WHY THERE IS LOW ADOPTION OF INTERNET BANKING BY CONSUMERS IN KENYA

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UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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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 Master of Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

SUMMER 2017
STUDENTS DECLARATION

I the undersigned, declare that the research project is my original work and has not been presented to any other institution of higher learning for academic credit other than United States International University Africa.

…………………………………
Diana K. Kamwibua (650210) Date

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

…………………………………
Dr. Jeremiah Koshal Date

Signed ……………………………
Chandaria School of Business Date
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ABSTRACT

This study sought to establish why there is low adoption of internet banking in Kenya: a case of Nairobi County. Specifically, the study was guided by three objectives; to determine the effect of perceived usefulness to consumers on the adoption of internet banking facility; to determine the effect of perceived risks associated with adoption of internet banking; and to determine the effect of technological readiness of consumers on adoption of internet banking. The study was carried out in Nairobi County.

The study focused on two commercial banks, namely, Kenya Commercial Bank and Equity Bank. A study sample of 384 respondents was drawn from the study population. The study adopted a descriptive survey research design. The study samples were selected using a mixed sampling approach; the researcher used purposive sampling and simple random sampling. The study employed a set of structured and unstructured questionnaires to collect data. Data collected was analyzed using SPSS and the results were then presented in a tabular summarized form.

The study revealed that there was a positive relationship between perceived usefulness, perceived risk and technological readiness of the consumer and adoption of internet banking. The relationships (p < 0.000) are all significant with perceived risk (r = 0.669, p < 0.000), perceived usefulness (r = 0.664, p < 0.000) and technological readiness of the consumer (r = 0.656, p < 0.000). The study concluded that perceived usefulness by the consumers toward internet banking influenced the adoption of internet banking. Perceived risk associated with the use of internet banking also influenced the adoption of internet banking. Technological readiness of the consumers towards internet banking also influenced adoption of internet banking.

The study recommended that there is need for financial institutions to engage consumers more on the usage of internet banking and create more awareness of the service. The study further recommended that regulations and policies should be put in place to ensure safety of the internet banking platform to reduce risks of fraud and uncertainty towards usage of
internet banking. The study recommends further research on effect of perceived usefulness, perceived risk and technological awareness through collection and analysis of secondary data to give more insight on how the above factors influence adoption of internet banking. The study also recommends further research on adoption of internet banking in other counties to compare the findings.
ACKNOWLEDGEMENT

The completion of this project required a lot of work and dedication. The completion could not have been possible in the absence of support of few individuals and organizations. I would therefore like to extend my sincere gratitude to all of them. I express my gratitude toward my supervisor, family, friends and also respondents for their kind co-operation and encouragement, which helped me in completion of this project.
DEDICATION

I dedicate this research project to Kanana.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>STUDENTS DECLARATION</td>
<td>iii</td>
</tr>
<tr>
<td>COPYRIGHT</td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>v</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>vi</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>viii</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>ix</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xiv</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xv</td>
</tr>
<tr>
<td>CHAPTER ONE</td>
<td>1</td>
</tr>
<tr>
<td>1.0 INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.1 Background of the Problem</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Statement of the Problem</td>
<td>3</td>
</tr>
<tr>
<td>1.3 General Objective</td>
<td>5</td>
</tr>
<tr>
<td>1.4 Specific Objectives</td>
<td>5</td>
</tr>
<tr>
<td>1.4.1 To determine the effect of perceived usefulness to consumers on the adoption of internet banking facility</td>
<td>5</td>
</tr>
<tr>
<td>1.4.2 To determine the effect of perceived risks associated with adoption of internet banking.</td>
<td>5</td>
</tr>
<tr>
<td>1.4.3 To determine the effect of technological readiness of consumers on adoption of internet banking.</td>
<td>5</td>
</tr>
<tr>
<td>1.5 Justification of the Study</td>
<td>5</td>
</tr>
<tr>
<td>1.5.1 Bank Customers</td>
<td>5</td>
</tr>
<tr>
<td>1.5.2 Management of Banking Institutions and Policy makers</td>
<td>5</td>
</tr>
<tr>
<td>1.5.3 Software and Hardware Developers in the ICT Field</td>
<td>6</td>
</tr>
<tr>
<td>1.5.4 Central Bank of Kenya</td>
<td>6</td>
</tr>
<tr>
<td>1.5.5 Academicians and Scholars</td>
<td>6</td>
</tr>
</tbody>
</table>
1.6 Scope of the Study .................................................................................................................. 6
1.7 Definitions of Terms .............................................................................................................. 6
  1.7.1 Internet Banking .............................................................................................................. 6
  1.7.2 Perceived benefit of using internet banking ................................................................. 7
  1.7.3 Perceived ease of use of e-banking ............................................................................... 7
  1.7.4 Compatibility .................................................................................................................. 7
  1.7.5 Technology ..................................................................................................................... 7
  1.7.6 Innovation ...................................................................................................................... 7
  1.7.7 Technology Acceptance Model (TAM) ......................................................................... 7
1.8 Chapter Summary .................................................................................................................. 8
CHAPTER TWO .................................................................................................................................. 9
2.0 LITERATURE REVIEW ........................................................................................................ 9
2.1 Introduction ........................................................................................................................... 9
2.2 Effect of Perceived Usefulness to Consumers on the Adoption of Internet Banking Facility ................................................................................................................................. 9
  2.2.1 Convenience of Use ....................................................................................................... 9
  2.2.2 Attitude to Change and Culture ..................................................................................... 11
  2.2.3 E-Customer Satisfaction and Customer Loyalty ............................................................ 13
2.3 Effect of Perceived Risks Associated with Adoption of Internet Banking ..................... 15
  2.3.1 Lack of Trust on Internet Banking Platforms and Lack of Awareness ....................... 15
  2.3.2 Risk of Privacy Loss and Uncertainty of Transactions ................................................... 17
2.4 Effect of Technological Readiness of Consumers on Adoption of Internet Banking ....... 19
  2.4.1 Technology Acceptance Model ..................................................................................... 19
  2.4.2 Technology Readiness (TR) ......................................................................................... 21
  2.4.3 Efficiency of Website ................................................................................................... 22
2.5 Chapter Summary................................................................................................................. 23

CHAPTER THREE ......................................................................................................................... 24

3.0 RESEARCH METHODOLOGY .............................................................................................. 24

3.1 Introduction.......................................................................................................................... 24

3.2 Research Design.................................................................................................................. 24

3.3 Population and Sampling Technique ................................................................................ 25

3.3.1 Population ....................................................................................................................... 25

3.3.2 Sampling Frame .............................................................................................................. 25

3.3.3 Sampling Technique ...................................................................................................... 25

3.3.4 Sample Size .................................................................................................................. 26

3.4 Data Collection Method ..................................................................................................... 27

3.5 Research Procedures .......................................................................................................... 27

3.6 Data Analysis Methods ....................................................................................................... 28

3.6.1 Operational Frameworks .............................................................................................. 28

3.7 Chapter Summary................................................................................................................. 30

CHAPTER FOUR ............................................................................................................................. 31

4.0 RESULTS AND FINDINGS .................................................................................................. 31

4.1 Introduction ........................................................................................................................ 31

4.2 Response Rate..................................................................................................................... 31

4.3 Demographic Characteristics of the Respondents ............................................................ 32

4.3.1 Gender of Respondents ................................................................................................. 32

4.3.2 Age of Respondents ..................................................................................................... 32

4.3.3 Level of Education of Respondents ........................................................................... 33

4.4 Perceived Usefulness to Consumers on the Adoption of Internet Banking ................. 34

4.4.1 Easy Access to Internet Banking Platform .................................................................... 35
4.4.2 Customer Support Knowledge .......................................................... 35
4.4.3 Speed of Response to Complaints and Queries .................................. 36
4.4.4 Accuracy of Transactions ..................................................................... 37
4.4.5 Recommending Internet Banking to Family Members ....................... 37
4.4.6 Correlations ......................................................................................... 38

4.5 Risks Associated with Adoption of Internet Banking ......................... 39
4.5.1 Number of Transactions Performed ..................................................... 40
4.5.2 Risk of Fraud ....................................................................................... 40
4.5.3 Privacy of Data ................................................................................... 41
4.5.4 Correlations ......................................................................................... 41

4.6 Technological Readiness of Consumers on Adoption of Internet Banking .... 42
4.6.1 Access to Mobile Phones .................................................................... 43
4.6.2 Access to Internet ............................................................................... 43
4.6.3 Website Simplicity ............................................................................... 44
4.6.5 Correlations ......................................................................................... 44

4.7 Chapter Summary .................................................................................... 45

CHAPTER FIVE ................................................................................................. 47

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATION ..................... 47
5.1 Introduction ............................................................................................. 47
5.2 Summary .................................................................................................. 47
5.3 Discussion ................................................................................................ 49
5.3.1 The Effect of Perceived Usefulness to Consumers on the Adoption of Internet Banking Facility. ................................................................. 49
5.3.2 The Effect of Perceived Risks Associated with Adoption of Internet Banking. ................................................................. 51
5.3.3 The Effect of Technological Readiness of Consumers on Adoption of Internet Banking ................................................................. 53
5.4 Conclusions ........................................................................................................................................... 55
  5.4.1 The Effect of Perceived Usefulness to Consumers on the Adoption of Internet Banking .................................................................................................................................................. 55
  5.4.2 The Effect of Perceived Risks Associated with Adoption of Internet Banking .......................... 55
  5.4.3 The Effect of Technological Readiness of Consumers on Adoption of Internet Banking .................................................................................................................................................. 56

5.5 Recommendations .................................................................................................................................. 56
  5.5.1 Recommendation for Improvement ............................................................................................... 56
  5.5.2 Recommendations for Further Research .................................................................................... 57

REFERENCES .................................................................................................................................................. 58

APPENDICES ................................................................................................................................................ 62

APPENDIX I: QUESTIONNAIRE ................................................................................................................. 62
**LIST OF TABLES**

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 3.1:</td>
<td>Target Population</td>
<td>25</td>
</tr>
<tr>
<td>Table 3.2:</td>
<td>Study Sample</td>
<td>27</td>
</tr>
<tr>
<td>Table 3.3:</td>
<td>Data Analysis and Variables Operationalization</td>
<td>29</td>
</tr>
<tr>
<td>Table 4.1:</td>
<td>Response Rate</td>
<td>31</td>
</tr>
<tr>
<td>Table 4.2:</td>
<td>Descriptive Statistics on Ease of Access to Internet Banking</td>
<td>35</td>
</tr>
<tr>
<td>Table 4.3:</td>
<td>Descriptive Statistics on Knowledgeability on Internet Banking Platform</td>
<td>36</td>
</tr>
<tr>
<td>Table 4.4:</td>
<td>Descriptive Statistics on Speed of Response</td>
<td>36</td>
</tr>
<tr>
<td>Table 4.5:</td>
<td>Descriptive Statistics on Accuracy of Transactions</td>
<td>37</td>
</tr>
<tr>
<td>Table 4.6:</td>
<td>Descriptive Statistics on Recommending Internet Banking to Family Members</td>
<td>38</td>
</tr>
<tr>
<td>Table 4.7:</td>
<td>Correlation Results for Perceived Usefulness and Adoption of Internet Banking</td>
<td>39</td>
</tr>
<tr>
<td>Table 4.8:</td>
<td>Descriptive Statistics on Number of Transactions Performed</td>
<td>40</td>
</tr>
<tr>
<td>Table 4.9:</td>
<td>Descriptive Statistics on Risk of Fraud</td>
<td>41</td>
</tr>
<tr>
<td>Table 4.10:</td>
<td>Descriptive Statistics on Privacy of Data</td>
<td>41</td>
</tr>
<tr>
<td>Table 4.11:</td>
<td>Correlation Results for Perceived Risk and Adoption of Internet Banking</td>
<td>42</td>
</tr>
<tr>
<td>Table 4.12:</td>
<td>Descriptive Statistics on Access to Mobile Phones</td>
<td>43</td>
</tr>
<tr>
<td>Table 4.13:</td>
<td>Descriptive Statistics for Access to Internet</td>
<td>44</td>
</tr>
<tr>
<td>Table 4.14:</td>
<td>Descriptive Statistics on Website Simplicity</td>
<td>44</td>
</tr>
<tr>
<td>Table 4.15:</td>
<td>Correlation Results for Technological Readiness of Consumers and Adoption of Internet Banking</td>
<td>45</td>
</tr>
</tbody>
</table>
LIST OF FIGURES

Figure 4.1:  Gender of Respondents ................................................................. 32
Figure 4.2:  Age of Respondents ................................................................. 33
Figure 4.3:  Education level of Respondents ............................................. 34
CHAPTER ONE

1.0 INTRODUCTION

1.1. Background of the Problem
Globally information technology advancement has brought about far-reaching changes in the banking industry. Today, banking without information technology is unthinkable, not only in developed countries but also in many developing countries. Worldwide, information technology is constantly changing the landscape of the banking industry. Banking sector is one area, where the technological revolution has brought sweeping changes in the medium of delivery and offering banking services, (Govindaluri, 2014). The range of services provided on the internet platform includes; electronic funds transfer (EFT), electronics clearance services, internet banking, ATMs, mobile banking, point of sale terminal among others. The adoption and usage of information technology is becoming an essential feature in today’s development, especially in the banking sector (Kesharwani, 2012). The use of internet banking allows customers to access their accounts, make necessary enquiries and undertake banking transactions. Due to the increased use of personal computers to access the internet and World Wide Web, the internet has provided an easy channel for accepting orders and become a handy medium for delivering products and services to the entire customers. This innovation has been increasing radically in recent times. This kind of banking is commonly known as Internet Banking (Malhotra, 2007).

From a customer’s perspective, the benefits of internet banking include an increased speed in obtaining services, financial savings, increased perception of control, improved access to services (Alalwan, 2016). From the banks perspective, reducing the cost of labor and/or the ability to relocate employees to more efficient activities are the targeted benefits (Rosa, 2016). Despite these benefits, clients are becoming more discouraged in interacting with IT-based products and services, and they are seeking a better balance between technologies and direct personal interact (Hajli, 2015). From the business point of view, customers are happy to reduce transaction costs, while banks may collect the same or even higher fees (Balushi, 2015). Moreover, the information about customer transactions can be easily collected, which enables banking institutions to analyze clients’ needs. Online services are likely to be the
future of the banking system, and the number of Internet banking users is likely to continue to increase.

According to (Hussein, 2013) the number of internet users in Egypt has been growing by 20-30% annually over the last 5 years. This is attributed to the perceived usefulness of internet banking by the customers and the level of technological advancement within the country. Hussein further noted that the increase in the number of users of internet banking was as a result of technological embrace by the customers and increased adoption of information technology in service delivery which is regarded as efficient and effective. Thus, online becomes more and more common for Egyptian customers, and banks are motivated to propose a new and convenient way to use their services. (Kesharwani, 2012) noted that perceived risk and trust on internet banking greatly influenced its adoption in India. He noted that majority of respondents felt that the internet banking platform exposed them to great risks as a result of increased cyber security. In most cases the respondents indicated that they preferred face to face contact in service delivery in banking. Slow implementation of information technology in India has also contributed to low adoption of internet banking service. Lack of knowledge on e-commerce and access to internet services has greatly influenced adoption of internet banking in India (Govindaluri, 2014). Majority of the population in India lack information on e-commerce and its benefits, hence influencing perceptions towards internet banking (Malhotra, 2007).

According to (Eweoya, 2016) customer satisfaction and use of e-banking services, which means that greater quality of internet banking, has the potential to increase satisfaction and consequently result in more use of e-banking. The research findings indicated that competence of e-service support staff, system availability, service portfolio, responsiveness and reliability, in that order, were found to be most significant in rating e-service quality. (Nor, 2015) noted that global advancement in information communication and technology has offered considerable exploitable potential for banking industry in Yemen. He further notes that adoption of information communication technology in the banking industry has transformed service delivery and created convenience, ease of access and control for the consumer to bank wherever he or she is. The introduction of internet banking in Yemen banking industry has enabled banks and financial institutions to improve efficiencies in their
operations, transactions and processes in order to serve their customers more efficiently (Nor, 2015).

(Muhanji, 2014) indicated that adoption of internet banking platforms is greatly influenced by the unbanked population. Muhanji further indicated that perceptions of the unbanked greatly influence their choices of using alternative banking systems like mobile banking, which is more popular among the unbanked. Muhanji argues that this is due to the perceived usefulness and ease of use of mobile banking, the ability to access money when in need and make transaction payments fast and on an easy to use mobile platform. According to (Alalwan, 2016) the unbanked are considered risk averse; they always want to be in control of who access the account and what transactions are made. Perceived ease of use and access as the technology is not complicated and all one needs is an ordinary mobile phone. This has not only contributed to a challenge towards adoption of internet banking but a serious competitor that not only appeals to the unbanked but to the banked too.

(Njuguna, 2012) conducted a survey on adoption of internet banking in Nairobi County, Kenya. The study findings indicated that out of 300 respondents all operated bank accounts with leading commercial banks, only 24.82% use internet banking. Despite the high rate of internet access recorded, internet banking use was popular among men and the younger generations. Following the argument by (Muhanji, 2014) this further reveals that perceived usefulness, perceived ease of use, relative advantage, compatibility, and result demonstrability have a significant association with intention to use internet banking, while risk, visibility and trialability are not significant. Further studies by (Hajli, 2015) indicate that users’ perceptions of various aspects of internet banking are more positive than non-users’ perceptions, except for risk. Although risk is found to be insignificant to the unbanked, considering results of prior studies, further studies are required to examine its influence on intention.

1.2 Statement of the Problem
The adoption of internet banking as a platform for carrying out banking services has continued to rise globally. This can be attributed to a number of factors such as perceived usefulness, perceived ease of use, self-efficacy, relative advantage, compatibility, and result demonstrability. Globally the effect of advancement in information communication and
technology has created great advancement in internet applications for transactions that can be conducted across borders (Nor, 2015). In developed nations, adoption of online banking or internet banking is high compared to developing nations. Authors like (Kesharwani, 2012) and (Rawashdeh, 2015) studied the impact of adoption of internet banking and their findings showed that from a consumer’s perspective, internet banking was convenient, ease of use and less time consuming, security in control of usage, as they have full control of their banking. From a business organization perspective, the implementation of internet banking enhances efficiency in service delivery, ability to interact more with the consumers and reduced costs associated with operations in providing statements among other easily accessible data on the online platform. Although the findings show a positive look for internet banking, its adoption is still low mainly among developing countries. Both authors recommended for further studies on the subject area of internet banking and seeking solutions to challenges influencing adoption of internet banking.

(Malhotra, 2007) sought to determine factors that influence internet banking adoption in India. The study revealed that cultural practices and community influence, perceived risk associated with the service, perceived usefulness of use of internet banking by majority of the population and low level of technological dissemination within the region influenced greatly adoption of internet banking. Access to banking facilities was also attributed to low adoption of internet banking as a majority of the population have little or no access to banking facilities. (Malhotra, 2007) recommended for further reading on factors influencing adoption of internet banking guided by his findings. (Muhanji, 2014) investigated factors influencing adoption of internet banking in Kenya, focusing on Kenya Commercial bank in Mombasa County. The study focused on demographic factors, consumer perceptions and attitudes toward internet banking and social factors influencing the decision to adopt internet banking. The study findings revealed that demographic factors such as age, income, education level and occupation have a significant influence and relationship with adoption of internet banking. Psychological factors such as perceived relative advantage, compatibility, complexity, risk and cost were found to influence adoption of internet banking. Social influences including opinion of friends, parents and colleagues were not found to be significant factors to influence the adoption of internet banking in the Kenyan context.
(Malhotra, 2007) and (Muhanji, 2014) recommended for further studies on the psychological factors influence on adoption of internet banking with a focus on a different target population to compare the research findings. A review of the above literature shows there is an existing gap; hence the study to investigate why there is low adoption of internet banking by consumers in Kenya, a case of Nairobi County.

1.3 General Objective
The general objective of the study was to determine the reasons for low adoption of internet banking by consumers in Kenya.

1.4 Specific Objectives
1.4.1 To determine the effect of perceived usefulness to consumers on the adoption of internet banking facility
1.4.2 To determine the effect of perceived risks associated with adoption of internet banking.
1.4.3 To determine the effect of technological readiness of consumers on adoption of internet banking.

1.5 Justification of the Study
1.5.1 Bank Customers
The research determines the perceived benefits to customers and the relative advantages while using internet banking as opposed to the traditional visit to the brick and mortar institution (Amin, 2016). The various internet banking services and their benefits and challenges have been highlighted. This would allow the customers to make an informed decision while choosing a preferred service delivery channel.

1.5.2 Management of Banking Institutions and Policy makers
This study would be helpful for bank managers and policy makers to explain the currently relatively low penetration rate of internet banking in formulating strategies to encourage the adoption and acceptance of internet banking by Kenyan customers, where internet banking is still considered an innovation (Rosa, 2016). The study attempts to bring out specific needs of customers. It was envisaged that it would enhance the managers’ understanding, thereby enabling them to have an outside-in approach in future banking investments in development
of both the software and hardware, including developing tailor made products that aim to build long term customer relationships and loyalty.

1.5.3 Software and Hardware Developers in the ICT Field
The study would enable software manufacturers to understand the customers’ perceived challenges, limitations and benefits derived from the use of the software. This would enable the developers to modify and innovate on their products to address both the banks and their customers’ needs accordingly.

1.5.4 Central Bank of Kenya
As the regulatory body, the Central Bank of Kenya (CBK) has been mandated with the supervisory role of commercial banks in Kenya. The study findings would, therefore, assist Central Bank of Kenya make relevant policies that aim to promote and enhance the perceived benefits of investments in internet banking to both banks and their customers.

1.5.5 Academicians and Scholars
Besides generating a deeper understanding on the study area, the study will give recommendations which would inform scholars on the gaps for further research. It forms a rich pool for mining data and information that might be relevant to scholars and academicians.

1.6 Scope of the Study
The study sought to determine why there is low adoption of internet banking by consumers in Kenya. The study was conducted in Nairobi County. The study is delimited to three independent constructs which include perceived usefulness, perceived risks and technological readiness. The study seeks to link the aforementioned factors to adoption of internet banking in Nairobi County, Kenya. The study focused on customers who run bank accounts with commercial banks in Nairobi County, Kenya. The study was conducted between May and August 2017.

1.7 Definitions of Terms
1.7.1 Internet Banking
Internet banking term denotes the process that enables a customer to access or perform various banking services and transactions, respectively, via an internet platform (Njuguna,
The services include account balance inquiry, online bill payments, withdrawing funds from an ATM and money transfer, among many others.

1.7.2 Perceived benefit of using internet banking
This is the probability that internet banking shall improve the delivery of banking services compared to the existing method (Ayo, 2016). According to Technology Acceptance Model, perceived usefulness is a degree of confidence that a potential user places on a new system to enhance job execution (Khian, 2017). Alternatively, this can be said to be the consumer’s perception that applying the new technology shall improve task performance.

1.7.3 Perceived ease of use of e-banking
This is the perception that new technology is easy to understand and operate (Amin, 2016). Customers do not expect difficulties while applying the new technology since they have a perception that internet banking shall provide better attributes as it is an improvement of the existing system.

1.7.4 Compatibility
This denotes the suitability of the new system to be integrated into an existing one without necessarily incurring capital investments or hefty additional training to staff (Amin, 2016). It also refers to the adoptability of the new technology being determined or influenced by past experiences, attitudes and values of the potential consumers.

1.7.5 Technology
Technology is the use of new methods, tools, process or techniques to solve a specific problem or perform a specific task (Rosa, 2016).

1.7.6 Innovation
Innovation can be defined as the application of engineering or scientific knowledge, new methods or new processes to facilitate both effective and efficient production of goods and services (Rosa, 2016). It can also be defined as the use of new knowledge or process to offer a new product or service that customers want. Innovation in e-banking is the introduction of new banking services that can be accessed through the internet platform (Chen, 2017).

1.7.7 Technology Acceptance Model (TAM)
TAM is an information system that models and shapes the way users adopt and use new technology. It advances that some factors influence users’ decision particularly on how and
when to use a new software package. TAM defines the factors that determine computer acceptance (Hussein, 2013).

1.8 Chapter Summary
The chapter provides a background of the study which is on adoption of internet banking with a global and local perspective. The problem statement, general objective and specific objectives have been outlined together with the scope of the study. Lastly, the chapter has provided definition of key terms that are used in the study for ease of understanding. The next chapter reviews the literature pertinent to the study while chapter three details the blueprint for the collection and analysis of data. Chapter four presents the data findings, analysis, and presentation of the findings while chapter five of the study presents the discussions, conclusions and recommendations of the study findings.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter contains the literature review of the three specific objectives; perceived usefulness of internet banking, perceived risks of using internet banking and the technological readiness of the users of internet banking. Literature from previous studies is used to justify the objectives and how they lead to the slow adoption of internet banking by consumers in Kenya.

2.2 Effect of Perceived Usefulness to Consumers on the Adoption of Internet Banking Facility
On perceived usefulness to consumers on the adoption of internet banking, the research focused on providing literature based on convenience of use, attitude to change and culture, customer satisfaction and customer loyalty.

2.2.1 Convenience of Use
In today’s globalized economy and homogenous market offering similar service, greater convenience attributed to the service may enable an organization achieve competitive advantage over its competitors (Amin, 2016). Convenience of a service (i.e. time and effort) must be understood within the context of consumers, what they undergo through in the process of utilizing a service (Kaura, 2015). The user of the internet banking service must find it easier to access and use within an internet connection. According to (Kaura, 2015), the five dimensions of service convenience are mainly; decision, access, transaction, benefit and post-benefit convenience. Decision convenience refers to the user’s ability to use internet banking anytime whenever they are. Access convenience refers to the ability of the user to easily access the internet banking services. This involves ease of use of the internet banking application and ability to access the service within any geographical location (Muhanji, 2014). Transaction convenience refers to the ability to use internet banking to make various transactions, like purchases, funds transfer, inquiries and purchase bank products among others. Benefit convenience refers to the need satisfaction that is fulfilled from using internet banking. Post-benefit convenience refers to the need satisfaction that is fulfilled after prolonged use of internet banking service (Tarhini, 2016).
According to (Hampshire, 2017), adoption of internet banking and online payment applications arise when consumers identify a perceived relative advantage. If the customer seeks an advantage of time and ease of use, it makes them more adaptable to the usage of the internet banking platform. (McNeish, 2015) indicated that adaptation to a new idea or product requires need to create awareness either through constructive advertisement and encouraging consumers to try the product for a trial period. This creates a perceived convenience of use in the minds of the consumers enabling adaptation to internet banking. Hampshire’s observation is supported by (Persson, 2013), who indicated that for a new product to be adopted by consumers there is need to ensure that enough awareness of the products efficiency in service delivery. From a business point of view, financial institutions have embraced information communication technology not only to offer quality and efficient service delivery but to aid in profitability (Persson, 2013). This has resulted in commercial banks and financial institutions spending a lot of money in advertising to create awareness of convenience, security and control of their new internet and online based platforms (Malhotra, 2007).

An online payment is a financial exchange between two parties using wireless technology that is supported by the widespread adoption of consumer based technology together with self-service technology adoption (Hampshire, 2017). While in the past consumers would make a trip to a bank branch or call the bank manager to make transaction, the internet today provides an online platform for banking businesses to automate relationships with customer firms by offering internet banking services to manage, for instance, transactions, customer’s transfers and statements (Rosa, 2016). Online payments require a mobile device to “initiate, authorize and/or confirm an exchange of financial value” that can replace payments made with cash, cheque or payment (Kaura, 2015). By using internet banking, a customer can easily use it to make payments without really disrupting their work day in order to go to the brick and mortar bank. Furthermore, mobile payments do not restrict themselves to payments via a mobile phone as a mobile payment is based upon a portable device that has the relevant technology with wireless capability to transfer money electronically between two parties perceived usefulness (Nor, 2015).
Trust, perceived usefulness and self-efficacy are all found to be significant factors predicting behavioral intention. Behavioral intention and perceived usefulness are also confirmed to have significant influence on the adoption behavior. Customer intent to learn something new and adopt it into their lifestyle plays a role in internet banking usefulness (Balushi, 2015). According to (Nor, 2015), there is a constant need to understand and examine the main factors that could shape customer intention to adopt such an emerging channel. Perceived usefulness is observed to have a significant influence on customers’ level trust in regards to internet banking. Likewise, empirically perceived usefulness fully mediates the impact of perceived ease of use and actual usage of telebanking (Balushi, 2015).

2.2.2 Attitude to Change and Culture
Consumer’s attitude towards change and cultural practices influences significantly the adoption of a new service or product (Muhanji, 2014). People tend to adapt to various changes in the norms depending on if they are being accepted by their peers or people of the same family or status in life. Kenyan consumers exhibit a more reserved culture where social norms are valued and individual actions are influenced by the group to whom one identifies himself/herself to. This influenced their decisions as to whether to adapt to a new product or service (Njuguna, 2012). Njuguna further noted that due to influences from social norms, culture and individuals from within the communities, the ability for a consumer to make self-informed decisions is a challenge as their opinions are guided by the community members, social norms and cultural values. Njuguna argues that it influences one’s attitude towards adapting to changes. (Nor, 2015) identified family members, friends, community members as groups which shape attitudes and social norms that influence consumers decisions towards utilization of a service or a product. Attitude has been regarded as one of the most important factors that determine technology usage, especially in developing nations. Individual’s decision to adopt a new information system is primarily based on his/her attitude towards the system which is a function of perceived ease of use and perceived usefulness (Eweoya, 2016). Attitude is a consequence of positive or negative feeling towards the system and forms the desirability to use an information system. The user’s attitude will influence how they approach any changes that are not necessarily part of their customs, culture or norms (Ayo, 2016).
It has been widely recognized that individual’s attitude has a great impact on his/her use of technology. (Eweoya, 2016) indicated that an individual’s attitude towards change affects their adoption of new ideas. In the use of technology, age and gender play a role in influencing a customer’s attitude. Previous studies by (Amin, 2016) and (Ayo, 2016) have shown that men are more technology savvy and readily willing to adapt to new technology while women take their time in adapting to new technology or systems. The acceptance, adoption and use of internet banking by Kenyan consumers are regarded as a cornerstone for the success of e-commerce in Kenya (Njuguna, 2012). According to (Nor, 2015), investment in technology by commercial banks to enhance adoption of internet banking will be considered to be of waste when consumers fail to adopt to the new service delivery platform. Customers need to be ready and actually use the internet banking services for it to be successful. For customer acceptance of internet banking, trained staff in banks should be willing to take them through the platforms and the transition from face to face facilities and to internet banking (Njuguna, 2012).

Acceptance and adoption of internet banking by consumers has become a critical issue in the business world today. Globally, banks have invested heavily on technological advancement to enhance service delivery and gain competitive advantage over their competitors. Furthermore, banks are keen at reducing their operational cost; investing massive resources in providing internet banking platforms to the consumer. According to (Ilham, 2016), adoption and use of internet banking in developed countries is much higher as compared to developing countries. Ilham attributed to ease of access to internet services and consumer awareness and knowledgeable on the use of internet banking. In developing countries, adoption of internet banking is quite slow as a result of lack of knowledge on use of the platform, little or no engagement of consumers to adopt to internet banking and poor internet accessibility which makes adoption to the service quite low (Nor, 2015). The main barrier for customer intention to use internet banking services is related to the user habit (Amin, 2016).

Customers especially in Kenya are not so comfortable and ready to change their banking habits in order to accommodate new and faster methods of banking. Additionally, customers are struggling to change their habits, behaviors and the way they interact with the internet
banking services offered (Amin, 2016). In making online purchases, seeing as the world has become a global village, customers should adjust to transacting online, and beyond borders to enhance global competitiveness. The dimensions that comprise consumer-based virtual brand personality are found to include: excitement, sophistication and competence (Khian, 2017). Excitement in knowledge of faster and easier to use options, sophistication of the online platforms and the competence of use by the customer have a great impact on the perceived usefulness of internet banking to the customer. These dimensions help online bankers to strategize, communicate and position their online banking sites better in order to compete against other online banking services (Khian, 2017).

2.2.3 E-Customer Satisfaction and Customer Loyalty
E-customer satisfaction is referred to as the degree to which customers are satisfied with their e-banking experience (Eweoya, 2016). Internet banking plays an important role in reducing operating and fixed costs and helps the bank in building better relationship with their customers (Ilham, 2016). Relationship between internet banking service quality, e-customer satisfaction, and e-loyalty is based on distinct constructs (Amin, 2016). (Bhat, 2016) defines satisfaction as the fulfillment of one’s wishes, expectations or needs resulting from utilization of a product and comparing the products perceived performance in relation to his or her expectations. (Bhat, 2016) identified the conceptualizations of customer satisfaction as transaction-specific and cumulative. Transaction-specific satisfaction is allied to the evaluation of particular service encounter, whereby a customer is satisfied by how a transaction is performed. In this case, how fast or convenient it is to them. Cumulative satisfaction is associated with overall evaluation of service provider over a period of time. A customer is inclined to be loyal to a provider where they are able to maximize their time and usage and still be satisfied by the service, (Kaura, 2015).

E-customer loyalty models are applied to the context of internet banking industry. Customer satisfaction is measured to specify customer satisfaction and is defined to transaction-specific judgments from internet banking perspectives (Amin, 2016). In this context, customer loyalty is defined as consumer’s intention to revisit the website of internet banking in the future. (Ayo, 2016) further states that customers need to be willing to return and refer services provided to more people. It shows that the customer wholly supports the platform and has
confident in their provision. A user-friendly internet banking platform gains the approval of customers and encourages revisits (Eweoya, 2016).

With an increase in number of commercial banks offering financial services, customers are able to choose their preferred bank offering convenience and quality services. With increased competition among commercial banks, banks are more focused on retaining clients (Alalwan, 2016). Due to increased competition among banks, the banking sector has seen a high adoption of technological aspects in service delivery to their respective clients. This has seen the introduction of mobile banking and internet banking as a tool to enhance service delivery and eases accessibility of banking services (Kaura, 2015). Banks have also come under tremendous pressure to handle the rising demands and expectations of the customers due to increased competition and the entry of mobile service provides in the financial market (Kaura, 2015). In the online banking context, customer satisfaction partially mediates the relationship between consumer user of internet banking and brand loyalty, and further extending our current understanding of online branding, consumer satisfaction and brand loyalty (Ayo, 2016)

Attracting a new customer has become costlier than to retain a current customer. As a result, banking professionals are more concerned with enhancing customer satisfaction for their already existing clients with an aim of achieving customer loyalty (Kaura, 2015). Consumer loyalty is a strong commitment of customers to purchase the product/service despite the availability of alternatives from competitors in the market (Amin, 2016). Consumer loyalty represents the actual purchase behavior of customers within a market setting. The concept of customer loyalty is understood as a combination of customers’ favorable attitude and the behavior or repurchases (M’Sallem, 2013). A customer who is loyal to a specific service or product demonstrates this through the willingness to recommend that product/service to others and continuous utilization of the product or service (Kaura, 2015). Therefore, this study considers customer loyalty as combination of attitudinal and behavioral loyalty.

The price or cost of service has an influence on customer satisfaction as price is an extrinsic signal of quality. (Amin, 2016) revealed that price significantly influences customer
satisfaction in service industries. The cost at which a service is rendered determines the level of quality expected from utilization of the service. In the potential replacement of ‘brick and mortar’, customers have expectations that cost of providing services will drastically reduce. However, banks still charge for services exorbitantly despite absence of personalized service and adoption of easy to use applications that are internet based. (Kaura, 2015) indicated that perceived price had a significant influence on customer satisfaction in banking industry. Kaura further indicated that costs associated with operating internet banking influenced customer satisfaction since some consumers indicated the costs were high as compared to old conventional banking. Kaura attributed to partly reason for slow adoption of internet banking.

2.3 Effect of Perceived Risks Associated with Adoption of Internet Banking.
On perceived risk association with adoption of internet banking, the research focused on providing literature based on lack of trust on internet banking platforms and lack of awareness and risk of privacy loss and uncertainty of transactions.

2.3.1 Lack of Trust on Internet Banking Platforms and Lack of Awareness
To appreciate the complete potential of Internet banking, banks need to first develop fresh services and products to be able to fully utilize the capabilities of the internet (Rawashdeh, 2015). Consumers need to be made aware of Internet banking services as well as be completely comfortable and secure with the usage of these services because the newest Internet banking operation rules will differ from the ones that they had employed earlier. This is to mean that more consumers would embrace internet banking if they were an effort to educate them on safety measures on their transactions and overall on the banking platform. (Yousafzai, 2012) suggested that the financial service industry must place greater emphasis on proactively advertising the benefits of new technology. This will be in an effort to encourage customers to adopt internet banking in preference to visiting a branch. By increasing the reach to potential clients, and informing them on the benefits, it would increase usage of internet banking service. Benefits of internet banking to the end user should focus on less time on transactions as they will be less travel to the bank, instant services on the platform as it is in the control of the user. This could also benefit the user as they would have more control on what they can view and any movements on their various accounts.
Training of staff is essential in driving the internet banking agenda to the end user. Training of staff ensures that they are aware on how to use the platform, its benefits and any challenges that they may face. This ensures that in turn that they have clear information on what to relay to the customer. If the customer is not aware of the service, the platform, the benefits or how to use it, they may not really be part of the transition (Bhat, 2016). Providing education on navigation of the system to the various end users is useful to the consumers. This enables the clients to build trust over the use of internet banking service and increase awareness leads to loyalty to the service. Since banks are striving to retain more customers than getting new ones, they are more focused on offering better service to properly retain interest of their products to the customer (Clemes, 2010). (Ndya, 2013) noted that low adoption of internet banking in Ghana was attributed to lack of trust on use of internet banking platform. This Ndya attributes to the perceived risks associated with the use of internet banking, mainly fraud as a result of cybercrimes. The study further indicated that consumer awareness on use of internet banking and its benefits influenced its adoption among consumers. The literacy levels of consumers also affected the willingness and ability to adapt to internet banking (Burke, 2002). According to (Nareth, 2013) lack of awareness by consumers on the use and benefits of internet banking was due to poor marketing and communication strategies adopted by commercial banks in Ghana. Therefore, there is need to use effective communication and marketing strategies that would enhance consumer awareness on internet banking influencing adoption of the service. Limited knowledge of internet banking services and their benefits however, have been identified as a significant obstacle to the adoption of internet banking, especially in developing countries like Ghana (Hosein, 2010).

An established hurdle in the general internet usage has been the lack of security and privacy, which has greatly influenced the level of trust towards adoption of internet banking. The result of this is that many view internet banking as a risky undertaking (Burke, 2002). To amend this banks are continuously looking for ways to fill these gaps. This is not a problem which is solved once and for all, but a continuous process as new technology and new functions introduce new forms of risk. According to (Siau, 2004) some customers perceive they lack training in internet banking usage affecting their willingness to adapt to internet
banking. This leads to an uncertainty of another kind. In order for the consumers to perform the services individually using the internet banking platform, information both before and during usage is perceived to be important (Siau, 2004) argues that the information should be easily available and detailed enough on the banks internet pages. Just how this is achieved is much a question of trial and error, as marketers and technicians introduce new functions and measure the results of these in creating awareness. According to (Laukkanen, 2006) consumers perceived trust towards a product or service is determined and influenced by the consumer’s use of the product or service, opinions from other consumers, personal beliefs and ideologies of the consumer and community members. This influences the consumers’ willingness to adapt to internet banking.

2.3.2 Risk of Privacy Loss and Uncertainty of Transactions
Internet banking has had unresolved issues such us; risks issues, operational risks, processing errors system disruption frauds, risk perception and risk acceptance. (Kesharwani, 2012) discusses the issue of security and privacy concerns about the safety of the internet banking channel. The issue of security and trust happens to be one of the earliest and most pressing concerns of online customers following the incursion of internet technology into global commercial activities. Many existing internet banking studies contain, in one context or another, an element of customers’ anxieties about the security and privacy risks associated with internet transactions (Chen, 2017).

The perception of uncertainty and risks is, therefore, inherent in most business transactions, but more so in the internet context because the parties in online transactions are usually in different and sometimes far-flung locations (Tagg, 2014). Tagg further reviewed activities of select UK financial institutions and found that the customer-empowerment potential of the internet, the increased consumer control, accessibility, and convenience of their services, as well as the system of security the firms installed for protecting customer transactions were the main selling points of their marketing communications. Studies on customers’ attitudes to the issues of internet banking security, privacy, and trust show that customers were more concerned with internet banking security than with security in traditional offline banking, and that their trust in internet banking is dependent upon the trustworthiness of the banks – usually reflected in the bank’s perceived reliability and integrity (Ilham, 2016).
Banks do not give room for trial and error in any of the e-banking channels. This means that customers need to be very accurate and alert when transacting online. However, customer would be more receptive to internet banking usage if they were given assurances that incorrect transactions or transactions done in error can be reversed or customers compensated for losses incurred (Ayo, 2016). On the other hand, online transactions are very fast in movement between parties and thus very difficult to make amendments once the transaction is complete (McNeish, 2015). Banks in the pursuit of bettering internet banking services have tried to offer delay in auctioning of transactions for a limited time in seconds to allow for the user to cancel on time. According to (Amin, 2016) online fraud, hacking and misrepresentation are more issues that affect adoption of internet banking usage. With increase in knowledge of internet usage, online fraud has increased and further made skeptical consumers reluctant to use the service. Banks have come up with ways to alert customers on usage in their accounts real time; however, network downtime or traffic in message send out may lead to late alerts and much later responses to issues of fraud and misrepresentation

Unresolved system issues, slow service response, unhelpful customer service and assistance and failed transactions are more reasons for the low adoption. Following (Shanmugam, 2015) study, customers want assurance of timely, accurate and efficient transactions. The hiccups in performance discourage internet banking use by consumers. Technological risks, system failure, processing errors, software defects and network vulnerability have an adverse effect on how the user will relate and prefer the internet banking service provided. Malicious attacks and hacking internet banking has fatal impact on consumer’s privacy and displays internet banking weaknesses (Swinnen, 2016). Although internet banking has gradually come into use for many years, several users are still anxious regarding their web privacy. More to this, hearsay and peer influence plays a great role in influencing consumer adoption; this is to mean that people listen to peer advice and experiences rather than listen to reason. These issues will exert a negative impact on internet banking because the consumers will perceive the potential risks. Thus, the ease of use, usefulness and web privacy protection are the breakpoints for Internet banking popularity (Rawashdeh, 2015).
2.4 Effect of Technological Readiness of Consumers on Adoption of Internet Banking

On perceived technological readiness of customers on adoption of internet banking, the research focused on providing literature based on technology acceptance model, technology readiness (TR), and efficiency of website.

2.4.1 Technology Acceptance Model

Online banking services are offered on a technology-intensive platform called the Technology Acceptance Model (TAM) (Chen, 2017). According to Chen, TAM specifies the causal relationships between system design features, perceived usefulness, perceived ease of use, attitude towards using and actual usage behavior. From (Ilham, 2016) TAM provides an informative mechanism that enables design choices that influences user acceptance and is helpful in evaluating the user acceptance of information technology. The adoption of e-banking in Kenya, therefore, follows the above model. Consumers are perceived to be positive on technology-based services as they believe that they are fast and more efficient compared to services offered by a bank teller in a physical bank (Hampshire, 2017).

A number of studies have shown that internet banking implementation is not only determined by banks or government support, but also by perceptions and experience of internet banking users. Internet banking studies have shown encouraging results from academics in developed countries (Njuguna, 2012). However, there is no enough information about user adoption of internet banking in Kenya. Approachable brand personality has importance in creating a likeable brand that can create a more personable relationship (Judge, 2014). Whilst tangible brand attributes explain why a consumer perceives a certain brand (from their attitude), it is the emotional brand attributes that triggers a consumer’s (buying) behavior and also provides a clearer brand differentiation among the brands, especially when online banking environment becomes highly competitive (Amin, 2016).

Choosing a brand with the ‘right fit’ to your personality characteristics enables a consumer to develop a unique representation of oneself, or a favorable association (Clemes, 2010). The attention to the symbolic meaning of the brands has emerged to be an enduring concept of brand personality research despite the traditional approach of only focusing on the functional attributes to consider the product symbolism (Judge, 2014). As a result, brand personality is
considered to be an important factor for the success of a brand in terms of preference and choice. (Bhat, 2016) indicated that, how customers accept a certain platform of internet banking also indicates that they accept the brand it represents. Understanding of consumer beliefs about technology is important as these beliefs and opinions may influence the design requirements of technology-related products and services and, ultimately, determines the success or failure of such technologies (Yousafzai, 2012).

The way the customer perceives the service quality of website-based settings is different from that of traditional services. Thus, investigating the service quality in the internet banking industry is important (Chen, 2017). It is logical for customers to feel satisfied based on the quality of services received, the range of product or services offered and ability to personally interact with e-banking system and successfully accomplish a transaction (Ayo, 2016). It is important not only to understand how customers evaluate the integrated internet banking service processes, but also to identify the main dimensions which measures integrated service quality in internet banking (Hajli, 2015). The service quality has a stronger relationship with customer outcomes when services are inseparable or relational (Amin, 2016). This situation has directed many banks to undertake high levels of marketing effort and upgrading of internet banking technology in order to increase the relationship with their customers.

In the increasing and challenging business environment today, communicating a bank’s corporate brand value; i.e. value operationalized via a brand personality, ultimately could assist in enhancing consumers’ experience and developing long-term brand relationships (Bhat, 2016). The conceptualizations of e-service quality must be expanded to the global level and e-service quality needs consideration on all aspect of the transaction, including service delivery, customer service and support (Swinnen, 2016). A bank with poor management, complicated and complex user interfaces for online banking and incompetent support employees will generate negative feelings and discourage e-banking adoption. Taken together, high levels of service quality will encourage higher level of satisfaction and hence, higher level of usage (Ayo, 2016).
Customer-oriented quality strategy is important for service firms to drive customers’ behavioral intention for continuous patronage. A highly perceived service quality will yield repeat patronage and customers’ loyalty. Likewise, poor service quality will lead to negative word-of-mouth and consequently loss of sales and profits as the customers migrate to competitors (Hajli, 2015). Service satisfaction is a result of perceived quality or value. Customers evaluate their treatment based on their own service experiences and expectations. Internet banking channels should be strategically managed with the goal of reaching high customer satisfaction and retention. Improved perceived quality increases consumer satisfaction. Customer satisfaction is the result of the customer’s view of value received from the relationship with the service providers or the transaction (Eweoya, 2016).

2.4.2 Technology Readiness (TR)
Adoption of technology and use is dependent on the consumer’s awareness of the technology in use and how comfortable the consumer is. As technology is adopted in service delivery, it is important to understand the consumers’ needs, opinions, beliefs and how ready they are to embrace it. Technological readiness refers to people’s propensity to embrace and use new technologies towards service delivery (Nor, 2015). The extent to which consumers are knowledgeable of the technologies adopted towards service delivery affects the adoption of internet banking. According to (Judge, 2014) customers with high levels of education and are knowledgeable of the technologies adopted are more likely to adopt internet banking in relation to customers with lower levels of education. Internet banking, ATMs, telephone banking, electronic retailing, and scanning purchases in supermarkets are some of the most popular forms of self-service integrated with technology to enhance service delivery to customers. (Yani-de-Soriano, 2012) noted that even though consumers are aware of the benefits of internet banking, they may avoid using the internet banking platform as they are not comfortable to use such technologies.

(Yousafzai, 2012) indicated that as the penetration rate of new technologies increases, so does customer frustration and disillusionment towards the new technologies. The negative concerns are psychological barriers which influence the enthusiasm for embracing technology and adversely affect people’s technology readiness towards new technologies integrated in service delivery. According to (Swinnen, 2016), technology readiness is the
overall state of mind resulting from a variety of mental contributors and inhibitors that collectively determine a person’s predisposition to use new technologies. TR is composed of four components namely; optimism, innovativeness, discomfort and insecurity.

Optimism is a positive view that technology integrated into service delivery offers increased control, flexibility, and efficiency. Innovativeness refers to a tendency to be a technology pioneer and thought leader. Discomfort is a perceived lack of control over technology adopted and a feeling of being overwhelmed by it. In some cases, the consumer believes the technology is over-complicated and not really designed for use by ordinary people (Yousafzai, 2012). Insecurity relates to a distrust of technology and skepticism about its ability to safe guards one’s interests and work properly. Perceived insecurity inhibits some customers from sharing personal information or utilizing services that are technologically driven using internet platforms. (Amin, 2016) found that lack of technological skills and experience with computers among consumers influenced their attitude towards adoption of internet banking. In the competitive financial services landscape today, most companies have acknowledged the importance of being present online and raising their company profiles in the virtual environment (Clemes, 2010). This as a result has seen commercial banks adopting technology and agressively marketing the new online based products as an alternative to the old banking processes as efficient, secure, time saving and accesibiility (Rosa, 2016).

### 2.4.3 Efficiency of Website

Customer loyalty is defined as consumer’s intention to revisit the website of internet banking in the future (Amin, 2016). Content, structure and web design play a big role in how user will relate to internet banking and the bank as well. Different demographics; age, gender and level of education determine how different content influences the relationship. Key words, service provision and simplicity in operation are major determinants (Hussein, 2013). Color, background and design, are essential in attracting and creating interest to the end user. Companies value the impact and the involvement of creating virtual brands as part of their overall marketing of the company (Chen, 2017).

New online branding strategies are needed and the virtual brand development has emerged to be particularly important for brick-and-mortar companies, such as financial services.
institutions and banks. Given the rapid development of virtual brands, marketers and brand managers have realized the importance of creating awareness through the identification of a virtual brand personality (M’Sallem, 2013). Banks have established in-house IT systems and even integrated internet banking to gain efficiency in the relationship with financial service providers by process automation and accountability. Internet banking provides prompt access to a wide scope of financial services to operate and deliver solutions revolutionizing the relationships between customers and banks (Rosa, 2016).

2.5 Chapter Summary

The discussion of this chapter shows that most researchers agree that the perceived usefulness of internet banking, perceived risk and the technological readiness of the consumer influences the adoption of internet banking by consumers. The chapter has reviewed various studies done in different countries both developed and developing on the use and adoption of new technological innovation and specifically, the adoption of internet banking. The next chapter describes the methods and techniques that will be used to gather and analyze the collected data.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter focuses on the various steps that will be followed in order to arrive at research findings that addressed both the research problem and objectives of the study. It covers the research design, the target population, sampling procedure, research instrument, data collection procedures and analysis and presentation of findings.

3.2 Research Design
The study adopts a descriptive survey research design to explore why there is low adoption of internet banking by consumers in Kenya, a case of Nairobi County, Kenya. A research design is described as a guide of carrying out a research study and shows the procedure of conducting a research study (Balushi, 2015). Collection of information by interviews and use of questionnaires is called descriptive survey. To determine opinions, preferences and perceptions of respondents, descriptive survey is the method used (Balushi, 2015). According to (Tarhini, 2016) this design allows the researcher to acquire numerical and descriptive data that can be used in determining the relationship between variables and ascertain the influence on adoption of internet banking.

The dependent variable in this study was why there is low adoption of internet banking by consumers in Kenya, and the independent variables influencing this were; the effect of perceived usefulness to consumers, the effect of perceived risks associated with internet banking and the effect of technological readiness of consumers on adoption of internet banking.

According to (Mugenda, 2003), a sample size of 100 respondents is sufficient representation of the target population if the target population exceeds 1000 and not above 10,000 respondents. The study has adopted a descriptive survey design and the researcher has identified 384 respondents as the sample size of respondents who have bank accounts with the two identified commercial banks.
3.3 Population and Sampling Technique

3.3.1 Population
(Bhat, 2016) defined population as the total target group who in the perfect world, would be what the researcher targets; in gaining information and to get to a conclusion. The population of the study comprises of individuals who operate bank accounts with commercial banks that have internet banking service available to their customers. The study targets two leading commercial banks in terms of customer numbers in Kenya and operates within Nairobi County. The commercial banks targeted as part of the study population are Kenya Commercial Bank and Equity Bank. Kenya commercial bank and Equity Bank control 14.10% and 9.44% respectively of the market share in the Kenyan banking industry (FSD, 2016). The two banks have implemented internet banking services hence will provide the much needed information related to the study. Nairobi County has a population of 6,325 individuals operating bank accounts with commercial banks (FSD, 2016) and (Kenya National Bureau of Statistics, 2016).

Table 3.1: Target Population

<table>
<thead>
<tr>
<th>Description</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bank account holders in Nairobi county</td>
<td>6,325</td>
</tr>
<tr>
<td>2 Total</td>
<td>6,325</td>
</tr>
</tbody>
</table>

Source: (FSD, 2016)

3.3.2 Sampling Frame
The list of all population units from which the sample will be selected is the sample frame (Balushi, 2015). The sampling frame for this study comprised of bank customers registered and using bank accounts in Nairobi County from the two identified commercial banks; Kenya Commercial Bank and Equity Bank.

3.3.3 Sampling Technique
(Eweooya, 2016) explains the importance of selecting a representative sample through making a sampling frame. Purposive sampling technique was used to identify the two commercial banks. The researcher adopted purposive sampling in identifying the respondents to participate in the study. The respondents selected through random sampling were clients to the two identified commercial banks. In purposive sampling the researcher selects people or
sites that can best help to understand the phenomenon (Eweoya, 2016). The inclusion of the participants is based on the capacity of the participant to inform the researcher. The advantage of the simple random sampling method is that it is the sample that is a high representative of the population being studied (Hampshire, 2017).

3.3.4 Sample Size
A sample is defined as a subset of the target population. According to (Balushi, 2015) a good sample should be a representative of the target population. Balushi noted that a sample size is a set of elements from which data is collected. Sampling is part of the statistical practice that focuses on the selection of individual observations envisioned to yield some knowledge about the population on focus, for the purpose of statistical inference (Kothari, 2004). Kothari further indicated that survey of the entire population is rarely included during research due to high costs involved, period of time required and the population is dynamic in that the individual making up the population may change over time.

The sample size was then divided into two equals, 192 respondents representing the sample size at Kenya Commercial Bank and 192 respondents representing Equity Bank. The researcher then adopted the simple random sampling to identify the 384 respondents within the two identified banks as indicated above. The adoption of simple random sampling is to enable the researcher capture random responses that would yield the needed information.

According to (Mugenda, 2003), the accuracy of a random sample is independent of the size of the population. Based on this, a sample size formula by Cochran (1963:75) was adopted to come up with the sample size from KCB and Equity Bank account holders who represent the population under study. The formula adopted is $n = Z^2pq/e^2$, where $n$ is the sample size, $Z^2$ is the desired confidence level 1.96 at 95%, $e$ is the desired level precision of plus or minus 5%, $p$ is the estimated proportion of an attribute that is present in the population and $q$ is $1-p$, a sample size of 384 was arrived at. The sample size was calculated as shown below.

\[ n = (1.96)^2 (0.5) (0.5) / (0.05)^2 \]
\[ n = 3.8416 (0.5) (0.5) / (0.05)^2 \]
\[ n = 0.9604 / 0.0025 \]
Table 3.2: Sample size

<table>
<thead>
<tr>
<th>Description</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 KCB account holders</td>
<td>192</td>
</tr>
<tr>
<td>2 Equity Bank account holders</td>
<td>192</td>
</tr>
<tr>
<td>Total</td>
<td>384</td>
</tr>
</tbody>
</table>

3.4 Data Collection Method
The researcher collected primary data using a self-administered questionnaire. This questionnaire was designed of structured questions on Likert scale. It had four sections; section one collected data of the respondent’s demographics and the other three sections collected information guided by the research questions. The questionnaires were taken to the respondents by hand (drop and pick). It was assumed that the selected respondents would provide the needed information on internet adoption and use; follow ups were done to the respondents a day later to confirm if they had any challenges in answering the questionnaire and clarifications were done where necessary.

3.5 Research Procedures
On completion of creating and developing the data collection tools, the analyst performed a pilot to reduce any viable mistakes and concentrate on the reliability and validity of the data gathered. Pilot study was conducted to measure the research tools reliability and validity. A pilot was undertaken on a separate set of people identified by the analyst. Piloting was directed to evaluate the capacity of the examination tools in gathering practical and dependable information that can relate to the goals of the investigation. It is satisfactory to use between 10% of the sample size for pilot study (Mugenda, 2003). To test for validity, the researcher used experienced professional in research that assessed and reviewed the suitability of the instrument in measuring the intended variables and its comprehensiveness in content using Best and Kahn’s two-step method of demonstrating evidence of validity. The method requires that, first the universe of content that could be included in the test be defined followed by ensuring that the test items are representatives of the universe. The analyst at
that point surveyed their reaction to check for consistency in the research. To test dependability, the surveys were managed to respondents who are not in the final sample. The Cronbach's $\alpha$ Reliability Coefficients was utilized to quantify dependability of the exploration instruments. A Cronbach's $\alpha$ Reliability Coefficients of $\alpha > 0.7$ is regarded adequate (Mugenda, 2003). Questionnaires were conveyed to the respondents to fill face to face. Gatherings were booked to convey surveys to respondents who were not easily accessible.

3.6 Data Analysis Methods
Information gathered was standardized utilizing different control measures, including checking for completeness and consistency before the data entry process. Questionnaires were coded and every given a one of a kind recognizable proof number before data entry. These numbers were entered and used to look at for any irregularities in the information. The information was checked by the analyst to find out their culmination and internal consistency. The examination gathered both subjective and quantitative information. Reactions in the Likert scale were appointed numerical esteems to make quantitative examination conceivable. Subjective information acquired from the open ended items was analyzed specifically. The reactions shaped the topics for investigation in accordance with the study variables and objectives. SPSS (Statistic Package for Social Sciences) computer programming version 22 was utilized for information passage and investigation. Quantitative information was examined utilizing descriptive statistics figured as means, standard deviations, percentages and frequency. The results of the information analyzed were displayed in form of tables and bar graphs. The analyst utilized the Pearson correlation coefficient to decide the relationship between the variables.

3.6.1 Operational Frameworks
According to (Kothari, 2004) operationalization means finding and defining measurable and quantifiable concept in a summarized form to show the achievements of the research variables, specific objectives and tools of analysis. In this case therefore, operationalization of variables shows how major variables, independent and dependent variables were manipulated to produce measurable results where tools of analysis and measurements as well were provided. The measures made it possible to construct a meaningful data collection
instruments that could be relied on. Table 3.3 below present the data analysis and variables operationalization for the study.

**Table 3.3: Data analysis and Variables Operationalization**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Type of variable</th>
<th>Measurement</th>
<th>Tests</th>
</tr>
</thead>
</table>
| Adoption of internet banking       | Dependent Variable | • Increased usage of internet banking  
                                  |                               | • Number of consumers registered using internet banking | Correlation               |
| Perceived usefulness               | Independent Variable | • Effectiveness of internet banking  
                                  |                               | • Efficiency of internet banking  
                                  |                               | • Reliability and accessibility of internet banking  
                                  |                               | • Cost benefit of internet banking | Descriptive statistics, correlation |
| Perceived risk                     | Independent Variable | • Risk of fraud  
                                  |                               | • Accuracy of transactions  
                                  |                               | • Security of the internet banking system | Descriptive statistics, correlation |
| Technological readiness of consumer | Independent Variable | • Consumer knowledgeable of internet banking  
                                  |                               | • use of internet banking platform  
                                  |                               | • level of acceptance to utilize internet banking | Descriptive statistics, correlation |
3.7 Chapter Summary
This chapter presented the research methodology that was used to guide the research. The chapter has detailed the research design, the population, the sampling technique, sampling frame and sample size. The data collection method, research procedures and data analysis technique have also been described. Chapter four of the study presents the results and findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter presents the introduction of data analysis, results and discoveries. The outcomes presentation was organized in view of the goals that guided the investigation. Descriptive analysis utilized included mean, frequencies and percentages. Inferential statistics such as correlation analysis was likewise used to test for the relationship of the factors. The information was translated by virtue of simultaneousness to destinations utilizing help of computer packages especially Statistical Package for Social Sciences (SPSS) to communicate the research findings. The study findings data was presented in frequency and percentage graphs and tables to enhanced easier interpretation and understanding of the research findings.

4.2 Response Rate
The study findings revealed that out of 384 questionnaires issued 322 of the questionnaires were dully filed and returned, while 62 of the questionnaires were not returned. This accounted for 83.9% of the questionnaires that were duly filled and returned while 16.1% were not duly filled and returned. Table 4.1 below presents the findings on the response rate of the respondents.

Table 4.1: Responses rate

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Returned questionnaires</td>
<td>322</td>
<td>83.9</td>
</tr>
<tr>
<td>2 Non returned questionnaires</td>
<td>62</td>
<td>16.1</td>
</tr>
<tr>
<td>3 Total</td>
<td>384</td>
<td>100</td>
</tr>
</tbody>
</table>
4.3 Demographic Characteristics of the Respondents
The demographic data from the respondents included gender, age and level of education. The results in the subsection below were obtained from the respondents on their demographic information.

4.3.1 Gender of Respondents
The researcher sought to determine the gender distribution of the respondents. The study findings revealed that 180 of the respondents were male and 142 of the respondents were female accounting for 56% and 44% of the respondents respectively. The study findings show that there are more male respondents as compared to female respondents. Figure 4.1 below presents the gender distribution of the respondents.

![Figure 4.1: Gender of Respondents](image)

4.3.2 Age of Respondents
The respondents were asked to indicate their age group. 80 of the respondents indicated that they were aged between 20 – 30 years representing 25% of the respondents while 95 respondents were aged between 31 - 40 years representing 30% of the respondents. 100 respondents were aged between 41 – 50 years accounting for 31% of the respondents while
47 respondents were 51 years and above accounting for 14% of the respondents. The findings indicated that majority of the respondents were aged 41 – 50 years while 51 and above were the least among the respondents. Figure 4.2 below presents the age distribution of the respondents.

![Age Distribution of Respondents](image)

**Figure 4.2: Age Distribution of Respondents**

**4.3.3 Level of Education of Respondents**

The respondents were asked to indicate their level of education. 110 of the respondents had university level education and 89 of the respondents had college education accounting for 34% and 28% of the respondents respectively. 27 of respondents had primary level education while 96 respondents had secondary level education accounting for 8% and 30% of the respondents respectively. The level of education of the respondents is presented in figure 4.3 below.
4.4 Perceived Usefulness to Consumers on the Adoption of Internet Banking

The first objective of the study was to determine the effect of perceived usefulness to consumer on the adoption of internet banking. The study findings revealed that 58% of the respondents indicated that the internet banking system did not support their usage; 28% of the respondents indicated that the internet banking system supported their usage; and 14% had no comment. The respondents cited ease of accessibility and a customer friendly user interface as reasons as to why the existing internet banking system supports their usage. Other respondents indicated the ability to access their accounts anywhere through the internet banking system supported their usage.

On whether the complexity of the internet banking system affects their willingness to retain an account with the banks, 46% and 54% of the respondents disagreed and strongly disagreed respectively. The findings indicate that customer’s willingness to retain their bank account was not influenced by complex internet banking systems adopted by their respective banks. This indicates that the respondent retaining their accounts with their various banks was not mainly influenced by complexity of the internet banking system.
4.4.1 Easy Access to Internet Banking Platform
The researcher sought to establish the extent to which perceived usefulness to consumers influenced the adoption of internet banking. 42% of the respondents indicated that ease of access to internet banking influenced adoption of internet banking to very large extent, 30.4% of respondents indicated to a large extent while 27.6% of respondents indicated it influenced adoption of internet banking to a moderate extent. The findings indicate that majority of the respondent’s adoption to internet banking was influenced by the perceived usefulness achieved from using the online banking platform. This further indicates that the extent to which internet banking satisfies one’s needs determined whether one will adapt to the internet banking platform. Table 4.2 presents the descriptive statistics on ease of access to internet banking.

Table 4.2: Descriptive Statistics on Ease of Access to Internet Banking

<table>
<thead>
<tr>
<th></th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Small extent</th>
<th>Not at all</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy access to</td>
<td>135 (42%)</td>
<td>98 (30.4%)</td>
<td>89 (27.6%)</td>
<td></td>
<td></td>
<td>2.915</td>
<td>1.3</td>
</tr>
<tr>
<td>the internet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>banking platform</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.4.2 Customer Support Knowledge
On customer support knowledgeability on internet banking platform, 54% of the respondents indicated that to a very large extent influenced adoption of internet banking, 25% indicated that it influenced adoption of internet banking to a large extent while 21% indicated it influenced adoption of internet banking to a moderate extent. The findings reveal that how well one is familiar and knowledgeable about internet banking will greatly influence their adoption to the service. Majority of the respondents indicated that customer support knowledgeability on internet banking platform influenced their adoption to the service. Table 4.3 below presents the descriptive statistics on knowledgeability on internet banking platform
Table 4.3: Descriptive Statistics on Knowledgeability on Internet Banking Platform

<table>
<thead>
<tr>
<th></th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Small extent</th>
<th>Not at all</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are the bank customers</td>
<td>174 (54%)</td>
<td>80 (25%)</td>
<td>68 (21%)</td>
<td></td>
<td></td>
<td>3.128</td>
<td>1.2</td>
</tr>
<tr>
<td>knowledgeable on internet banking platform</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.4.3 Speed of Response to Complaints and Queries

On speed of response to complaints and queries, 65% of the respondents indicated speed of response to complaints and queries influenced adoption to internet banking to a very large extent, 23% of respondents indicated that it influenced adoption of internet banking to a large extent while 12% of respondents indicated that it influenced moderately adoption of internet banking. The findings showed that majority of the respondents indicated that the speed of response to complaints and queries influenced the adoption of internet banking. The descriptive statistics on speed of response is presented in table 4.4 below

Table 4.4: Descriptive Statistics on Speed of Response

<table>
<thead>
<tr>
<th></th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Small extent</th>
<th>Not at all</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speed of response to complaints and queries</td>
<td>209 (65%)</td>
<td>74 (23%)</td>
<td>39 (12%)</td>
<td></td>
<td></td>
<td>2.798</td>
<td>1.18</td>
</tr>
</tbody>
</table>
4.4.4. Accuracy of Transactions
On accuracy of transactions through internet banking, 62% of the respondents indicated that it influenced adoption of internet banking to a very large extent, 24% of the respondents were of the opinion accuracy of transaction influenced adoption to a large extent while 14% indicated it moderately influenced adoption of internet banking. The findings indicate that accuracy of transaction through the use of internet banking influenced adoption of internet banking among users. The descriptive statistics on accuracy of transactions is presented in table 4.5 below.

Table 4.5: Descriptive Statistics on Accuracy of Transactions

<table>
<thead>
<tr>
<th></th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Small extent</th>
<th>Not at all</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accuracy of transactions</td>
<td>201 (62%)</td>
<td>77 (24%)</td>
<td>44 (14%)</td>
<td></td>
<td></td>
<td>2.915</td>
<td>0.9</td>
</tr>
</tbody>
</table>

4.4.5 Recommending Internet Banking to Family Members
The research sought to establish if the respondents would recommend internet banking to their family members, 15% indicated to a large extent they would introduce their family members, 28% indicated they would moderately recommend internet banking to their family members while 30% and 27% of the respondents would to a small extent and not at all respectively recommend internet banking to their family members. The findings revealed that majority of the respondents would not or to a small extent recommend internet banking to their family members while a few indicated that they would introduce their family members to adapt to internet banking platform. This is attributed to perceived usefulness, reliability of the service, accessibility and security of the internet banking platform. Table 4.6 presents the descriptive statistics on recommending internet banking to family members.
Table 4.6: Descriptive Statistics on Recommending Internet Banking to Family Members

<table>
<thead>
<tr>
<th>Would you recommend internet banking to your family members</th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Small extent</th>
<th>Not at all</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>47 (15%)</td>
<td>89 (28%)</td>
<td>98 (30%)</td>
<td>88 (27%)</td>
<td>2.457</td>
<td>1.0</td>
<td></td>
</tr>
</tbody>
</table>

The findings indicate that perceived usefulness of internet banking does influence adoption of internet banking facility. Ease of access to the internet banking platform, customers’ knowledgeability on internet banking, speed of response to complaints and queries, and accuracy of transaction influences the adoption of internet banking to a great extent.

4.4.6 Correlations
The correlation was conducted to test whether there existed association between perceived usefulness and adoption of internet banking facility. The finding implied that perceived usefulness and adoption of internet banking had a strong correlation where $r = 0.664$, $p < 0.000$. The p-values for the correlation between perceived usefulness and adoption of internet banking were both less than the significance level of 0.05 which indicates the correlation coefficient was significant. Table 4.7 below presents the correlation results of the study.
### Table 4.7: Correlation Results for Perceived Usefulness and Adoption of Internet Banking

<table>
<thead>
<tr>
<th></th>
<th>Adoption of internet banking</th>
<th>Perceived usefulness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption of internet banking</td>
<td>Pearson correlation 1</td>
<td>.664**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>295</td>
</tr>
<tr>
<td></td>
<td>Pearson correlation .664**</td>
<td>1</td>
</tr>
<tr>
<td>Perceived usefulness</td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>295</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

4.5 Risks Associated with Adoption of Internet Banking.

The second objective of the study was to determine the effect of perceived risks associated with adoption of internet banking. The study findings revealed that 22% of the respondents indicated that the banks had embraced effective internet banking security systems, 34% disagreed that the banks had not embraced effective internet banking security systems while 44% of the respondents had no response on effective internet banking security systems. The findings further revealed that the security systems adopted by banks were not effective to ensure safety of internet banking platform as it was still exposed to cybercrimes. The findings indicated that the respondents were not confident in the bank’s management of the security systems influencing adoption of internet banking among users. On poor operational efficiency, 56% of the respondents indicated that poor operational efficiency on transactions affected adoption of internet banking while 44% indicated that operational efficiency on transaction did not affect adoption of internet banking. The findings further revealed that poor operational efficiency on transactions like slow response to complaints and queries, poor connectivity and challenges in transacting, accessibility influenced greatly adoption of internet banking On risk of fraud towards adoption of internet banking, 44% and 26% of respondents indicated they strongly agreed and agreed respectively that it influenced...
adoption of internet banking, while 30% were not sure whether it influenced adoption of internet banking. The researcher sought to determine further the effect of perceived risks associated with adoption of internet banking.

4.5.1 Number of Transactions Performed
On the number of transactions that can be performed, 44% of the respondents indicated that it influenced adoption of internet banking to a very large extent. 16% and 24% indicated it influenced adoption of internet banking to a large and moderate extent respectively. 16% of the respondents indicated it influenced adoption of internet banking to a small extent. A descriptive statistic on the number of transactions performed is presented in table 4.8 below.

Table 4.8: Descriptive Statistics on Number of Transactions Performed

<table>
<thead>
<tr>
<th>Number of transactions that can be performed</th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Small extent</th>
<th>Not at all</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>142 (44%)</td>
<td>53 (16%)</td>
<td>74 (24%)</td>
<td>53 (16%)</td>
<td></td>
<td>3.319</td>
<td>0.9</td>
</tr>
</tbody>
</table>

4.5.2 Risk of Fraud
On risk of fraud, 69% and 17% of the respondents indicated that risk of fraud and uncertainty influenced adoption of internet banking to a very large extent and large extent respectively. 14% of respondents indicated that risk of fraud influenced adoption of internet banking to a moderate extent. The findings indicated that risk of fraud, mainly cybercrimes influenced adoption of internet banking among users to a great extent. Table 4.9 below captures the descriptive statistics on risk of fraud.
Table 4.9: Descriptive Statistics on Risk of Fraud

<table>
<thead>
<tr>
<th>Risk of fraud and uncertainty</th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Small extent</th>
<th>Not at all</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk of fraud and uncertainty</td>
<td>222 (69%)</td>
<td>56 (17%)</td>
<td>44 (14%)</td>
<td></td>
<td></td>
<td>2.681</td>
<td>1.16</td>
</tr>
</tbody>
</table>

4.5.3 Privacy of Data
On privacy of data, 65% of respondents indicated that it influenced adoption of internet banking to a very large extent, 21% of the respondents indicated it influenced to a large extent while 14% of the respondents indicated it influenced adoption of internet banking to a moderate extent. The findings revealed that lack of privacy due to hacking and management inability to safeguard the clients details influenced adoption of internet banking among users. Descriptive statistics on privacy of data is presented in table 4.10 below.

Table 4.10: Descriptive Statistics on Privacy of Data

<table>
<thead>
<tr>
<th>Privacy of data</th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Small extent</th>
<th>Not at all</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privacy of data</td>
<td>210 (65%)</td>
<td>68 (21%)</td>
<td>44 (14%)</td>
<td></td>
<td></td>
<td>3.138</td>
<td>1.12</td>
</tr>
</tbody>
</table>

The study findings revealed that risk of fraud and uncertainty, privacy of data and number of transactions that can be performed influenced the extent to which internet banking is adopted.

4.5.4 Correlations
The correlation was conducted to test whether there existed association between perceived risk and adoption of internet banking facility. The finding implied the perceived risk and adoption of internet banking had a strong correlation where \(r = 0.669\), \(p < 0.000\). The p-values for the correlation between perceived risk and adoption of internet banking were both.
less than the significance level of 0.05 which indicates the correlation coefficient was significant. The table 4.11 below presents the correlation results of the study.

Table 4.11: Correlation Results for Perceived Risk and Adoption of Internet Banking

<table>
<thead>
<tr>
<th></th>
<th>Adoption of internet banking</th>
<th>Perceived risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson correlation</td>
<td>1</td>
<td>.669**</td>
</tr>
<tr>
<td>Adoption of internet</td>
<td></td>
<td></td>
</tr>
<tr>
<td>banking Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>295</td>
<td>295</td>
</tr>
<tr>
<td>Pearson correlation</td>
<td>.669**</td>
<td>1</td>
</tr>
<tr>
<td>Perceived risk</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>295</td>
<td>295</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

### 4.6 Technological Readiness of Consumers on Adoption of Internet Banking

The third objective of the study was to determine the effect of technological readiness of consumers on adoption of internet banking. The study findings revealed that 26% of the respondents indicated that the internet banking platform was easy and simple to use and access while 39% indicated it was not easy and simple to use and access. 35% of the respondents had no comment on ease of use and simple access. The findings further revealed that due to complexity of the internet banking platform (website) this influenced accessibility of the service, hence, influencing adoption of internet banking. The findings indicated that the platform was limited in terms of the services that one would undertake which influenced adoption of internet banking. The ease of access and simplicity of the internet banking platform greatly influenced adoption of internet banking. On website content, 56% of the respondents indicated that the content of the website does not affect the number of times they access internet banking while 44% of the respondents indicated that the number of times they visit the internet banking site was influenced by the website content. The researcher sought to establish if an easy to use website influenced adoption of internet banking, 56% and 28% of
the respondents strongly agreed and agreed respectively that easy to use website interface in internet banking influenced adoption of internet banking while 16% of the respondents disagreed. On communication through the website to enhance adoption of internet banking, 42% and 32% of the respondents strongly agreed and agreed respectively that lack of optional language influenced adoption of internet banking, while 26% of the respondents disagreed that lack of optional language influenced adoption of internet banking.

4.6.1 Access to Mobile Phones
The researcher further sought to determine extent to which regulatory framework affected adoption of internet banking, and the study findings revealed that on accessibility of mobile phones, 76% of respondents indicated it influences adoption of internet banking to a very large extent and 24% of respondents indicated it influenced adoption of internet banking to a large extent. The findings revealed that access to mobile phones influenced adoption of internet banking. This is due to the fact that not all consumers have access to computers and internet connectivity, hence, access to the internet banking platform can be enhanced through use of mobile phones which have the capacity to access the internet and online banking platform. Table 4.12 below presents the descriptive statistics on access to mobile phones.

<table>
<thead>
<tr>
<th></th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Small extent</th>
<th>Not at all</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to mobile phones</td>
<td>244 (76%)</td>
<td>78 (24%)</td>
<td></td>
<td></td>
<td></td>
<td>3.277</td>
<td>0.9</td>
</tr>
</tbody>
</table>

4.6.2 Access to Internet
On access to the internet, 79% of the respondents indicated that access to internet influenced adoption of internet banking to a very large extent and 21% of the respondents indicate internet access influences adoption of internet banking to a large extent. The findings show that access to internet is critical for the adoption of internet banking. This is due to the fact that internet banking relies on the internet/world wide web for it to deliver the desired service to the client. Table 4.13 below presents the descriptive statistics for access to internet.
Table 4.13: Descriptive Statistics for Access to Internet

<table>
<thead>
<tr>
<th>Access to internet</th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Small extent</th>
<th>Not at all</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>253 (79%)</td>
<td>69 (21%)</td>
<td></td>
<td></td>
<td>2.617</td>
<td>0.9</td>
<td></td>
</tr>
</tbody>
</table>

4.6.3 Website Simplicity
On website simplicity, 52% of the respondents indicated that simplicity of the website influenced adoption of internet banking to a very large extent, while 27% and 21% of the respondents indicated that website simplicity influenced to a large extent and moderate extent respectively on adoption of internet banking. The findings reveal that the simplicity of a website influences greatly the extent of adoption of internet banking. The study further reveals that complex websites used in internet banking platforms influenced negatively adoption of internet banking service. Descriptive statistics on website simplicity is presented in table 4.14 below.

Table 4.14: Descriptive Statistics on Website Simplicity

<table>
<thead>
<tr>
<th>Website simplicity</th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Small extent</th>
<th>Not at all</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>168 (52%)</td>
<td>86 (27%)</td>
<td>68 (21%)</td>
<td></td>
<td>2.968</td>
<td>1.17</td>
<td></td>
</tr>
</tbody>
</table>

The findings revealed that technological readiness on consumers on adoption of internet banking influenced adoption of internet banking. Access to mobile phones, access to internet and simplicity of the website influenced greatly adoption of internet banking.

4.6.5 Correlations
The correlation was conducted to test whether there existed association between technological readiness of consumer and adoption of internet banking facility. The finding implied technological readiness of consumer and adoption of internet banking had a strong
correlation where \( r = 0.656, p < 0.000 \). The \( p \)-values for the correlation between technological readiness of consumer and adoption of internet banking were both less than the significance level of 0.05 which indicates the correlation coefficient was significant. The table 4.15 below presents the correlation results of the study.

**Table 4.15: Correlation Results for Technological Readiness of Consumers and Adoption of Internet Banking**

<table>
<thead>
<tr>
<th></th>
<th>Adoption of internet banking</th>
<th>Technological readiness of consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pearson correlation</strong></td>
<td>1</td>
<td>0.656**</td>
</tr>
<tr>
<td>Adoption of internet banking</td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>295</td>
<td>295</td>
</tr>
<tr>
<td><strong>Pearson correlation</strong></td>
<td>.656**</td>
<td>1</td>
</tr>
<tr>
<td>Technological readiness of consumers</td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>295</td>
<td>295</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

4.7 Chapter Summary

This chapter presented the data analysis, presentation and findings. The study findings were presented in form of tables and charts. The findings were presented based on the research questions. Descriptive and inferential statistics was used to ascertain the relationship between independent variables and dependent variable. The correlation results revealed that perceived risk had a strong association with adoption of internet banking followed by perceived risk and finally technological readiness of the consumer. The findings showed that perceived risk had positive and significant relationship with adoption of internet banking. Further, the findings showed that perceived usefulness had a significant positive relationship
with adoption of internet banking. Similarly, technological readiness had a significant positive relationship with adoption of internet banking. Chapter five contains discussions, summary, conclusion and recommendation of the study.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction
This chapter presents the discussion, conclusions and recommendations as guided by the objectives of the study. This chapter summarized the findings of the study and made conclusions upon which recommendations were drawn. Suggestions for further study were also captured as a way of filling the gaps identified in the study.

5.2 Summary
The purpose of this study was to determine why there is low adoption of internet banking by consumers in Kenya: a case of Nairobi County. The study was guided by the following research objectives; to determine the effect of perceived usefulness to consumers on the adoption of internet banking facility, to determine the effect of perceived risks associated with adoption of internet banking, and to determine the effect of technological readiness of consumers on adoption of internet banking.

The research conducted adopted a descriptive design by interviewing and administering questionnaires to a sample of individuals. The target population of Nairobi County residents operating bank accounts in commercial banks is 6,325. The sampling technique was the purposive sampling in identifying the two major banks, and random sampling to select the respondents. The sample size was calculated using the Cochran method for account holders in both Kenya Commercial Bank and Equity Bank. Data collection was conducted by administering questionnaires to respondents, which were later collected for analysis. Data analysis was conducted by checking for completeness of questionnaires and through running the SPSS software of analysis on data entered.

The first research objective was to determine the effect of perceived usefulness to consumers on the adoption of internet banking facility. The descriptive results revealed that over 50% of the respondents indicated that the existing internet banking system at their banks did not support their usage. Majority of the respondents disagreed and strongly disagreed that the complexity of internet banking system did not influence their willingness to retain their bank accounts at their respective banks. The findings show that even though the internet banking system is complex, it did not influence the respondents’ decision to retain their
accounts with their respective banks. Operating a bank account and adopting the use of internet banking did not influence greatly the willingness of the respondents to retain their accounts. The study findings on perceived usefulness to consumers on the adoption of internet banking revealed that easy access to the internet banking platform influenced greatly and to a very large extent adoption of internet banking and use. It further revealed that the banks customers’ knowledgeability on internet banking platform and use also influenced the extent to which internet banking was adopted. The study findings show that speed of response to complaints and queries influenced the extent to which internet banking is adopted. Further, the study findings revealed that accuracy of transactions also had an impact on the extent to which internet banking is adopted. The findings revealed the perceived usefulness of internet banking and adoption was mainly influenced by ease of access to the internet banking platform, knowledge on internet banking, speed of response to complaints and queries, and level of accuracy of transactions influenced greatly adoption of internet banking. Furthermore, Pearson correlation result and regression results revealed a positive relationship between perceived usefulness and adoption of internet banking. The p-values for the correlation between organization structure and strategy implementation are both less than the significance level of 0.05 which indicates the correlation coefficient are significant.

The second research objective was to determine the effect of perceived risks associated with adoption of internet banking. Majority of the respondents had no response whether the bank embraced effective internet banking security systems while other respondents indicated that the internet banking system was adequate and not adequate respectively. The study findings further revealed that poor operational efficiency on transactions affected adoption of internet banking. Majority of the respondents cited poor internet connectivity, complexity of the internet banking platform, cost associated with service delivery, and challenges in accessing customers service influenced adoption of internet banking. The findings further show that risk of fraud and uncertainty greatly influenced adoption of internet banking. Majority of the respondents indicated that risk of fraud and uncertainty influenced adoption of internet banking to a very large extent and large extent respectively. Further, the findings revealed that privacy of data and number of transactions one can undertake greatly influenced adoption of internet banking. The Pearson correlation results revealed that a positive association exists between perceived risk and adoption of internet banking. The p-values for
the correlation between managerial competence and strategy implementation are both less than the significance level of 0.05 which indicates the correlation coefficient is significant.

The third research objective was to determine the effect of technological readiness of consumers on adoption of Internet banking. The study findings show that an easy and simple to use internet banking platform influenced the extent to which internet banking was adopted. Further the findings revealed that the content of the website that which internet banking operates does not influence the number of times one uses the internet banking platform. The study findings also revealed that a complicated and sophisticated website platform for internet banking influenced adoption of the internet banking. Further the study revealed that lack of optional language in the website platform hosting the internet banking influenced the extent to which internet banking is adopted. The study revealed that access to smart mobile phones, access to internet and website simplicity to a very large extent influenced the adoption of internet banking. The Pearson correlation results revealed a positive relationship between technological readiness and adoption of internet banking. The p-values for the correlation between resource allocation and strategy implementation are both less than the significance level of 0.05 which indicates the correlation coefficient is significant.

5.3 Discussion

5.3.1 The Effect of Perceived Usefulness to Consumers on the Adoption of Internet Banking Facility.

The study sought to determine the effect of perceived usefulness to consumers on the adoption of internet banking facility. The findings of the study revealed that perceived usefulness by the consumer influenced the adoption of internet banking. The findings revealed that the extent to which the consumer perceive internet banking is useful is influenced by ease of access to the internet banking platform, consumer’s knowledge on the use of internet banking platform, accuracy of the transactions and speed at which complaints and queries are responded to.

According to (Nilam, 2014), how a consumer perceives the usefulness of internet banking determines the extent to which they will adapt to it. He further revealed that due to the uncertainty and risk associated with internet banking, consumers perceive internet banking to be risky, hence, influences the adoption levels. (Ong’wen, 2012) conducted a study on factors
influencing adoption of internet banking and his findings concur with the findings of this study. (Ong’wen, 2012) study’s findings revealed that due to increased technological advancement and increased cybercrime, majority of the respondents perceived internet banking to be risky influencing its adoption by the consumers. The findings also revealed that complexity of internet banking platform and consumer knowledgeability on internet banking greatly influenced adoption of internet banking.

(Margaret, 2000) noted that for a consumer to adapt to a new product, the consumer’s perception as to how the product will influence their operations greatly influences the level of adoption of the product. He further noted that consumers’ perception on usefulness of internet banking can only be achieved through creating awareness and having the consumers to be knowledgeable on the use of the product and the advantages associated with the product. According to (Margaret, 2000), low adoption of internet banking is attributed to consumer perceptions towards internet banking operations. The old banking system of the banking hall is mostly preferred by most consumers as opposed to adaption of internet banking due to lack of efficient consumer support services. Majority of consumers prefer the banking hall as they can have their issues addressed in real time as opposed to internet banking that is characterized with slow response to complaints and queries. (Nilam, 2014) noted that the major factor that influenced consumer’s perception on usefulness and adoption of internet banking was security of the internet banking systems. The risks of fraud and privacy of data has influenced greatly the adoption of internet banking due to the consumer’s perceptions on lack of security. The study findings clearly demonstrate that consumer perception on the usefulness of internet banking influences the level and extent of adoption of internet banking. The above study findings concur with the current study findings that, consumers’ perception on ease of access to internet banking platform, consumers’ knowledge on internet banking, handling of complaints and queries, and accuracy of transactions influenced adoption of internet banking.

According to (Kaura, 2015), perceived usefulness of a product or service by a consumer or user is determined by the consumer needs and how well the product or service satisfies his or her needs. Kaura argues that although product developers and service providers, develop products to meet a certain need, it is the final user who determines if the product satisfies
his/her needs. This she argues influences the adoption of the product by the consumers. Attributes of a service or a product such as convenience, accessibility, ease of use, safety and control influences the consumer’s perception towards utilization of a service (Kaura, 2015). Kaura argues that to enhance adoption of internet banking among consumers, convenience must be understood within the context of the consumer and not service provider. (Hampshire, 2017) observations concur with Karua’s observations that to enhance adoption of internet banking among consumers, the perception of usefulness should be understood from the consumer’s context. Hampshire’s study findings on adoption of mobile payment concur with the study findings. The findings revealed that the consumer’s perception towards usefulness of using mobile payment influenced greatly adoption of the mobile payment platform. Further, the risk of fraud and lack of privacy also influenced adoption of the mobile payment. The study findings clearly demonstrate that consumer’s perceived usefulness of a service by a consumer influenced adoption of the mobile payment. The study findings concur with the current study findings that perceived usefulness of a service influences adoption of internet banking.

5.3.2 The Effect of Perceived Risks Associated with Adoption of Internet Banking.
The study sought to determine the effect of perceived risk associated with adoption of internet banking. The findings revealed that internet banking security systems influences adoption of internet banking by consumers. The findings further revealed that operational efficiency on transactions also influenced adoption of internet banking among the consumers. It was further established that the risk of fraud affected the effective adoption of internet banking. The uncertainty associated with the internet banking platform influenced the decisions of the consumers to adapt to internet banking. Privacy of data was also identified to influence the decisions of the consumers to adapt to internet banking.

According to (Ong’wen, 2012) perceived risks associated with internet banking can be attributed to advancement in technology and increased cybercrime. Due to increased cases of cybercrime, the consumers’ perception of the risk associated with internet banking influenced the decision to adapt to the banking system. According to (Ong’wen, 2012) study findings, security of internet banking systems were a major contributor towards low adoption of internet banking. Majority of respondents indicated rising case of cybercrime deterred them
from using the internet banking platform as they were not sure of the security features installed by the respective banks. They further indicated that in some cases the banks do not use a secure internet platform to deliver banking services, hence, exposing them to risks of fraud.

According to a report by World Bank on adoption of internet banking in Africa, the report indicated that the slow adoption of internet banking in Africa is due to the perceived risks associated with the product. The report notes that increased cybercrime targeting financial institutions contribute majorly to slow adoption of internet banking and created the perception of risk among consumers on the use of internet banking. The report further indicated that although many financial institutions are investing heavily on online banking platforms to ease access of banking service, majority of the consumers prefer to conduct their banking business within the banking halls. This attribute is as a result of the perceived risk associated with internet banking. The report finding concurs with (Perkins, 2013) findings on internet banking adoption and mainly the impact of perceived risk towards adoption of internet banking. The study findings revealed that the low uptake of internet banking was as result of lack of confidence on security systems set up by the banks. The perceived risk of fraud and uncertainty influenced greatly adoption of internet banking. The study findings concur with the current study findings that indicated that perceived risk influenced the adoption of internet banking. The risk of fraud and privacy of data was identified as a major concern to the consumers influencing the extent to which they adapt to internet banking services. The study also revealed that the number of transactions one would perform influenced adoption of internet banking. According to current study findings, some internet banking platforms limited the consumers to the number of transactions they would perform within a specific period and further the amount of money that they would transact; this influenced the level of adoption of internet banking by the consumers. (Perkins, 2013) findings concur to this study’s findings that revealed that the number of transactions one can perform influenced greatly the adoption of internet banking. Perceived risk associated with adoption of internet banking influences the extent to which internet banking is adopted by consumers.
Globally the risk of fraud and privacy has greatly influenced adoption of online based financial systems. According to (Amin, 2016) cybercrime and lack of privacy has greatly influenced implementation of online financial platforms which influences the growth of e-commerce. Amin noted that adoption of internet banking globally has been low mainly in developing countries as compared to developed countries. This she attributes to risk of fraud and lack of privacy that is associated with online platforms. (Kaura, 2015) concurs with Amin and further indicated that increased technological advancement is both a blessing and a curse towards enhancement of e-commerce. Kaura argues that increased technological advancement has enhanced access to online financial platforms while increased cybercrime. This has attributed to low adoption of internet banking among users. (Ilham, 2016) study finding on consumer attitudes towards e-banking revealed that low adoption of e-banking was due to the perceived risk of fraud and lack of privacy of data. Further, the consumers indicated that they did not have confidence on the security systems adopted by the banks which influenced the adoption of e-banking. The study further revealed that the consumer’s perceived usefulness towards e-banking influenced their adoption of the service. (Balushi, 2015) noted that perceived risk influenced greatly the adoption of internet banking among users. He further indicated that although internet banking provided convenience and control to the consumer while transacting, the risk of fraud and uncertainty influenced greatly adoption of internet banking. The above study findings concur with the study that perceived risk influenced adoption of internet banking.

5.3.3 The Effect of Technological Readiness of Consumers on Adoption of Internet Banking.
The study sought to determine the effect of technological readiness of consumers on adoption of internet banking. The findings revealed that technological readiness of the consumers influenced the adoption of internet banking. The findings revealed that complex internet banking platform limited accessibility, hence low adoption of internet banking. The findings further revealed that lack of consumer awareness and knowledgeability on internet banking influenced the adoption level of internet banking. The findings further indicated that lack of optional languages within the internet banking platform influenced the adoption of internet banking as this posed a communication barrier to the consumer to utilize the services of the
product. It was further established that access to mobile phones, access to internet and website simplicity influenced adoption of internet banking to a very large extent.

According to (Ong’wen, 2012) technological readiness of the consumers refers to the ability of the consumers to adapt to new trends that is as a result of technological advancement. Due to advancement in technology globally, online and mobile transacting platforms are the new trend in financial transactions globally. In Kenya, mobile money transfer is the most popular money transfer system that is used widely and consider secure by many users. Mobile money transfer has been embraced by majority of users in Kenya, a barrier towards adoption of internet banking. Mobile money transfers systems (M-pesa) require a telecommunication network linked to a system with several users making it easy to access in remote areas or rural areas. Internet banking requires a banking system is integrated with a network system to deliver banking services and can only be accessed through internet connectivity. This makes accessibility of internet banking limited. (Margaret, 2000), noted that consumers’ willingness to accept technological change in service delivery will determine the extent to which they adapt to change and new approaches towards service delivery.

(Nor, 2015) noted that how well a consumer is knowledgeable about a product or service influences the degree to which the consumer is willing to try out the product. According to Nor, it is the responsibility of the product or service developers to engage their consumers to understand the benefits of the product and be knowledgeable about it. Nor further argued that for consumers to be willing to adapt to new technologies, products/services, it is important to engage the consumers through trials. This ensures that consumer opinions are taken into consideration and products/services developed as per the consumer’s convenience. (Judge, 2014) noted that to enhance technological readiness of a consumer, the internet platforms adopted by banks should be simple to enhance accessibility and adoption of the service. Judge noted that adoption of internet banking was low due to complexity of the platforms and lack of alternative languages that posed a barrier towards utilization of the service. The study findings by Judge further revealed that willingness of consumers to adapt to internet banking was not only influenced by their perceived usefulness of the service but also the costs associated with the service. According Judge, the willingness of the consumer to adopt
and use internet banking is based on the cost comparison between using the service as compared to the transactions costs incurred by transacting in the banking hall.

(Amin, 2016) indicated that consumers’ willingness to adapt to new technology is dependent on the extent to which the consumer understands and is knowledgeable. If a consumer feels the technology adopted towards delivery of a service is complex and is not knowledgeable, the consumer is likely not to adapt to the technology. (Amin, 2016) further indicated that although technological advancement has enhanced access to internet, adoption to internet banking in Kenya has been low due to increased adoption of mobile banking. (Njuguna, 2012) study revealed that consumer willingness to adapt to internet banking was influenced by consumer’s willingness to adopt to the technology and increased adoption of mobile payment technology. Njuguna further indicated that increased advancement in technology contributed to low adoption of internet banking. This he attributes that as technology grows so does the challenges, this has seen an increase in cybercrime that negatively influences the adoption of internet banking in Kenya. The study findings concur with the study that technological readiness of consumers to adapt to new technologies influences adoption of internet banking.

5.4 Conclusions

5.4.1 The Effect of Perceived Usefulness to Consumers on the Adoption of Internet Banking
Perceived usefulness by consumers influences their decisions as to whether they will purchase, or use a particular service or product. Perceived usefulness is mainly influenced by the individual’s interaction with the environment and his/her experiences. Consumer behavior dictates that every consumer has his or her taste and preference when it comes to what goods or services satisfies their needs. This is as a result of perceived usefulness that consumers have from opinions influenced by their environment that will determine whether one will purchase one product/service over the other.

5.4.2 The Effect of Perceived Risks Associated with Adoption of Internet Banking
The perceived risk associated with internet banking greatly influenced adoption of internet banking and usage by consumers. Increased instances of cybercrime targeting individuals operating bank accounts have influenced greatly adoption of internet banking. The risk of
fraud and uncertainty has also been identified to influence adoption of internet banking. This has seen financial institutions invest into security systems to ensure safety of the internet banking systems. Furthermore, there is need for financial institutions to ensure that their internet banking platforms are safe to reduce the perception of risk associated with internet banking.

5.4.3 The Effect of Technological Readiness of Consumers on Adoption of Internet Banking

Acceptance of new approaches towards service delivery through embracing technology will determine the extent to which that particular service or product is perceived by the consumers. How knowledgeable a consumer is about a certain product or service will determine whether he or she will use the product/services. Internet banking is a new platform of service delivery in the banking industry that has embraced technology. How willing and ready is the consumers towards embracing technological advancement determine the extent to which they will adapt to internet banking.

5.5 Recommendations

Based on the findings of this study the following recommendations were made;

5.5.1 Recommendation for Improvement

5.5.1.1 The Effect of Perceived Usefulness to Consumers on the Adoption of Internet Banking Facility

Financial institutions should ensure there is more awareness created on the usage of internet banking on delivery of financial services. Perceived usefulness by consumers towards internet banking should be enhanced to influence adoption of internet banking. Financial institutions should engage the consumers more on the benefits of internet banking and ensure the challenges identified are addressed. This will enhance a positive impact and influence on the consumer increasing enhancing adoption to internet banking. It is therefore important for banking institutions to engage consumers on the benefits of internet banking and enhance adoption of internet banking.
5.5.1.2 The Effect of Perceived Risks Associated with Adoption of Internet Banking.

Perceived risk associated with internet banking is mainly fraud through cybercrimes. Financial institutions and governments should ensure that policies and regulations are adhered to ensure security of the internet banking. Security systems to be implemented that ensures the internet banking platform is risk averse from fraud and reducing uncertainty enhancing increased adoption of internet banking. There is need to educate the consumers on the safety measure within the internet banking platform to enhance adoption of and usage of internet banking.

5.5.1.3 The Effect of Technological Readiness of Consumers on Adoption of Internet Banking.

Technological readiness of the consumer plays a critical role towards adoption of internet banking. How knowledgeable the consumer is about the technology behind internet banking determines his/her willingness to use the platform. The consumer’s ability to utilize the internet banking platform will determine the extent of adoption of internet banking. The consumers are to be engaged and encouraged to try out internet banking to enhance their experience and readiness to facilitate adoption of internet banking. Consumers need to be engaged on the benefits of internet banking and embrace technological advancement to enhance service delivery.

5.5.2 Recommendations for Further Research

The study limitations are; the scope of the study was limited to Nairobi County. The study was guided by three research variables namely perceived usefulness, perceived risk and technological readiness of the consumer. The study was also limited by lack of secondary data on adoption and use of internet banking in Nairobi county to enable the researcher understand in depth how the study variables influence adoption of internet banking.

It is further recommended that the study be conducted in other counties within Kenya to enable understanding in depth how the study variables influence adoption of internet banking.
REFERENCES


APPENDICES

APPENDIX I: QUESTIONNAIRE

Dear Respondent,

This questionnaire is an integral part of a study whose title is “Why there is low adoption of internet banking by consumers in Kenya: A case of Nairobi County”. You are kindly requested to fill in the questionnaire to the best of your knowledge. Kindly put a (√) against the correct choice.

SECTION 1: Background information

Fill in the provided spaces

1. Education level
   - Primary level
   - Secondary level
   - College level
   - University level
   - Professional qualification

2. Age of Customer
   - 20 - 30 years
   - 31 – 40 years
   - 41 – 50 years
   - 51 Years and above

2. Gender of Customer
   - Male
   - Female
SECTION 2

1. Usefulness of Internet Banking to the customer

(i) Does the existing internet banking system of your bank support your usage?

☐ Yes

☐ No

If yes, explain..............................................................................................................................

..................................................................................................................................................

(ii) Does a complex internet banking system affect your willingness to retain your account with that bank?

☐ strongly agree

☐ Agree

☐ Disagree

☐ strongly disagree

☐ Not sure

(iii) Using a scale of 1-5 where 5=very large extent, 4=large extent, 3=moderate extent, 2=small extent and 1= not at all. Rate the extent to which the following factors determine the perceived usefulness to consumers on the adoption of internet banking facility?

<table>
<thead>
<tr>
<th>To determine the effect of perceived usefulness to consumers on the adoption of internet banking facility</th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Small extent</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy access to the internet banking platform</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Are the customer support</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
knowledgeable on Internet banking platform
Speed of response to complaints and queries
Accuracy of transactions
Would you recommend Internet banking to your family members

2. Internet banking security

(i) In your opinion has the bank embraced effective internet banking security systems?

☐ Yes
☐ No

If yes, explain…………………………………………………………………………
………………………………………………………………………………
………………………………………………………………………………
………………………………………………………………………………

(ii) Does poor operational efficiency on transactions affect how you adopt to internet banking?

☐ Yes
☐ No

If yes, explain…………………………………………………………………………
………………………………………………………………………………
………………………………………………………………………………
………………………………………………………………………………
(iii) Does the risk of fraud affect the effective adoption of internet banking?

- Strongly agree
- Agree
- Disagree
- Strongly disagree
- Not sure

(iv) Using a scale of 1-5 where 5=very large extent, 4=large extent, 3=moderate extent, 2=small extent and 1= not at all. Could you rate the extent to which the following factors influence E-transaction security to affect adoption of internet banking?

<table>
<thead>
<tr>
<th>To determine the effect of perceived risks associated with adoption of internet banking.</th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Small extent</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of transactions that can be performed</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Risk of fraud</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Privacy of data</td>
<td></td>
<td></td>
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</tbody>
</table>

3. **Website design, simplicity and content**

(i) Is the internet banking platform easy and simple to use and access?

- Yes
- No

If yes, explain............................................................................................................................................................................
(ii) Does a website's content affect the number of times you are likely to visit it?

☐ Yes
☐ No
If yes, explain………………………………………………………………………………………………………

(iii) Lack of an easy to use website affects how you adopt to internet banking

☐ Strongly agree
☐ Agree
☐ Disagree
☐ Strongly disagree
☐ Not sure

(iv) Lack of optional languages on the website affects how you adopt to internet banking

☐ Strongly agree
☐ Agree
☐ Disagree
☐ Strongly disagree
☐ Not sure

(iv) Using a scale of 1-5 where 5=very large extent, 4=large extent, 3=moderate extent, 2=small extent and 1= not at all. Could you rate the extent to which the following factors influence Regulatory framework to affect adoption of internet banking?
To determine the effect of technological readiness of consumers on adoption of internet banking.

<table>
<thead>
<tr>
<th></th>
<th>Very large extent</th>
<th>Large extent</th>
<th>Moderate extent</th>
<th>Small extent</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to mobile phones</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to internet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Website simplicity</td>
<td></td>
<td></td>
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</tbody>
</table>

THANK YOU FOR YOUR TIME AND CONSIDERATION