, frequency of using the internet banking, how the respondent learning about internet banking, where the respondent access internet banking and purpose of using internet.
4.2.1 Respondents Age

The research findings reflected in figure 4.1, show that majority of the respondents interviewed were middle age between the age group of 31-40 at 55.6%, followed by age group 21-30 at 22.4%, and 41-50 at 22%.

![Figure 4.1: Respondents Age Allocation](image)

4.2.2 Respondents Gender Allocation.

The research findings reflected in figure 4.2 show that 54.9% of the study participants were male and 45.1% were female. This indicates that both males and females were nearly equally represented in the sample size of this research. This, however, should not be taken as an indication that both the male and female respondents use internet banking equally.
4.2.3 Respondents Occupation

The research findings as reflected in Table 4.4, show that largest proportion of respondents are employed at 75.8%, 19.1% were self employed and 5.1% were not employed participants were male and 45.1% were female. This indicates that both males and females were nearly equally represented in the sample size of this research.

Table 4.4: Respondents Occupation Allocation

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Frequency</th>
<th>%</th>
<th>Suitable P%</th>
<th>Collective %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>210</td>
<td>75.8</td>
<td>75.8</td>
<td>75.8</td>
</tr>
<tr>
<td>Not-Employed</td>
<td>14</td>
<td>5.1</td>
<td>5.1</td>
<td>80.9</td>
</tr>
<tr>
<td>Valid Self-Employed</td>
<td>53</td>
<td>19.1</td>
<td>19.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>277</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.2.4 Respondents Academic Level

The research findings reflected in Table 4.5, show that 64.3% of the respondents had academic level of undergraduate holders, 27.4% had masters’ degree, 4% had diploma, 3.6% had doctorate degree, while 0.7% did not indicate their academic level. This finding indicated that most of the respondents that took part in the research were well learned and had good knowledge of the questions that the researcher required information on.

Table 4.5: Respondents Academic Level Allocation

<table>
<thead>
<tr>
<th>Academic</th>
<th>Frequency</th>
<th>%</th>
<th>Suitable %</th>
<th>Collective %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma</td>
<td>11</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Doctorate</td>
<td>10</td>
<td>3.6</td>
<td>3.6</td>
<td>7.6</td>
</tr>
<tr>
<td>Masters</td>
<td>76</td>
<td>27.4</td>
<td>27.4</td>
<td>35.0</td>
</tr>
<tr>
<td>Valid</td>
<td>Missing</td>
<td>.7</td>
<td>.7</td>
<td>35.7</td>
</tr>
<tr>
<td>Under Graduate</td>
<td>178</td>
<td>64.3</td>
<td>64.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>277</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.2.5 Respondents Marital Status

The research findings reflected in Table 4.6, show that half of the respondents were single at 50.5%, 48.4% were married and only 1.1% were divorced.

Table 4.6: Marital Status

<table>
<thead>
<tr>
<th>Marital</th>
<th>Frequency</th>
<th>%</th>
<th>Suitable %</th>
<th>Collective %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Divorced</td>
<td>3</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Married</td>
<td>134</td>
<td>48.4</td>
<td>48.4</td>
<td>49.5</td>
</tr>
<tr>
<td>Single</td>
<td>140</td>
<td>50.5</td>
<td>50.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Valid</td>
<td>Total</td>
<td>277</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.2.6 Internet Use

The research findings reflected in figure 4.6, show that 98.2% of the respondents use internet daily while 1.8% of the respondents use internet on a weekly bases, these results show that most of the respondents using internet daily but this does not mean that they internet banking.

![Internet Use](image)

**Figure 4.6: Internet Usage**

4.2.7 Internet Banking

The research findings reflected in figure 4.7; show that a high percentage of the respondents use internet banking at 59.9% while only 39.7% of the respondents do not use internet banking.
4.2.8 Internet Banking Knowledge

The research findings reflected in Table 4.9, show that 40.1% of the respondents got to know about internet banking through bank brochures, 14.1% got the information from friends, 6.5% from the media and 38.3% did not indicate.

Table 4.9: Internet Banking Knowledge

<table>
<thead>
<tr>
<th>Know about Internet banking</th>
<th>Frequency</th>
<th>%</th>
<th>Suitable %</th>
<th>Collective %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Brochure</td>
<td>111</td>
<td>40.1</td>
<td>40.1</td>
<td>40.1</td>
</tr>
<tr>
<td>Friends</td>
<td>39</td>
<td>14.1</td>
<td>14.1</td>
<td>54.2</td>
</tr>
<tr>
<td>Media</td>
<td>18</td>
<td>6.5</td>
<td>6.5</td>
<td>60.6</td>
</tr>
<tr>
<td>Missing</td>
<td>106</td>
<td>38.3</td>
<td>38.3</td>
<td>98.9</td>
</tr>
<tr>
<td>None</td>
<td>3</td>
<td>1.1</td>
<td>1.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>277</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.2.9 Where Respondents Access Internet Banking

The research findings reflected in Table 4.10, show that 27.4% of the respondents access internet banking from their work place, 21.3% access internet banking from the comfort of their homes, 12.3% of the respondents go to the cyber, while 37.9% did not respond to that.

Table 4.10: Internet Bank Accessibility

<table>
<thead>
<tr>
<th>Where do you internet bank</th>
<th>Frequency</th>
<th>%</th>
<th>Suitable %</th>
<th>Collective %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyber</td>
<td>34</td>
<td>12.3</td>
<td>12.3</td>
<td>12.3</td>
</tr>
<tr>
<td>Home</td>
<td>59</td>
<td>21.3</td>
<td>21.3</td>
<td>33.6</td>
</tr>
<tr>
<td>Missing</td>
<td>105</td>
<td>37.9</td>
<td>37.9</td>
<td>71.5</td>
</tr>
<tr>
<td>Valid</td>
<td>None</td>
<td>3</td>
<td>1.1</td>
<td>72.6</td>
</tr>
<tr>
<td></td>
<td>Work</td>
<td>76</td>
<td>27.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>277</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.3 Research Objective Findings

This section reveals the findings in relation to the research objectives from the respondents’ habits with regard to internet banking at National Bank of Kenya and Equity Bank.

4.3.1 Culture Influence Use of Internet Banking

The research findings as shown in Table 4.11, reflects the respondents mean and standard deviation of internet banking in relation to cultural influence. The findings shows that culture influence internet corporate banking had a mean of 3.27 and standard deviation of 1.002, Culture influences the use online banking had a mean of 2.79 and standard deviation of 1.219 and Peers influence internet banking had a mean of 2.59 and standard deviation of 1.257.
### Table 4.11: Customer Perception and Culture on Internet Banking

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture influences the use online banking</td>
<td>2.79</td>
<td>1.219</td>
</tr>
<tr>
<td>Culture influence internet corporate banking</td>
<td>3.27</td>
<td>1.002</td>
</tr>
<tr>
<td>Peers influence internet banking</td>
<td>2.56</td>
<td>1.257</td>
</tr>
</tbody>
</table>

#### 4.3.2 Effects Resources on Internet Banking Adoption in Kenya

The research findings as shown in Table 4.12, reflects the respondents mean and standard deviation of internet banking in relation to resources. Increase in the volume of commercial transactions in the banking had a mean of 2.11 and standard deviation of 1.148, help improves customer service had a mean of 1.23 and standard deviation of 0.455, opens up access to the global markets had a mean of 1.10 and standard deviation of 0.297, help improve banking service through internet banking had a mean of 1.09 and standard deviation of 0.318, reduce the costs of banking had a mean of 1.03 and standard deviation of 0.178 and internet banking helps to save time had a mean of 1.00 and standard deviation of 0.00.
Table 4.12: Cost and Resources reduction on Internet Banking

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase the volume of commercial transactions</td>
<td>2.11</td>
<td>1.148</td>
</tr>
<tr>
<td>Opens up access to the global markets</td>
<td>1.10</td>
<td>0.297</td>
</tr>
<tr>
<td>Helps to save time</td>
<td>1.00</td>
<td>0.000</td>
</tr>
<tr>
<td>Help improve banking service.</td>
<td>1.09</td>
<td>0.318</td>
</tr>
<tr>
<td>Help improves customer service</td>
<td>1.23</td>
<td>0.455</td>
</tr>
<tr>
<td>Reduce the costs banking.</td>
<td>1.03</td>
<td>0.178</td>
</tr>
</tbody>
</table>

4.3.3 Perceived Security Risk on Internet Banking Adoption.

The research findings as shown in Table 4.13, reflects the respondents mean and standard deviation of internet banking in relation to perceived security risk. It is not safe providing corporate services over internet banking had a mean of 3.58 and standard deviation of 0.669, the bank is able to provide the necessary security had a mean of 2.75 and standard deviation of 0.949, the bank is able to provide the necessary security had a mean of 2.48 and standard deviation of 1.027 and security risk influences the use online banking negatively had a mean of 1.03 and standard deviation of 0.157.
Table 4.13: Privacy and Security Risk of Internet Banking

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision to use Internet banking is determined by level Security</td>
<td>1.03</td>
<td>.157</td>
</tr>
<tr>
<td>Internet banking is unsafe for corporate bankers</td>
<td>3.58</td>
<td>.669</td>
</tr>
<tr>
<td>Commercial banks can provide adequate security for customers</td>
<td>2.48</td>
<td>1.027</td>
</tr>
<tr>
<td>The bank are able to handle personal information with the cure</td>
<td>2.75</td>
<td>.949</td>
</tr>
</tbody>
</table>

4.3.4 Correlation Analysis

Correlation analysis was used to assess the degree or strength and association between the different variables. Pearson product moment correlation and two tailed test were used to identify the significance and strength of the different variable, in relation to internet banking. Table 4.14, shows the correlation matrix reflects on the relationship between the different variances. The indictors are Internet banking, Cultural influence, Resource influence and security influence. The findings show the there is a negatively strong relation between internet banking and culture at -0.894, the findings shows that the relationship between culture and resources is negative and not strong at -0.625 and there is strong relationship between culture and security at 0.881.

The findings shows the relation between internet banking and resources is very strong at 0.822, the findings shows also that there is no relationship between resources and security at 0.306 and the findings also show that relationship between resource and culture is not strong at 0.625. There is a very strong relationship between internet banking and security at a significant level of 0.897.
### Table 4.14: Correlations of the Variables

<table>
<thead>
<tr>
<th></th>
<th>Online banking</th>
<th>Cultural influence</th>
<th>Resource influence</th>
<th>security influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online banking</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cultural influence</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>-0.894**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource influence</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>0.822**</td>
<td>0.625**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>security influence</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>0.897**</td>
<td>0.881**</td>
<td>0.306</td>
<td>1</td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
<td>.000</td>
<td>.077</td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level.

#### 4.4 Chapter Summary

The chapter covered the research findings, analysis of the collected data and the interpretation of the collected data and the results of the study were presented in tables and charts. The next chapter will pertain the discussion, conclusion, and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the result and finding obtained from the statistical analysis. This chapter helps to discuss and draw a conclusion on the finding in relation the literature reviews. The limitations of the study are discussed and finally a conclusion was presented. Suggestions for additional research are also given.

5.2 Summary of the Findings

The purpose of this study was to investigate those factors affecting the adoption of internet banking in Kenya among corporate customers of National Bank of Kenya and Equity Bank. The research project was lead by the following research questions: How do culture and customer perceptions affect the adoption of internet banking? How do cost and resources reduction affect the adoption of internet banking? And how does privacy and security affect the adoption of internet banking?

The age group of the respondent’s interview reflected that the middle age between the age of 31-40 are the majority of the people use internet, the finding also showed that the self employed and the employed use internet banking at a high percentage compared to the unemployed mainly due to the convince and the services that internet banking offer to them in term of time saving, payment services and other services offered like checking of account statement. Education levels also were seen to play an influential role in consumer adoption to the use of internet banking services with high education levels being particularly significant. As earlier research has indicated, high levels of education enhance a consumer’s ability to process more complex information and help in decisions making.

The findings on the Culture, and customer perceptions of internet banking usage indicated that customer are more independent and culture doesn’t play a big role in relation to their decision to use internet banking. The Correlation analysis between internet banking and culture show that there is no significant relation. A small number of the respondents
suggested that culture influences the customers adoption of internet banking, while, a large number of the respondents suggested that culture doesn’t have any influence towards the adoption of internet banking by the respondents.

The findings on the resources and utilization of internet banking services indicated that there is a strong relationship between the two. The Correlation analysis between internet banking and resources, indicate that there is a strong relationship between the two variables with at a significant level at 0.822. The respondents felt that the opening up access to the global markets, reducing the costs banking, save time and improve banking services was important to them. The automation of banking services and user friendly tools for managing the customers’ funds give the latter increased comfort in time management. Since the customer can access internet banking services at his convenient time, then they are able to schedule and utilize their time without unnecessary travels to a physical bank.

The findings on the perception of security and utilization of internet banking services indicated that customers are worried about releasing their personal information and banking details and they believe that it is not safe to use internet banking resulting in financial institutions experiencing problems in appealing to internet banking customers. The Correlation analysis between internet banking and privacy and security risk, indicate that there is a strong relationship between the two variables with at a significant level at 0.897.

5.3 Discussion

5.3.1 Culture, and Customer Perceptions of Internet Banking Usage

The result established that culture had an influence on the use of internet banking similar findings Safeena, Date & Kammani, (2011) established that the intention to use internet banking is mainly and positively influenced by culture, while Zolait, (2010) revealed that culture was the weakest psychological determinant in reverence to internet banking adoption in Yemeni. Similarly, Bindiya et al., (2011) explored a research framework based on the theory of planned behavior and the diffusion of innovations theory. The theory was used to identify the attitude, social and perceived behavioral control factors that would influence the adoption of Internet banking. The results showed that attitude
and perceived behavioral manage factors, rather than social pressures are key in influencing the decision to adopt Internet banking.

The study also revealed that the effect of cultural influence on internet corporate banking was uncertain. This could be because of the set objectives by the firm, as highlighted by Gikandi & Bloor (2010), 2005 to 2009 there was a huge shift on the importance that was attached to the drivers of internet banking in Kenya. Alternatively, intended rewards also influence the uptake of internet. Reviews reveal that most customers who create on-line dealings will continue implementing this type of actions, with a majority showing that they plan to considerably increase their variety of dealings over the next 12 months (Ernst & Young, 2012). In general, customers are pleased with internet commerce as an efficient, fast, and less expensive way of performing banking and their online buying is growing different ranges of goods and solutions (Ghazzawi, Khoury and Saman, 2014).

The study established that peers influenced internet banking, in the survey conducted in Kenya in the year 2005, retail banks considered internet banking as an essential channel for their business. New products and services would hence be based on an internet banking platform (Gikandi & Bloor, 2010). In their follow up survey carried out in year 2009, Gikandi and Boor, observed that banks rated internet banking as the key to drive their banking business. Internet banking has brought in a new era where the banking industry explores new areas of growth and development that enhances business operations.

The Correlation analysis between internet banking and culture show that there is no significant relation between the two. This is leads to other factors affect adoption of internet banking by customers. Lee, (2009) noted that perceived value is noted as a motivator for engaging internet banking to facilitate transactions that would be offered although at a slower rate at a brick and mortar establishment. Ling, Bin, Hoi, Keoy & Hassan (2011) notes that the unintended rewards on the other hand being those benefits that are obvious and tough to measure like services that allows customers to perform banking transactions anywhere in the globe, even in the comfort of their home or office.

Yuen & Chan, (2010) noted that reliability also plays a big role in increasing customer confidence, this can be the promises given by the Manager of bank or staff. If the staff cannot keep or breaks the promises, it dissatisfies customers and results in negative word
of mouth. In contrast, when the company is able to keep its promises, it increases customer confidence on the staff and creates customer satisfaction and lead to rewards that cannot be measured but are important to customers.

5.3.2 Resources and Utilization of Internet Banking

The findings revealed the internet banking led to increase in the volume of commercial transactions. Oye, Shakil & Iahad (2011) established that this was because internet banking reduces the costs of accessing banking services to the customers. Various internet banking products including electronic Funds transfer (EFT), Automated Teller Machines (ATM), internet bills and internet payments which enable both the bank and customers to save on the transaction costs that would be encountered if the traditional banking channel was used.

The findings revealed the internet banking help reduce the costs banking, similar findings have been established, for instance, Oye, Shakil & Iahad (2011) established that the use of internet banking, administrative work and associated costs including expenditures on paper slips, pre-printed standard forms and other bank stationery is greatly reduced, in effect raising the profit margin. Electronic banking has a positive financial impact, as traditional account maintenance fees are not charged highly, electronic bill payment saves mailing costs, customers travel less to their physical bank than before and are able check their bank account balances and print statements online.

The findings revealed the internet banking opens up access to the global markets and previous study by Ombati (2010) established that the use of online banking in Pakistani for instance, though slow, has opened doors for other players, including dealers in computer hardware and software developers, to apply their entrepreneurial skills and expertise while competing in quality service delivery. The study revealed that although there were many bottlenecks in the uptake of internet banking, the diffusion had taken place ultimately, where issues like safety, lack of trust and security of ATMs being overridden by the many benefits that started to creep in, including reduction in operational cost, savings on time, reliability and convenience.

The findings revealed the internet banking helps to save time, improve banking service and help improves customer service. The most important aspect of adopting internet banking, in the customers’ perspective, is the time saved. Internet banking enables the
bank to provide its services at the press of a button. The automation of banking services and user friendly tools for managing the customers’ funds give the latter increased comfort in time management. Since the customer can access internet banking services at his convenient time, then they are able to schedule and utilize their time without unnecessary travels to a physical bank. To the bank’s perspective, the time saved when the customer do not physically engage a teller is utilized through scheduling the tellers to other tasks. A customer can use internet banking to send or receive money instantly, transfer money to another country at a touch of a button and at the comfort of his or her sitting room (Baten & Kamil, 2010).

5.3.3 Perception of Security and Utilization of Internet Banking

The findings revealed that security risk influences the use online banking negatively. Jagannatha (2014) established that security of transactions over the internet is a burning issue and it is an important factor that clients consider before adopting internet banking. Some customers avoid electronic banking as they perceive it as being easily susceptible to fraud, most respondent avoided the adoption of internet banking because they are concerned about security and safety of transactions over the internet. Moreover, he also inferred that clients will not be ready to change from present familiar ways of banking to online banking unless their specific need is satisfied.

It is was also established that there was uncertainty of the safety in providing corporate services over internet banking, Dube, Chitura, Chitura & Langton, (2009) noted that many customers resist using online banking because of the fear of loss of money or error. Kuisma Laukkanen & Hiltunen (2007) notes that network failures or problems of interconnectivity disjoints the customers who, inconveniently, may have to queue during open bank hours or due to lack of cash, may forego shopping, medical attention or reschedule travel due to unavailability of cash, especially during non-banking hours. Littler & Melanthiou (2006) highlighted the level at which technology can facilitate the services to be perceived by the customers to be secure, adequately safe and dependable to use. With plenty of confidential information at the hands of service providers, internet bank customers need more guarantee of their privacy to be protected and more direct control of the information that is being view or that can be released.
The study also established that a bank is able to provide the necessary security, Manzano, Navare, Mafe & Blas (2009), notes that the security of online banking is a major issue for an increasing number of consumers. Previous research in countries with different levels of E-commerce adoption shows that perceived security risk is an important predictor of internet banking adoption. Consumers associate security risk with the loss of bank account or credit account numbers and passwords, which can result in the loss of money. Liao & Cheung (2008) notes that research firm, which interviewed 1,000 American adults for a study on online banking safety, found that many consumers were anxious that their personal data could either be stolen by hackers or sold to third parties by the banks. Most of those who conduct banking internet banking report such concerns, also majority of the respondents said private data stealing are a problem that holds them back.

In Internet banking, security has been found to be a matter of intense concern, especially with regard to the acquisition and dissemination of personal and sensitive data. Nasri, (2011) there is a rapid growth in internet banking services, there has been increased interest in internet banking services in some developed countries despite the risk involved in internet banking. This could be due to the fact that the benefits presented by the internet banking services are more beneficial than the perceived security risks to customers.

5.4 Conclusion

The objective of the study was to reveal the factors affecting the adoption of Internet banking in Kenya, which were identified culture, customer perceptions and perceived risk, resources effect on the adoption of internet banking and privacy and security issues affecting internet banking adoption.

5.4.1 Culture and Customer Perceptions of Internet Banking Usage

The study also revealed that banks should capitalize on the benefits that Internet banking offer as consumers tend to want value for their money and relate rewards or benefits that they get from the use of internet banking as a reason for wanting to engage in internet banking. A large number of consumers do not have experience with the Internet banking which makes them to be drawn to what they are used to and what they trust that is the physical bank. Which despite the many benefits of internet banking usage, still physical
banking is being used at a higher percentage compared to internet banking, having high trust in the physical bank could lead the consumer not to trust in adopting Internet banking.

5.4.2 Resources and Utilization of Internet Banking

The findings on the perception of security and utilization of internet banking services indicated that customers are worried about releasing their personal information and banking details and they believe that it is not safe to use internet banking resulting in financial institutions experiencing problems in appealing to internet banking customers. The Correlation analysis between internet banking and privacy and security risk, indicate that there is a strong relationship between the two variables with at a significant level at 0.897.

5.4.3 Perception of Security and Utilization of Internet Banking

Respondent’s perception about security risk was found to be the most dominant influential factor, followed by resources. Banks should can try and ease consumers doubt about the use of internet banking in relation to security and privacy of information and data by key in. Banks should also improving their technological, infrastructure and websites to ensure that they provide structural and systems which will include safety nets, regulations and security checks to promote a sense of security and privacy about the related technological that they are using.

5. 5 Recommendations

5.5.1 Recommendation for Improvement

The findings and discussions of this research have shown that banks need to play a key role in influencing potential and existing customers to change their attitude and perceptions to internet banking use. The finding of this research has useful implication and recommendation for banks to improve and increase the number of internet users.

5.5.1.1 Culture and customer perceptions

As much has culture does not impact much on the adoption of internet banking, banks should not assume and take a back sit on that area but should put more work on educating
the small percentage that are still influenced by the culture and their customs, the finds showed that the older respondents do not use internet banking so that should be their target market.

5.5.1.2 Cost and Resources Reduction

The findings indicate that banks need to do more in the areas of resource and benefits that internet banking brings to the customer. Bank Managers should focus on the promotion, encouraging and educating the customers on the invaluable advantages that are gained from the use of internet banking. Some of these benefits are intended and some are unintended. Benefits like lower transaction fees, accessibility, high deposit rates among, do banking at their own comfort and convenience among others. Internet banking should be easily accessible to all customers at anytime, anywhere and offer time saving benefits.

5.5.1.3 Privacy and Security Risk

The study found that privacy, trust and security was significant to determine customers’ intention to use online banking, it is recommends that banks should ensure that internet banking privacy, trust and security is given a high priority to increase consumer confidence. Internet banking should be reliable and secure to change the negative customer perspective in relation to privacy and security, trust on banks and other financial institutions is a significant perceived credibility issues that boost internet banking acceptance.

5.5.2 Suggestions for Further Research

The current study investigated on the factors affecting adoption of internet banking in Kenya case study of National Bank of Kenya and Equity on the areas of culture of the customers, resources and their benefits and privacy and security of the internet users. The study recommends that further researcher needs to be done on other banks factoring in other variables that this research did not look at as demographic, government policies and support of internet banking and geographical factors.

Future research also needs to be cared out on the impact of social status, age and educational background of the customer, this will help banking to be able to identify and educate them more to achieve a greater impact on internet adoption.
REFERENCES


Ernst & Young. (2012). Global Consumer Banking Survey.


Safeena, R., Date, H. & Kammani, A. (2011). Internet Banking, Perceived Usefulness, Perceived Ease of Use, Risk, India, Emerging Economy


APPENDIX I

CUSTOMER EVALUATION QUESTIONNAIRE

Instructions:

Tick the correct answer on the box provided. Do not tick more than one box unless it is applicable. Write you answer in the space provided where ticking of the right answer does not apply. This questionnaire consists of three sections; answer all the section unless the question does not apply to you.

Please tick the most appropriate answer (✓)

SECTION A. PERSONAL INFORMATION

1). Age Groups
   20–30
   31–40
   41–50
   51-60
   61 and above

2). Gender
   Male
   Female

3). Occupation
   Employed
   Self Employee
   Not Employed

Others (specify): _________________________________________________________
4). Academic Qualification

- PHD OR doctorate
- Master degree
- Bachelor’s degree
- Diploma
- Certificate

Others (specify): _________________________________________________________

5). Marital Status

- Single
- Married
- Divorced
- Widower
- Widow

SECTION B: INTERNET USAGE INFORMATION

1). How frequently do you use the Internet?

- Daily
- Once a week
- More than 2 time a week
- Once a month

Other (specify):__________

2). Have you ever used the Internet Banking?

- Yes
- No
3). If yes, how often do you use internet banking?
   Daily
   Once a week
   Once a month
   Other (specify): ____________

4). If yes, where did you learn about internet banking?
   Bank Brochure
   Bank leaflets
   Media
   Friends
   Words-of-mouth
   Others (specify):_________________________

5). Where do you use internet banking?
   Work
   Home
   Internet Cyber
   Others (specify):_________________________

6). What do you access through internet banking for?
   Viewing Account Statements
   Bill Payments
   Money Transfers
   Foreign Currency Transactions
### SECTION C: Cultural and Perception Effects Internet Banking Adoption.

How would you rate internet banking in relation to culture and perception of the customers? (1= Strongly Agree, 2= Agree, 3= Disagree and 4= Strongly disagree).

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<thead>
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<th>1</th>
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<th>4</th>
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<tbody>
<tr>
<td>12. Internet banking is influenced by Culture</td>
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<tr>
<td>13. Culture influences negatively the perception to the use of online banking.</td>
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<td>15. internet banking is influenced by Peers pressure</td>
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<tr>
<td>16. Culture influence perception</td>
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</table>
Section D: Effects Resources on Internet Banking Adoption in Kenya

How would you rate internet banking adoption in relation to cost and resources reduction? (1= Strongly Agree, 2= Agree, 3= Disagree and 4= Strongly disagree).

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<thead>
<tr>
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<tbody>
<tr>
<td>17. Increase the volume of commercial transactions</td>
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<td>18. Opens up access to the global markets.</td>
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<td>19. Helps to save time</td>
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<td>20. Internet banking help improve banking service.</td>
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<td>21. Internet banking improves customer service.</td>
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<td>22. Reduce the costs banking.</td>
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</tbody>
</table>
Section E: Perceived Security Risk on Internet Banking Adoption.

How would you rate internet banking in relation to the privacy and security of the customers? (1= Strongly Agree, 2= Agree, 3= Disagree and 4= Strongly disagree).

<table>
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</thead>
<tbody>
<tr>
<td>23. Decision to use Internet banking is determined by level Security</td>
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<tr>
<td>24. Internet banking is unsafe for corporate bankers</td>
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<tr>
<td>25. Commercial banks can provide adequate security for customers</td>
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<tr>
<td>27. The bank are able to handle personal information with the care needed</td>
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<td>28. Banks handle sensitive information with care.</td>
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## APPENDIX II

### IMPLEMENTATION SCHEDULE

<table>
<thead>
<tr>
<th>Research Activities</th>
<th>Timeframe</th>
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<tbody>
<tr>
<td></td>
<td>BEGIN</td>
</tr>
<tr>
<td>Proposal Development</td>
<td>19/09/2016</td>
</tr>
<tr>
<td>Data Collect (Fieldwork)</td>
<td>09/01/2017</td>
</tr>
<tr>
<td>Data Analysis &amp; Interpretation</td>
<td>13/02/2017</td>
</tr>
<tr>
<td>Report Writing</td>
<td>01/03/2017</td>
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<tr>
<td>Report Dissemination</td>
<td>09/03/2017</td>
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</tbody>
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