PERCEPTION TOWARDS E-BANKING:
A COMPARATIVE STUDY OF INDIA AND KENYA

Summary

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Information and communication technologies have changed the working of the banking industry in the last few years. The transformation is expected to quicken their pace in the coming years. The trend towards electronic delivery of products and services is dramatically changing in the financial service industry, where the shift is partly as a result of consumer demand but also a ruthless competitive environment. As a result, e-banking which can be termed as a mysterious and dynamic ground, has emerged fast as a medium of providing banking services differently from traditional mortar and brick banks. This is a fresh wave engulfing all areas and need to be explored extensively if the bankers wish to succeed in the modern competitive and ever dynamic financial arena. It is a promising and a powerful medium of which it’s blooming is due.

Perception towards e-banking: A comparative study of India and Kenya is a study that examines the perspectives of customers as well as bankers has towards the use of electronic devices in provision of banking services. It focuses on some vital aspects like challenges experienced by customers and bankers, value attribution to e-banking adaptation and some factors attracting them to adopt and use e-banking systems. It also analyses the current status and trends of e-banking indicators in both India and Kenya. In this study, theoretical framework on emergence and challenges facing electronic banking has been outlined to give a clear conceptualization as regards to perception of e-banking

The review of literature indicated that, most of the research work in the field undertaken till now has been done in western countries like USA, Europe and fast developing countries. However of recent, studies are available in developing countries as the phenomenon is gaining momentum. It was also revealed that, hardly any comprehensive study has been conducted in India and Kenya to examine the perception of bankers as well as customers towards electronic banking. Though e-banking technologies including internet and the web have a global reach, but the infrastructure,
economic and psychological difference occur amongst the countries which are unique for each one of them.

The empirical studies reviewed considered the reasons for the success or failure of bankers in wooing the ‘e’ technologies, the perception of the customers, and their attitude towards electronic banking technologies. Further it was found that the widely accepted various parameter that could be used to study the perception of both bankers and customers which included age, education, designation, occupation and income.

The fact remains that every comprehensive research must have well defined objectives. Hence, this study had five objectives on which it was based. The first objective was to study the growth of e-banking in the two countries. Second, to study customers’ perceptions towards e-banking, third, to study and compare the bankers’ perceptions towards e-banking, fourth, to study the challenges facing e-banking and last objective was to make suggestions based on the finding to improve the future of e-banking and for policy implication.

The objectives of the study required the study of both customers and bankers in order to make a comparative study between India and Kenya. In the present study, database of both primary and secondary sources have been used. The data and information regarding the growth and indicators of e-banking in India and Kenya was collected from secondary source which included periodicals, published annual reports of respective countries’ central banks, and other reports. The data for bankers’ and customers’ perception towards e-banking was collected using well structured and pre-tested questionnaires from both India and Kenya. The sample size for bankers was 225 respondents (150 from India and 75 from Kenya) and 375 respondents (250 and 125 from India and Kenya respectively).

Bankers’ universe comprised senior managers, heads of department, Accountants and other senior executives of different branches of banks. For customers the universe comprised the customers who were e-banking savvy and who had started using at least one e-channel for example, ATM, Tele-banking and others. The analysis was done using statistical techniques like weighted average score, chi-square, ANOVA, Cross-tabulation and percentages.
The present study has come up with findings after a careful analysis was done using the appropriate statistical techniques mentioned earlier and the major ones are given below.

i) The result revealed that in Kenya, the number of ATM Machines increased to 1,510 in June 2008 from 94 ATMs all over the country in June 2000, which can be translated as 1506.4% growth. Also from the Indian perspective, the banking industry has experienced an extraordinary increase in ATM machines across the country since March 2000, with 1,102 ATMs all over the country to 34,789 ATMs in March 2008, which can be translated as 3056.9%. The Compound Growth Rate for Kenya was 43.9% and India was 50.4%

ii) The transactions moved through ECS in Kenya, has been increasing from June 2000 (14,114) to 24,166 thousand by June 2008 (70.9%) whereas in India ECS transactions increased by 1349.2% from 14,178 in March 2000 to 205,477 in March 2008. The Compound Growth Rate for Kenya was 11.8% and India was 49.2%

iii) Transactions moved through Kenya’s RTGS officially known as Kenya Electronic payment and settlement system (KEPSS) has been increasing since its launch in July 2005. In 20008 (232,516), the industry recorded 93.4% increase from June 2006 (120,249). Similarly in India, RTGS came into operation in March 2004 and trend in transactions has been upward. In March 2008, the industry recorded 1081.5% increase from March 2006. The CGR for Kenya was 37.8% and India was 528.8%

iv) The result revealed that majority of the respondents were young with the age of 21 to 35 from both India (62.4) and Kenya (70.4), well educated, professionals and business in occupation with possession of savings bank accounts. Also, customers of private banks were majority from Kenya (60 percent) and Public sector bank customers dominated the India respondents.

v) The need for e-banking was favored by majority of respondents from Kenya (87 percent) and India (82.8 percent). This clearly indicated that the idea of banks introducing is conceived impressively by many customers in order to change their style of modern financial dealings.
vi) From the perspectives of various e-channels adopted by customers, it was indicated that ATM is mostly adopted both from India and Kenya, since 87.2 percent from Kenya and 94.8 percent from India said that they are using ATM for their daily financial needs and dealings. The second mostly adopted technology from both India and Kenya was internet banking, with 67.2 and 33.6 percent of respondents respectively.

vii) The first preference was given to ATM banking from both countries (W.A.S 2.584 from Kenya and 2.320 from India) the second preference was given to cell phone banking (W.A.S,0.464) by Kenyan customers and to internet banking (1.072) by Indian customers. The Kenya case might be due to the introduction of one of the powerful mobile phone financial serve called M-Pesa which means mteja pesa (Client money). This service was launched in March 2007 to serve the majority of un-banked Kenyans.

viii) The nature of fast services was considered most important in adopting e-banking from the dimension of both India (WAS, 1.524) and Kenya (WAS, 1.808). This shows that customers from both countries believe that e-banking services are faster than traditional banking services. When Indian customers considered prestige (WAS, 1.452) as the factor which motivates them in adopting e-banking, the Kenyan customers considered non-limitation of time (WAS, 1.688) as their second in rank of important aspects on e-banking. The cost and easy of use was perceived least important in e-banking adoption from both India and Kenya.

ix) Customers from both India and Kenya favored security issues (1.224 and 0.752 respectively), few services provided by banks (WAS, 0.996 and 0.712) and none awareness of customers (WAS, 0.908 and 0.616) as the major hindrances to e-banking development in their respective countries. Privacy was considered the least factor hindering e-banking in Kenya (W.A.S, 0.208 and High fees charged by bankers was considered the least factor hindering the spread of e-banking technology.

x) It was revealed that, a large number of respondents from India and Kenya favored e-banking introduction. This can be clearly be indicated by 45.3% from Kenya
and 46% from India. Also, 37.3% from Kenya, and 43.3% from India revealed their interest in e-banking introduction by saying that e-banking is vital.

xi) Banks have adopted various technologies, but ATM technology was indicated the most adopted technology by Kenyan banks (98.7%). It was followed by m-banking, EFTs and internet banking each with 96 percent of the Kenyan respondents. From India, ATM still was mostly adopted (96.7%) followed by debit cards (91.3%) and EFTs (90.7%). Tele-banking is poorly adopted by both Kenyan and Indian bankers.

xii) The study revealed that the promotional channels of e-banking service adopted by banks in Kenya include advertisement print media (97.3%), TV and Radio advertisement (90.0%) and online advertisements. Bank officials were considered least promoting e-banking services. This might be because of their time limitation in bank offices which hinder them from promoting their services or the old fear of losing their jobs due to application of new technology in banks. From the Indian bankers’ perspective, opinions are same as Kenya as 88% of the respondents indicate to be using print media to promote e-banking services. 82% of the Indian respondents revealed that they use TV and radio while 74.0% use online advertisement.

xiii) The Indian respondents identified major obstacles of e-banking. In this case, security concerns and lack of awareness and technical knowledge (WAS, 1.11 each) were considered the most discouraging factor in the spread of e-banking in India. The initial high cost of adopting e-banking was also an issue to Indian bankers also. The Kenya bankers too were identified to consider improper infrastructure (WAS, 1.45) as the most discouraging factors hindering the adoption of e-banking. Security and lack of awareness, WAS, 1.33 and 1.12 respectively was considered vital challenges facing e-banking.

xiv) The Indian respondents perceive that the attribution of e-banking to customer retention (WAS, 1.63) is the most important factor in the adoption of e-banking, followed by fast nature services (WAS, 1.59). While the Kenyan customers believe that fast services (WAS, 1.8) and prestige (WAS, 1.61) are the most important factors when adopting e-banking. Bankers from both countries under
study indicated that risk avoidance is the least important aspect in e-banking adoption.

The study has limitations since the survey instruments targeted the e-banking savvy only, the vital perception of non-adopters were left out. Also the study may suffer the limitation of respondents filling the survey instruments without careful considerations. This is clear because some respondents might not have heard some delivery channels mentioned in the instrument hence they fill for the sake of returning without clear understanding.

The study will be useful to financial dealing institutions since it will provide the perspectives of e-banking from both corporate and customers. This will help them to plan properly how and when to roll out new technology-based channels. Also, it will be useful to customers as it provides interesting information on the new system of banking and how diverse their financial institutions have in modernizing banking services to fit customer’s dynamic and stylish demands. This research will provide guideline to regulators in India and Kenya so as to know the areas and issues of concern in the emergence of e-banking and will form a basis for the framework of policy and implementation.