FACTORS AFFECTING THE PERFORMANCE OF ONLINE BANKING; CASE OF SELECTED BANKS IN NAIROBI.

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DECLARATION

This research is my original work and has not been submitted for examination to any other college or university

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This proposal has been submitted with the approval of a University supervisor

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Online banking all over the world is seen to be a new trend in the banking industry in the many developed and developing countries and there is a wide agreement that this channel will have a significant impact on the market. It has been in operation since the 1980s, developing from a simplistic form to a sophisticated one and is based on the internet as a typical open network that has diversified business strategies, resulting in the trespass on business borders (from "virtual" or "brick-and-mortar" to "click-and-mortar" model). It has ever since been rapidly changing and Kenya seems to be at per taking up this new technology promptly, thus the concern of this study, our main focus being selected commercial banks more so Equity bank with the main objective being to analyze the factors affecting the performance of online banking not only in this bank but all over Kenya. Perhaps, the developments in online banking have shown a typical case to which the most modern competition forces in business model applies.

A survey of 20 people was conducted with 17 valid responses and data collected using self-administered semi-structured questionnaire. It found that, for the banking sector in Kenya, the determinants of online banking’ performance and adoption decision revolved around the secure services as the most important dimension, followed by convenience of use for the case of its features, awareness and the knowledge of IT based systems. However for it to be successful, a joint effort of all the banks has to be considered to create a wide spread awareness of the same and the charges to be lowered in order to attract many other worthy customers who shy away due to not only the scare created by the high charges but also fall short of awareness of what it is and how to operate it.

This paper concludes that there exist various challenges to performance of online banking in the commercial banks of Kenya. The banks have thus employed strategic responses to overcome these challenges with some of them being more popular than the others depending on the impact they have on the system. Lack of required literacy and specialized skills to understand the system itself, security and awareness from customers were some of the major challenges that were identified. The entire internal and external environment however needs to be considered during the implementation of e-banking strategies. It has contributed greatly to saving costs and has intensified the competition severely, making the banking industry more beneficial to customers, but less attractive for new entrants. A number of barriers were also identified from the survey.