THE APPLICATION OF INTERNET WITHIN THE CONTEXT OF THE FIVE FORCES MODEL IN DETERMINING THE NATURE OF COMPETITION IN THE COMMERCIAL BANKS IN KENYA

BY

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DECLARATION

This is to ccitify thai this Research Project is my own original work and has not been submitted lor a degree at the University of Nairobi or any other University.

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DEDICATION

To My Parents Mr. and Mrs. Kalung'e for their financial support, encouragement, paticnce and perseverance throughout the coursc.

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ABSTRACT

The banking industry has been at the forefront of changc fuelled by technology. Certainly many banking customers have enjoyed the convenience of supermarket banking and home banking. Unlike the mainframe environment that was much closed environment, the internet is designed to be open and approachable, with control and trust resting with the users. With digital nature of the internet, there is no a physical or geographical location or boundaries. This means that traditional or time-honored physical security is no longer much relevant in an environment with no boundaries. I his study therefore sought to establish how internet is affecting the live forces model in the commercial banks in Kenya

The study was conducted using census survey I he population of interest lor this study comprised all 45 commercial banks Kenya. Primary data was collected using questionnaires. The questionnaires were administered through "drop and pick" method and respondents targeted arc corporate strategy managers or marketing managers of the Banks. Data analysis was analyzed using descriptive statistics tools of analysis, such as mean scores, percentages, and frequencies. Data was then presented using tables and figures.

From the findings, the study found that internet affects the five forces model in the commercial banks of Kenya. This is so. because internet enables firms to serve the market more effectively with more specialized services and greater attention to product details, internet creates more downstream outlets for banks to sell and internet enables firm to build reputation in its niche and charge premium prices, with internet consumers have knowledge of the product differences offered by different banks and due to internet consumers propensity to substitute one service for another is high. I he study therefore recommends that for successful internet banking, there should be good and reliable telecommunication infrastructure; there should also be standardized cost structure for internet services.

CHAPTER ONE: INTRODUCTION

I.I Background of the Study

The five competitive forces-threats of new entrants, threat of substitution, bargaining power of suppliers, and rivalry among current competitors-re fleet the fact that competition in an industry goes well beyond the established players: Customers. Suppliers, Substitutes, and Potential (:.ntrunls arc all competitors to firms in the industry and may be more or less prominent depending on the particular circumstances. (Porter. 1998)

Although the relevant environment is very broad, encompassing social as well as economic forces, the key aspect of the firm's environment is the industry or industries in which it competes. Industry structure has a strong influence in determining the competitive rules of the game as well as the strategies potentially available to the firm. Forces outside the industry are significant primarily in a relative sense; since outside forces usually affect all firms in the industry, the key is found in the differing abilities of the firms to deal with them. (Porter. 1998)

The goal of competitive strategy for a business unit in an industry is to find a position in the industry where the company can defend itself against competitive forces or can influence them in its favor. Knowledge of these underlying sources of competitive pressure highlights the critical strengths and weaknesses of the company, animates its positioning in its industry, clarifies the areas where strategic changes may yield the greatest payoff, and highlights the areas where industry trends promise to hold the greatest significance as either opportunities or threats. Understanding Uiese sources will also be useful in considering areas for diversification. (Porter. 1998)

According to Porter (1990) technology affects competitive advantage if it has a **"gnificant** role in determining relative cost position and differentiation also affects competitive advantage through cost or uniqueness. Many experiences illustrate an **•mpoaant** lesson about the strategic implications of the internet; it is the actual use of the internet for profitable transactions, not the technology itself, which matters to a company's bottom line.

It is the technologies that is making it possible to conduct new type of transaction and enhance interaction with nearly every important stakeholder . Thus, internet presents a new strategic challenge how to make the best use of the new technology without losing sight of important business fundamentals. The information technology is having a broad impact on industries and this has important strategic implications.

At the height of the internet boom, some scholars claimed that familiar business terms such as 'competitive advantage', "industry analysis' and 'long term customer relations' were relics of a bygone era, icons of the 'old economy". Others however, contend that the internet has created a new climate for business in which sound principals of strategic management arc more, not less important. (Danielle. 2008)

Developments in global telecom sector have enhanced the competitive threat posed by new entrants, increased the bargaining power of suppliers and have threatened to erode the market base of traditional networks carriers. I his turn of events is caused by two new internet-based Forth gcncration(4G)tcchnologics and mobile technologies-worldwide interoperability for microwave access(WiMAX)and wireless fidelity(Wil i)-which offer superior voice quality, arc long range and use internet technology! Voll'^Gakuru^OOtf)

According to ITiompson and Strickland. (2003) one component of competitive analysis involves delving into industry's competitive process to discover what main sources of competitive pressure are and how strong each competitive force is. I his analytical step is essential because managers cannot devise a successful strategy without in-depth understanding of the industry's competitive character. Hax and Majluf (19%) assert that in order to select the desired competitive position of business, it is necessary to begin with the assessment of the industry to which it belongs

1.1.1 Porters' Five Forces Model.

The emcrgcncc of the strategy has led to a new thinking in the area of industry analysis. Porter (1980) developed the five forces model, which has a theory that there are live forces that determine competition in an industry. These forces form the basic characteristics of competition in an industry. Hence the strongest competitive forces determine the profitability of an industry and its importance in strategy formulation.

Essentially, Porter (1980) postulates that there are five forces that typically shape the industry structure: the bargaining power of customers, bargaining power of suppliers, the threat of substitute products and rivalry among current contestants. Ilie forces together with context specific forces(government, logistics, and information technology)as identified by Aosa (I997)and Mcfarlan (1984).will be the conceptual framework(as expounded in the literature Jon which this study will be based.

The five competitive forces reflect the fact that the competition in an industry goes well beyond the established players. All the five forccs jointly determine the intensity of industry competition and profitability. The strongest force(s) govern and becomes crucial from the point of view of strategy formulation to establish the strategy agenda for dealing with these contending forces and to grow despite them, a company must understand how they work in the industry and they affect the company in its particular situation. (Pcarcc and Robinson. 1997)

Ihc five forccs govern the profit structure of an industry by determining how the economic value it creates is apportioned. That value may be drained away through the rivalry among existing competitors, of course, but it can also be bargained away through the power of suppliers or the power of customers or be constrained by the threat of new entrants or the threat of substitutes. Strategy can be viewed as building defenses against the competitive forccs or as finding a position in an industry where the forccs arc weaker. Changes in the strength of the forces signal changcs in the competitive landscape critical [10] ongoing strategy formulation

1.1.2 The Concept of Internet

Internet is a collection of interconnected networks, all freely exchanging information. (Stair. 2008) ITic internet started in America as a network of computer systems known as ARPA Net. ARPA is an acronym denoting the advanced research injects Agency within the United Slates was used to electronically link research laboratories located at both the University of California at l.os Angeles and Santa Barbara with Stanford university and university of Utah. By the late 1970s other colleges and universities as well as certain government agencies were capable of connecting to this singular, growing, network which provided a means of connectivity for many hybrid networks (Kasavana, 1997).

During the 1980s, computer networks were modified to enable partition of a broad internet. In 1990 the Federal Networking Council of America dropped an earlier requirement that networks linking to the internal needed a government agency sponsorship. From then on. organizations Could apply for internet membership without providing reasons for connectivity. This change in policy led to an explosive growth in internet participation. (Kasavana, 1997).

The emcrgcncc of an "internet economy's unarguable: explosive growth in net-based buying, selling and customer service operations has radically realigned traditional buyer-seller relationships. Consumers now shop the world, enjoying unprecedented opportunities for price and product comparison. (Muscmbi, 2001)Thc advert and proliferation of electronic marketplaces is simply loo important to be ignored. I his is a phenomenon that promises to richly reward early adopters and severely penalize latecomers. The stakes may be less than survival, as traditional sales and distribution channels crumble and new electronic processes succeed them to commerce. Banking is likely to be impacted by internet more than any other sector of the economy

Internet will, perhaps, have its strongest impact on the conduct of business- to-business fcWUncrce. It offers innovative new ways lo streamline commerce processes, reduce co»ts, and increase revenue. I'or business-to-busincss commerce, the internet tears down gcographicul boundaries, providing buyers with access to new suppliers and opening new channels of distributions for sellers. It dramatically accelerates the speed of commerce.

increasing the rale a! which companies must disseminate information and processes transactions Internet is widely regarded as one of the most important forces of change in the banking industry around the world. (Musembi, 2001)

lite internet revolution has been represented by many authors as the sole ingredient of the •new economy'. However a heavy reliance on connecting networks can be risky when communication is only a means for achieving larger objectives not the end itself. On the other hand there arc revolutionary features of today's business environment that truly distinguish the new economy of the technological age. Kelly (1998) argues that this new economy represents a tectonic upheaval in our commonwealth, a more turbulent reordering than mere digital hardware has produced, and we have seen only the beginning of the anxiety, loss, excitement, and gains that many people will experience as our world shills to a new highly technical planetary economy.

1.1.3 The Ranking Industry in Kenya

The banking industry' in Kenya is governed by the Companies Act. the Banking Act. the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya The Banking Sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Ministry for finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's Commercial Banks and Non-Banking financial Institutions, interest rates and other publications and guidelines.

The Banks have come together under the Kenya Bankers Association (KBA). which serves as a lobby for the Banks' interests and also addresses issues affecting its members. There are forty five banks. The industry' dominated by a lew large banks most of which are foreign-owned, though some arc partially locally owned. Six of the major banks arc listed on die Nairobi Stock Exchange. The Commercial Banks and Non-Banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking.

key issues affecting the Hanking industry in Kenya arc: changes in regulatory framework, where liberalization exist but the market still continues to be restrictive; declining interest margins due to customers pressure, leading to Merges and reorganizations; increased demand for non-traditional services including the automation of u large number of services and a move towards emphasis on the customer rather than the product; and introduction of non-traditional players, who now offer financial services products. The banking sector is poised for significant product and market development that result in further consolidation of the banking sector.

The banking sector has witnessed stiff competition forcing banks to re-package their services and products to satisfy the needs of the customers and retain their market share. Institutions are therefore increasingly offering e-banking services for both residents and non-residents (Central liank of Kenya 2005).as the competition intensified and the backdrop of declining profits, the institutions went out more aggressively to capture the retail depositors and maintain corporate clients. To fight competition. Islamic banking has emerged as a new market product with banks like Barclays bank of Kenya offering it in Kenya. In response to this, some of the institutions have redefined their business strategics while leveraging on innovative and affordable products to capture this new market segment. In the long run. the success and soundness of the financial institutions and the entire scctor will depend on the achievement of operational efficiency through the application of prudential practices, good corporate governance and robust risk management framework

1.2 Statement of the Problem

According to Quinn (2002) in the fight for market share, competition is not manifested °nly in the other Players, rather, competition in an industry is rooted in its underlying economics and competitive forces exist that go well beyond the established combatants 'n a particular industry. Customers, suppliers, potential entrants and .substitute products ^ all competitors that may be more or less prominent or active depending on the industry. **Every** industry has an underlying structure or a set of fundamental economic and technological characteristics that give rise to these competitive forces. According to lliompson and Strickland (2003) organizations are environment dependant they must scan the environment in order to spot budding trends and conditions that could affect the industry and adapt to them.

The days of convcctional banking when people had to spend hours queuing in banking halls just to conduct simple transactions may be drawing to an end. Recent trends in the banking industry show that banks are increasingly focusing on keeping the customers away from the banking hall. Not that they arc shunning customers but taking banking serves where customers are by using mobile phone and internet technology.
Internet is revolutionizing the traditional procedures involved in processing husincss transactions and many organizations are enthusiastic about adopting it.
Ilie obvious reason lor this enthusiasm is the understanding that whereas real-world distribution or marketing involves huge investments, the online world promises much smaller overheads and potential global penetration (West land. 2002)

The banking industry has been at the forefront of change fuelled by technology. Certainly many banking customers have enjoyed the convenience of supermarket banking and home banking. Unlike the mainframe environment that was much closed environment, the internet is designed to be open and approachable, with control and trust resting with the users, With digital nature of the internet, there is no a physical or geographical location or boundaries. This means that traditional or time-honored physical security is no longer much relevant in an environment with no boundaries. (Karlin. 2000)

Indeed, the changes caused by internet economy have made strutegi/ing more challenging. Rapid improvements in technology, globalization, shifting patterns of demand, and uncertainty about costs and revenues are highlighting the importance if strategy formulation. What innovative developments like the internet basically do is to create greater diversity of use and value through existing services. Though there is a case f<,r Financial Institutions embracing branchless banking using mobile phones and internet tcchnology, they are faced with the challenge of developing Tec platforms that not only enable transactions by customers' suppliers from anywhere but also effectively manage risk and operational efficicncy. There is always the danger that the more technology or service delivery channels get complicated, the more they tend to alienate the ordinary customer. Clearly, the internet phenomenon has heightened the need for effective strategic management. However, the key to success involve more than just putting up a website or creating a dot-com enterprise. L-business success requires a new strategic perspective that builds on the possibilities provided by information technologies and permits internet connectivity to transform the way business is conducted.

A number of studies have been done on Porters Five Force Model. Kcrcma(2006) researched on application of Porters Model of strategic change leadership in the insurance industry. Wahogo (2006) researched on application of Porters model to analyze Kenya tourism industry. Waithaka(2002) used Porters model to analyze funeral industry in Kenya. Oluoch (2003) looked at attractiveness in the freight forwarding industry using modified Porters model. Aosa (1997) researched on contextual influence on strategic planning using Porters' Model in Kenyan setting and established that management is sensitive to the context in which it is practiced and that strategic management models advanced in developed countries where strategic management organizations may not be directly applicable in developing African Countries Kenya inclusive. Whereas these studies have addressed various issues on application of Porters' Model, no specific study has been carried out on the application of internet within the context of the five forces model in determining the nature of competition in the Banking Sector. Therefore this study sought to bridge this gap by answering the following question. How does internet affect the Five Competitive Forces Model in the Commercial Banks in Kenya?

1.3 Objective of the Study

Hie objective of this study was to establish how internet is affecting the live forces model in the commercial banks in Kenya.

Importance of the Study

academicians will find the study useful as it will highlight areas for further research •"id also it will contribute to new knowledge. The academicians being charged with dissemination of knowledge to various stakeholders will hence find this study useful when doing so.

The management and interested investors in banking sector can use the findings of the study in crafting of viable strategies with respect to investments and other critical aspects of the enterprise.

Policy makers both in government and private sector will be able to utilize the findings of the study in informing their decisions regarding the way forward in the banking sector.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Five Forccs Model

In an industry, whether service or manufacturing. Porter (1980) observes that the rules of competition are embodied in five competitive forces. The entry of new competitors, the threat of substitutes, tin: bargaining power of suppliers, and rivalry among the existing competitors. The collective strength of these five competitive forccs determines the ability of the firms in any industry to earn profits and these five forccs vary from industry to industry.

In Kenya, studies have been conducted that have focused on the application of Porter's five forces model in some industries. In the study of the l uncral industry attractiveness. W'aithaka (2001) adopted the modified modes advanced by Aosa (1997) which included the other additional forces (government, logistics, and power play) that were found to define structure of the forccs industry I he same modified made his been applied by Oluoch (2003). In studying the perceived attractiveness of the freight and forwarding industry. I he studies substitutes the view advanced by Osigwen. 1989; llussey, 1990; Austin 1991 and Aosa 1997) that management is sensitive to the context in which it is practiced and that strategic management models advanced in developed countries where strategic management organizations may not be directly applicable in developing African Countries Kenya inclusive.

Wiseman and Macmillan (as quoted in Aosa 1997) accepted porter's model but grouped the five forccs into three categories, namely; suppliers, customers and competitors. I his new classification did not alter Porter's propositions. Wheeler and Hunger (1990) also agreed with Porter but wanted to include the sixth force; 'other stakeholders' I hey argued that this new category would incorporate the relative power of unions, ijovcrnment. and other interested parties not specifically mentioned in Porter's model. In °ddition. though Bites had included government as a potential entry barrier under threat 01 new entrants, they argued that government was very powerful and merited special mention as a separate strategic- force.

I he \v,fk of Vic Farlan (19X4) also added on information technology (IT) dimension to the niyjcl of exploring the way IT could he used to exploit or counter any of the forces, it was suggested that, by adding to products on IT content, which would create added value (c reduce cost, it could make it more difficult for new entreats or substitute prodi^t-i to be successful. Also using IT to forge links with suppliers and customers would increase the power of the organization within the market. In developing the model, Porter observes that the essence of formulating competitive strategy in relating a company to its environment, lie noted that although the relevant environment is very broad j composing social as well as economic firm's environment is the industry or industries in which it competes.

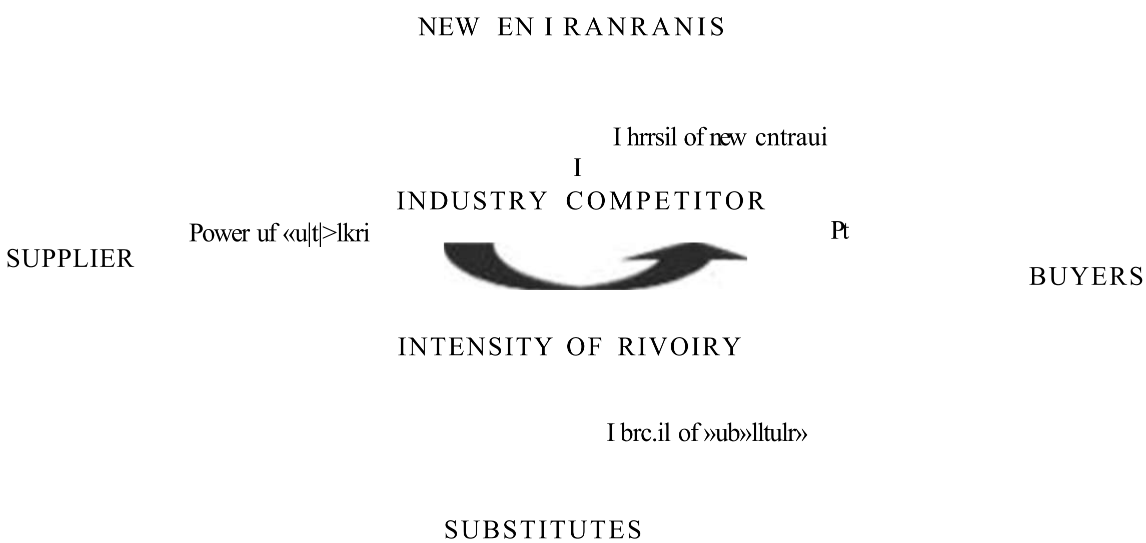
According to porter (1980) industry structure has a strong influence in determining the competitive roles of the game as well as the strategies potentially available to the firm. He hr>|Js to belief that the strength of competitive forces in an industry determining the degree to which the input of investment occurs and drives the return to the free market leve!.and thus the ability of firms to sustain above average firms.

Acc^Jing to Porter (1980). the intensity of competition in an industry is neither a matter of confidence nor bad lack. Porter, competition on industry is rooted in its underlying economic structure and goes well beyond the behavior of current competitiveness. The state competition in and industry depends on five basic competitive forces and the collecti ve strength of these forces determines the intimate profit rotational in the industry, what profit potential is measured in terms ol long run return on invested capital.

Comfcf itive forces can be moderate in one industry and fierce even cutthrout in another morc<v er. industries differs widely in the degree of competitive emphasis put on price privity ion. quality performance features etc. In some industries, price competitive cmp^is is centered on quality or product performance features, while in other induj*j es; the challenges are for the companies to work co-operatively with suppliers. custn^rV etc firms that do not adjust to meet environmental challenges experience a big probt^vthe strategic problem, which is characterized by the mismatch at the output of

the firm and the demands of the market. For llrms to solve this strategic problem, they must, first do analysis to determine the structure of the industry (ies) to which they operate and adopt a corporate strategy which will match its strength with environmental opportunities while guarding it against its weaknesses and counting any emerging threats.(Porter. 1980) The five force model is illustrated in Figure 1.1.

Fig. 1.1 I'hc Five Forces Industry Analysis Model



Adapted from Porter. E.M, (1980). competitive strategy, the Free Press. Pp.4

2.2 Internet and Five Forces Model

Globalization has changed the way companies do their business today. The internet has especially created a global village and eliminated borders or territories for most companies. This has enabled firms to reach larger markets effectively and efficiently. Strategy can play a key role in the success of internet enterprise. Here is an evaluation of Michael porters' five forces model in terms of actual use of the internet and the new technological capabilities that make it possible.

2.2.1 The Threat of New Entrants

Naturally when an industry is attractive, others seek to move in. Information systems can be used to penetrate the barriers others have erected around an attractive industry (Robson. 1997) in most industries, new entrants are a bigger threat because the internet lowers barriers to entry. It is relatively inexpensive for a new firm to create a web presence that is more impressive than the website of a larger or more established competitor. Unlike the traditional 'main street" business, where customers could assess the firm's size and quality by walking in the door. Businesses that exist in cyberspaces can create an appearance that makes them seem like strong competitors, regardless of their operations. Thus, scale economies may be less important in this context and new entrants can go to market with lower capital costs. (Danielle. 2008)

Business launched on the internet enjoys savings and other traditional expenses such as office rent, printing and postage. This encourages more entrants who. because of lower start up expenses, sec an opportunity to capture market share by offering a product or performing a service more efficiently than existing competitors. I hus a new cyber entrant can use savings provided by the internet to charge lower prices and compete on price despite the incumbent's scale advantages. (Danielle. 2008)

Alternatively, because internet technologies makes it possible for young firms to provide services that are equivalent or superior to incumbent, a new entrant may be able to serve a market more effectively, with more personalized services and greater attention to product details. A firm may be able to build reputation in its niche and charge premium prices.

2.2.2 *The Bargaining Power of Buyers*

The internet buyer power provides consumers with more information to make buying decisions and lowering switching costs. But internet may also suppress the power of traditional buyer channels that have concentrated buying power in the hands of a few. giving buyers new ways to access sellers. (Danielle, 2008)

The bargaining power of distribution channel buyers may decrease because of the internet. Buyer channels are the wholesalers and distributors who serve as intermediaries between manufacturers and end users. In some industries, they are dominated by powerful players that control who gains access to the latest goods or Ihe best merchandise. (Danielle. 2008)

Danielle (2008) the internet however makes it much easier and less expensive lor businesses to reach customers directly. This is especially valuable for specialized companies that can focus their promotional efforts on marketplace segments that are more easily identified via the internet, thus; the internet may increase the power of incumbent firms relative to that of traditional buyer channels.

2.2.3 *The Bargaining Power of Suppliers*

According to Danielle (2008) the effect of the internet on the bargaining power of suppliers is a double-edged sword. On the one hand. Internet technologies make it possible for suppliers to access more of their business customers at a relatively lower cost per customer. On the other hand, suppliers may not be able to hold onto these customers because buyers can do comparative shopping and price negotiations so much faster on the internet, and can lurn to other suppliers for a few clicks of the mouse. This is especially damaging to supply-chain intermediaries, such as products distributors, who may not be •ble to stop suppliers from directly accessing oiher potential business customers.

In general, one of the greatest threats to suppliers' power is thut the internet inhibits the ability of suppliers to offer highly differentiated products or unique services. Most procurement technologies that make it possible to design and customize new products rapidly arc being used by all competitors.

Finally, suppliers have greater power to the extent that they reach end users directly without intermediaries. Previously; suppliers often had to work through intermediaries who brought their products or services to market for a fee But a process known as disintermcdiation is removing the organizations or business layers responsible for intermediary steps in the value chain of many industries

Just as the internet is eliminating some business functions, it is creating an opening for new functions. 'I hcsc new activities are entering the value chain by a process known as re-intermediation, the introduction of new types of intermediaries. Many of these new functions are affecting traditional supply chains. (Danielle, 2008)

2.2.4 *The Threat of Substitute Products*

Porter (1980) substitution is a function of relative value to price of competing products and the switching costs associated with changing between them. According to Robson (1997) the determinants of the substitution threat are relative price performance, switching costs, and the inclination of buyers to use substitutes. When suppliers have alienated their customers they increase the readiness of those customers to use an alternative product whenever it becomes available. If the price performance balance ol the products shifts dramatically then that will increase the threat of substitute being used

According to Danielle (2008) along with traditional market places, the internet has created a new market place; along with traditional channels, it has become a new channel •n general, the threat of substitutes is heightened because the internet introduces new Wa>s to accomplish the same tasks. The primary factor that leads to substitution is economic. Consumers generally choose to use a prmluct or service until a substitute that meets the same need becomes available at a lower costs, fhc economies created by internet technologies have led to the development of numerous substitutes for traditional ways of doing business.

2.2.5 *The Intensity of Competitive Rivalry*

Because the internet creates more tools and means for competing, rivalry among competitors is likely to be more intense. Only those competitors that can use the web to give themselves a distinct image, create unique product offerings, or provide "faster, better, and cheaper" sen ices arc likely to capture profitability with new technology. Such gains arc hard to sustain, however, because in most cases the new technology can be limited quickly. Thus, the internet tends to increase rivalry by making it difficult for firms to differentiate themselves and by shilling customer attention to issues of price.

Rivalry is more intense when switching costs arc low and product or scrvicc differentiation is minimized. Because the internet makes it possible to shop around with a few clicks of the mouse, it has "commoditized" products that might have been previously regarded as rare or unique. Since the internet eliminates the importance of location, products that previously had to be sought out geographically distant outlets are now readily available online. This makes competitors in cyberspace seem more equally balanced, thus intensifying rivalry. (Danielle, 20<>8)

2.3 Definitional Approach to Understanding Internet Hanking

The internet is about networking of computers to allow users to strive information and other resources. So far internet has been used to provide a speedy, in expensive and convenient means of communication via its electronic mail (e-mail) Facility.

The internet enables organizations and individuals to send or receive messages 24 hours f day, 365 days of the year. The internet is reliable communication media comprising an infrastructure of millions of computers.

Internet banking means communicating with the bank and'or performance of transactions through the international network, thus allowing the client to perform transactions I 'elation to the bank and to obtain other information in the scope shown at the bank website. It can also be referred to as "systems that enable bank customers to access accounts and general information on bank products and services through a PC or other intelligent device" or "any banking activity held on internet" (Otieno, 2(X)6)

Ihe electronic revolution in banking basically centers on changes in the distribution channels of financial institutions. The presence of computers and information technologies in today's banks has expanded dramatically, Some estimates indicate that, since 1980s, about 50 percent of all new capital investment in organizations has been in information technology (Westland and Clark. 2000).

In recent years, the banking sector has been an interesting case for servicc innovation as it moves toward using the web for commercial purposes through the internet. Internet banking allows customers to have direct access to their financial information and to undertake financial transactions with no need to go to the bank. ACNielsen (2002) found that internet banking is expanding in many Asian countries, including South Korea, Hong Kong. Singapore, china, and Taiwan. Kenya banks have followed worldwide trends in implementing self-service technology via the internet, although as developing country. Kenya is slightly behind the more developed countries.

Prom the banks viewpoint, use of internet is expected to lead to cost reductions and improved competitiveness. This service delivery channel is seen as powerful because it can retain current web-based customers who continue using banking services from any location. Morever; internet provides opportunities for the bank to develop its market by attracting a new customer base from existing internet users (Suganthi el al., 2001; Dannenberg und Kellner. 1998; Zineldin, 1995)

The functions provided by the banks on the internet have evolved from simple consultation of account to lull range of banking serv ices. In most developed applications, one can access on the internet nearly all services accessible at the branch or by phone. In addition to offering all ' branch-based", technology allows banks to offer new added value alerts, electronic commerce, real-time brokerage and third party services (management of electricity bills, tax payment portals) (0ticno.2006)

Internet banking means thai banking services such as introduction, loan application, account balance inquiry, fund transfer and so forth arc provided by banks through the internet (Cheung. 2(H)I).According to Karlin (2000); the idea of inlemct banking is as follows: No need do to purchase any software, store data on your computer, back up any information, since all transactions occur on the bank server over ihe infrastructure of the internet; it is possible to conduct banking services anywhere but you need to have a computer and modem, no matter where you are; You can use the banking services 24 hours a day. 7 days a week, and 36$ days a year and You no longer have to reconcile a bank statement or manually track your ATM and paper cheques.

2.4 Local Kmpirical Studies on Internet Application

Internet is a global network of networks enabling computers of all kinds to directly and transparently communicate and share services worldwide. The internet is an enormously valuable tool for many people and organizations. It constitutes a shared global resource of information, knowledge, and means of collaboration, and cooperation among countless diverse communities. Ihe internet is at once a worldwide broadcasting capability, a mechanism for information dissemination, and a medium for collaboration and interaction between individuals and their computers without regard for geographical location. (Nyambura. 2000)

With continued globalization of the world economies, for most enterprises, trade opportunities seem to be endless the power of the information age and technology together wilh the globalization of markets have resulted in traders and consumers being morc informed and as a result have become more inquisitive and demanding. The world economy's is changing radically as a result of the global changes and so has the customers' needs and expectations as they expect higher quality and greater customization. (Lovelock. 19%)

I he above scenario has prompted a number of studies that have laid emphasis on various aspects of the subject. A study by Ntara (2007) established that the use of internet helps to reach larger markets effectively and efficiently. Further study found out that firm in the motor industry derived benefits from adopting internet marketing. The study also revealed (hat there arc four challenges that firm face in the use of internet: technological challenge, cost, security and computer literacy levels. In order to compete in global arena the study recommends firms to embrace internet concept

According to Nyambura (2000) on challenges facing internet growth established that various challenges inhibit the growth of internet in Kenya such as: poor telecommunication infrastructure, lack of information and communication challenges and lack of standardized cost structure for internet services. Another study by Otieno (2006) on internet banking among commercial banks indicates that current adopters feel internet banking is good channel for some interactions with customers. If it is well integrated into the overall business, the internet can enable banks to provide more customized service, and stronger personalized relationships. The findings of the above studies reveal that internet if well integrated is an cnablcr to reach mass markets at lower costs and optimum service level, and further innovation is inevitable.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study was conducted by way of a census survey. This is because of the cross-sectional nature of the data that was collected. A census survey involves collection of data from all members of the population. I he study sought to find-out the effects of the Five Competitive Forces model in the commercial banks in Kenya.

3.2 Population of the Study

The population of interest for this study comprised all 45 commercial banks in Kenya, and the research was a census survey. (Central Bank of Kenya. June 2009). A census of the banks was necessary due to the relative small si?e of the population. Iliis provided an overall picture of effects of internet on the Five Forces Model in the Commercial Banking Sector.

3.3 Dufa Collection

Ihe study used primary data which was quantitative and descriptive in nature, therefore, a structured questionnaire was used lor this purpose. The questionnaire consisted of two parts, A and B. Part A contained questions on the general characteristics of the banks while Part B addressed the objective of the study.

Respondents were presented with descriptive statements in a 5-point liker scale on which they rated by scoring the extent to which they perceived a particular statement is descriptive of the internet and the five forces. The questionnaire was administered through "drop and pick" method and respondents targeted were corporate strategy managers or marketing managers of the Banks. However where such positions did not exist, retail managers, and/or managers in charge of strategic planning were targeted.

3.4 Data Analysis

After data collection, the questionnaires were edited for completeness and accuracy and then coded. Due to descriptive nature of the data that was collected the study used descriptive statistics tools of analysis, such as fables. Percentages. Standard Deviations. Proportions And frequencies to represent the response rate and information on the variables under study.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chaptcr presents the data analysis and interpretations. From a study population of 45 respondents, 30 respondents responded and this comprised 66.7% response rate.

4.2 Company Profile

Table 1: Ownership of the Hank

	Frequency	Percent
locally owned	17	56.7
foreign owned	4	13.3
both local and foreign	9	30.0
Total	30	100.0

The findings in the above table show the ownership of the banks. From the study, most of the banks (56.7%) were locally owned, 30% of the banks were both locally and foreign owned, while 13.3% of the banks were foreign owned. This information is also shown in the Figure I

Figure I: Ownership of the Bank

Table 2: W hether There is any Government Participation in the Ownership of the Bank

	Frequency	Percent
Yes	6	20
No	24	80
Total	30	100

The study also sought to investigate whether there was government participation in the ownership of the bank. From the findings, most of the respondents as shown by 20% reported that there was government participation in the ownership of their banks, while 80% of the respondents reported that there was no government participation in the ownership of the bank. T his information was also shown in the Figure 2

Figure 2: Whether There is any Government Participation in the Ownership of the Bank

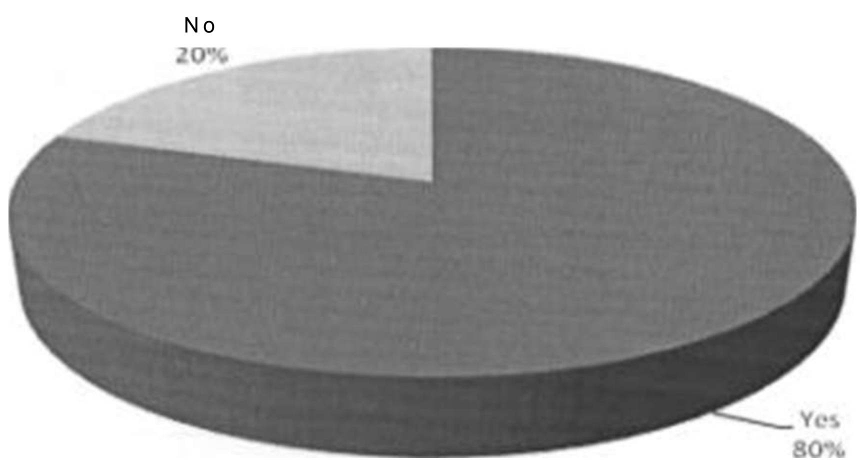


Table 3: Duration the Hank Has Iteen in Operation in Kenya

	Frequency	Percent
1-1d wars	2	6.7
11-20 vears	16	53.3
over 20 years	12	40.0
Total	30	100.0

On the duration that the hanks had been in existence, the study found that most of the banks had been in existence for a period of 11-20 years as indicated by 53.3%. 40% of the banks had been in existence for over 20 years, while a small proportion of the banks had been in existence in Kenya for I-10 years. The Figure 3 was also used to represent this information.

Figure 3: Duration the Rank Has Been in Operation in Kenya

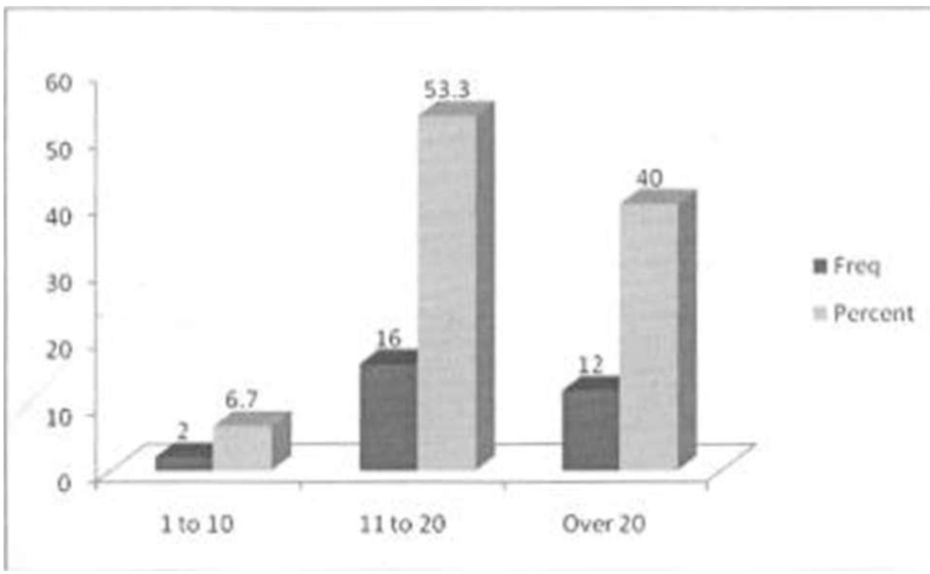


Table 4: Number of Branches the Bank (las in Kenya

	Frequency	Percent
1-5	5	16.7
U6-I0	9	30.0
over 10	16	53.3
Total	30	100.0

l"hc respondents were also requested to state the number of branches that the banks had in Kenya. According to the findings, most of these banks had over 10 branches in Kenya M shown by 53.3% of the respondents. 30% of the banks had 6-10 branches in Kenya, while 16.7% of the banks had 1-5 branches in Kenya. This information was also shown b> the Figure 4

Figure 4: Number of Branches the Bank Has in Kenya

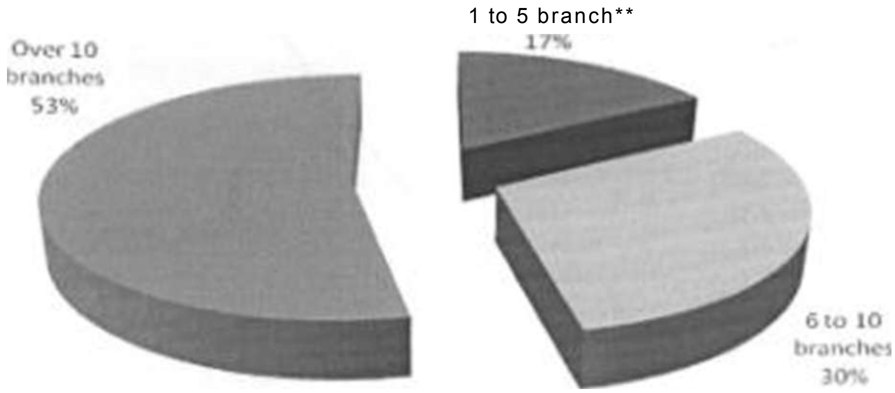
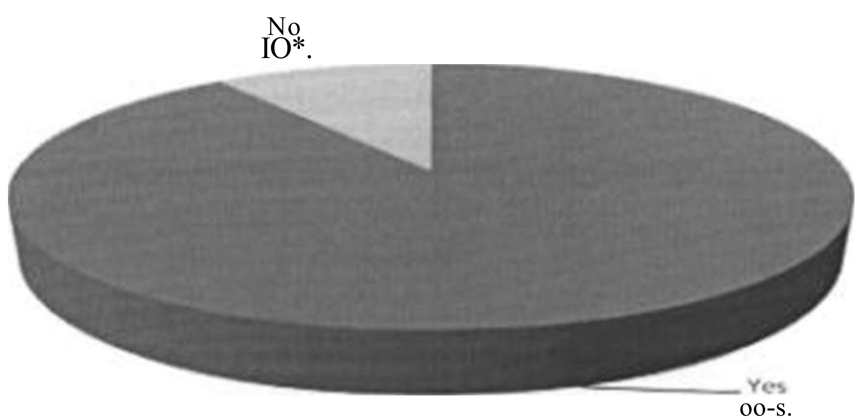


Table 5: Whether the Bank Offers Internet Banking Services

	Frequency	Percent
Yes	27	90.0
No	3	10.0
total	30	100.0

From the findings in Table 5. the study found that most of the banks (90%) offered internet banking services, while 10% of the banks reported that they did not offer internet services. I he figure below was also used to present this information.

Figure 5: Whether the Bank Offers Internet Banking Services



4.J Internet and Five Force*

In this seciion. the study sought to establish the extent of applicability of internet and the effects of competitive forces. The findings were shown in the table below. I he findings were interpreted using mean score and standard deviation for easier interpretations.

Tabic 6: Internet and Five Forccs

	Mean	Std. Deviation
w ith internet scale of economies may be less important, since new entrants can go to market with lower costs	3.0333	.41384
a new cyber entrant can use the savings provided by the internet to charge lower prices and compete on price	1.9333	1.43679
internet enables firms to serve the market more effectively with more specialized services and greater attention to product details	3.8333	.46113
internet enables firm to build reputation in its niche and charge premium prices	4.4000	.85501
internet increases rivalry by making it difficult lor firms to differentiate themselves, and by shifting customers attention to pricc	3.1000	.80301
internet has made it easy to access distribution channels	3.5000	.77682
firms benefit from absolute cost advantages due to property product technology, favorable locations, and favorable access to raw materials and experiences curve	2.6000	1.13259
internet has contributed to the growth of banking sector	3.4333	.89763
the banking sector has diverse competitors with diverse strategies	4.1333	.34575
a number of banks have high strategies stakes in achieving success in the sector	4.1000	.48066
as a result of internet, there is pressure from substitute products that put lid on the firms profit	2.8667	1.19578
the threat of substitution is heightened because of new internet capabilities	2.7000	.98786
with internet consumers have knowledge of the product differences offered bv different banks	4.2000	.76112
due to internet consumers propensity to substitute one service for another is high	4.2667	.73968
internet has enabled banks in the industry to have a variety of inputs ^substitutes	3.6333	.55605
internet has made suppliers products highly differentiated that it would be costly for the banks to switch among supplier	2.3667	1.56433
internet gives customers new ways to access sellers	3.8333	1.01992
internet inhibited the ability of banks to offer highly differentiated	1.9333	1.33735

products or unique services		
internet creates more downstream outlets for banks to sell	3.8667	.73030
internet facilitates c-purchasing making it easier and lower switching costs	3.1000	.88474
by linking banks to customer internet creates rapid, low cost, ordering capability that discourages the customers from seeking other sources of supply	2.5667	1.10433
threats of new entrants are a bigger threat now because internet lowers barriers to entry	1.8000	1.18613
internet has crcated the need for new types ol financial intermediaries that can perform clearing functions for purchases made online	1.9000	1.53914
customers switching costs are potentially lower because of internet	2.9333	1.14269
bargaining power of distribution may decrease bccausc of internet	2.7000	1.11880
the internet may increase the power of incumbent firms relative to that of traditional buver channels	3.1333	.81931
internet makes it easier and less expensive for banks to reach customers directly	3.8000	.40684
internet enables customers have full information about products, actual indusirv prices, and services costs	3.7667	.50401
the economies created by internet technologies have led to the development of numerous substitutes for traditional ways of doing business	3.2667	.52083
internet creates more tools and means for competing thus rivalry among banks is more intense	2.8333	.87428
internet enables banks to reach end users directly without intermediaries	2.7667	.89763
banks may not be able to hold onto customers because buyers can do comparative shopping and price negotiations so much faster on the internet	2.9667	.85029
internet makes it possible for banks to access more of their business customers at relatively lower cost per customer	2.8333	.69893

4.3.1 Threat of New Kntrants

New entrants to an industry' hring new capacity, the desire to gain market share, and often substantial resources. The threat of entry into an industry depends on the barriers to entry that are present, coupled with the reaction from the existing competitors that the entrant can expect. If the barriers are high and/or the newcomer can cxpcct sharp retaliation from

I he study found from the majority of respondents that to moderate extent, with internet scale of economies may be less important, since new entrants can go to market with lower costs as shown by a mean score of 3.0. While a new cyber entrant can use the savings provided by the internet to charge lower prices and compete on price as shown by a mean score of 1.9 and threats of new entrants are a bigger threat now because internet lowers barriers to entry as shown by a mean score of 1.8 to a less extent.

4.3.2 Bargaining Power of Buyers

Buyers compete with the industry by forcing down prices, bargaining for higher quality or more services, and playing competitors against each other-all at the expense of industry profitability (porter, 1990; Pearcc and Robinson. 1997) I he study intention was to establish the extent to which buyer bargaining power is being affected by internet within commercial banks in Kenya. The study found that to a large extent internet gives customers new ways to access sellers as shown by a mean score of 3.8. internet makes it easier and less expensive for banks to reach customers directly also shown by a mean score of 3.8, internet enables customers have full information about products, actual industry prices, and services costs shown by a mean score of 3.7 and also internet has made it easy to access distribution channels as shown by a mean score of 3.5.

To a moderate extent internet facilitates e-purchasing making it easier and lower switching costs and also it may increase the power of incumbent firms relative to that of traditional buyer channels also shown by a mean score of 3.1 in each case.

4.2.3 The Bargaining Power of Suppliers

Suppliers can exert bargaining power on participants in an industry' by raising prices or reducing quality of purchased goods and services, powerful suppliers.thercby.can squeeze profitability out of an industry unable to recover cost increases in its own priccs.(Pearce and Robinson. 1997) I he study found from the majority of respondents that to a large extent internet enables firms to serve the market more effectively with more specialized services and greater attention to product details as shown by a score of 3.8. internet creates more downstream outlets for banks to sell as shown by a mean score of 3.9 and

L

internet enables firm lo build reputation in its niche and charge premium prices as shown by a mean score of 4.4.

To a moderate extent firms benefit from absolute cost advantages due to property product technology, internet has contributed to the growth of banking sector as shown by a mean score of 3.4, internet has contributed to the growth of banking sector also shown by a score of 3.4. customers switching costs arc potentially lower because of internet as shown by a mean score of 2.9. banks may not be able to hold onto customers because buyers can do comparative shopping and price negotiations so much faster on the internet also shown by a mean score of 2.9. internet makes it possible for banks to access more of their business customers at relatively lower cost per customer as shown by a mean score of 2.8. internet enables banks to reach end users directly without intermediaries also shown by a mean score of 2.8. bargaining power of distribution may decrease because of internet as shown by a mean score of 2.7. favorable locations, and favorable access to raw materials and experiences curve as shown by a mean score of 2.6. by linking banks to customer internet creates rapid, low cost, ordering capability that discourages the customer* from seeking other sources of supply also shown by a mean score of 2.6.

To a less extent internet has made suppliers products highly differentiated that it would be costly for the banks to switch among supplier as shown by a mean score of 2.4 and internet has created the need for new types of financial intermediaries that can perform clearing functions for purchases made online and internet inhibited the ability of banks to offer highly differentiated products or unique services as shown by a mean score of 1.9 in each.

4.3.4 Threat of Substitute Product*

According to porter (1980) all firms in the industry arc competing, in abroad sense, with industries producing substitute products. The study established that to a great extent, with internet consumers have knowledge of the product differences offered by different banks as shown by a mean score of 4.2, due to internet consumers propensity to substitute one service for another is high as shown by a mean score of 4.3 and also internet has enabled hanks in the industry to have a variety of inputs substitutes shown by a mean score of 3.6.

To a moderate extent, the threat of substitution is heightened because of new internet capabilities as shown by a mean score of 2.7. as a result of internet, there is pressure from substitute products that put lid on the firms profit as shown by a mean score of 2.9 and the economies created by internet technologies have led to the development of numerous substitutes for traditional ways of doing business as shown by a mean score of 3.3. l or example the emergence of M-PF.SA and ZAP money transfer service provided by mobile telephony industry.

4.3.5 Intensity of Competitive Rivalry

Rivalry among existing competitors lakes the familiar form of jockeying for positions- using tactics like price competition, advertising battles, product introductions, and increased customer service warranties (Pearce and Robinson. l997).Thc study set to establish to what extent is internet affecting the intensity of competition within the commercial banks in Kenya.

rhe study on the intensity of competitive rivalry established that to a large extent the banking sector has diverse competitors with diverse strategies and a number of banks have high strategies slakes in achieving success in the sector as shown by a mean score of 4.1 each. To a moderate extcnl internet increases rivalry by making il difficult for firm* to differentiate themselves, and by shilling customers' attention to price us shown by a mean score of 3.1 and internet creates more tools and means lor competing thus rivalry among banks is more intense as shown by a mean score of 2.8.From the findings it is clear that there is substantial competition in commercial bunk* culminating from the applications of the internet. The results indicate that the banking sector is experiencing very intense rivalry because one or more firms either feels the pressure or sees the opportunity to improve position (Porter. 1980)

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATION.

5.1 Introduction

This chapicr provides the discussions of the findings from chapter four, conclusions and gives the recommendations of the study based on the objective of the study. This study sought to establish how internet is affecting the five forces model in the commercial banks in Kenya.

5.2 Discussions

From the study, the researcher found that most of the banks were locally owned and in few of these banks, there was government participation in the ownership of these banks. From the findings, most of these banks have been in opcrution in Kenya for over **10** years which was a clear indication that they were well versed with how internet was affecting the five forces model in the banks. Most of these banks have over **10** branches in Kenya and most of them offered internet banking serv ices.

On the threat of new entrants, the study found from the majority of respondents tliat to moderate extent, with interact scale of economies may be less important, since new entrants can go to market with lower costs while a new cyber entrant can use the savings provided by the internet to charge lower prices and compete on price and threats of new entrants are a bigger threat now because internet lowers barriers to entry to a less extent.

On the bargaining power of buyers, the study found that to a large extent internet gives customers new ways to access sellers, internet makes it easier and less expensive for banks to reach customers directly, internet enables customers luive full information about products, actual industry prices, and services costs and also internet has made it easy to access distribution channels and to a moderate extent internet facilitates c-purchasing making it easier and lower switching costs and also it may increase the power of incumbcnt firms relative to that of traditional buyer channels.

On the bargaining power of suppliers, the study found that to a large extent internet enables firms to serve the market more effectively with more specialized services and greater attention to product details, internet creates more downstream outlets for banks to sell and internet enables firm to build reputation in its niche and charge premium prices.

To a moderate extent firms benefit from absolute cost advantages due to property product technology, internet has contributed to the growth of banking sector, internet has contributed to the growth of banking sector, customers switching costs are potentially lower because of internet, banks may not be able to hold onto customers because buyers can do comparative shopping and price negotiations so much faster on the internet, internet makes it possible for banks to access more of their business customers at relatively lower cost per customer, internet enables hanks to reach end users directly without intermediaries, bargaining power of distribution may decrease because of internet, favorable locations, and favorable access to raw materials and experiences curve, by linking banks to customer internet creates rapid, low cost, ordering capability that discourages the customers from seeking other sources of supply, while to a less extent internet has made suppliers products highly differentiated that it would be costly for the banks to switch among supplier, internet has created the need for new types of financial intermediaries that can perform clearing functions for purchases made online and internet inhibited the ability of banks to offer highly differentiated products or unique services.

On the threat of substitutes, the study established that to a great extent, with internet consumers have knowledge of the product differences offered by different banks, due to internet consumers propensity to substitute one service for another is high and also internet lias enabled banks in the industry to Irnve a variety of inputs substitutes. To a moderate extent, the threat of substitution is heightened because of new internet capabilities as. as a result of internet, there is pressure from substitute products that put lid on the firms profit and the economies created by internet technologies have led to the development of numerous substitutes for traditional ways of doing business.

On the intensity of competitive rivalry established tlwt to a large extent the banking sector lms diverse competitors with diverse strategies and a number of banks have high strategies stakes in achieving success in the sector. To a moderate extent internet increases rivalry by making it difficult for firms to differentiate themselves, and by shifting customers' attention to price as internet creates more tools and means for competing thus rivalry among banks is more intense.

5.3 Conclusions

From the study, it was concluded that internet affects the five forces model in the commercial banks in Kenya. This is because from the study, it was established that internet gives customers new ways to access sellers, internet makes it easier and less expensive for banks to reach customers directly, internet enables customers have full information about products, actual industry prices, and services costs and also internet has made it easy to access distribution channels, internet gives customers new ways to access sellers, internet makes it easier and less expensive for banks to reach customers directly, internet enables customers have full information about products, actual industry prices, and services costs and also internet has made it easy to access distribution channels.

Internet also enables firms to serve the market more effectively with more specialized services and greater attention to product details, internet creates more downstream outlets for banks to sell and internet enables firm to build reputation in its niche and chargc premium prices, with internet consumers have knowledge of the product differences offered by different banks, due to internet consumers propensity to substitute one service for another is high and also interact lias enabled banks in the industry to have a variety of inputs substitutes and also the banking sector has diverse competitors with diverse strategies and a number of banks have high strategies stakes in achieving success in the sector.

5.4 Recommendations

The study therefore recommends that in order for the Kinks to reach larger markets more effectively and efficiently, the banks should ensure that they have strategies in the use of internet banking. I he banks should therefore ensure that they have unique services offered through the internet and at lower costs than their competitors. Interact should also enable customers to have full information about the banks products, their prices and their service costs.

The study also recommends that for successful internet banking, there should be good and reliable telecommunication infrastructure; there should also be standardized cost Structure for internet services.

5.5 **Suggestions for** Further Research

The researcher suggests that further research should be conducted in the banks to establish other effects of internet hanking for example in the service delivery.

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APPENIX 1: QUESTIONNAIRE

INTRODUCTION

This Questionnaire Is Designed To Gather Information For A Research That Seeks To Establish The Application Of Internet Within The Context Of The Five Forces Model In Determining The Nature Of Competition In Commercial Banks In Kenya

PART A: COMPANY PROFILE

Kindly answer the following questions. Your answers shall be treated with confidentiality and used for academic purpose only.

1 Name of the Bank

3 Respondent's position/Title _

4 Indicate the ownership of the Bank

Locally Owned [j

Foreign Owned [J

Both Local and Foreign [|

5. Is there any government participation in the ownership of your bank?

Yes I J

No [J

6. How long has your bank been in operation in Kenya?

1-10 Years (1

11-20 Years f 1

Over 20 Years [1

7. How many branches docs your bank have in Kenya?

1-5 [1

6-10 I)

Over 10 [ ]

8. Do you offer internet banking services?

Yes [ ]

No f 1

Part B: Internet and Five Forces

The following statements are descriptive of internet and the effects of competitive forces please rank each statement in the scale provided according to the extent of applicability. Use the scale below and tick appropriately.

I-Not at all; 2-To a less extent; 3-To a moderate extent; 4-To a large extent; 5-To a very large extent.

	STATEMENT	1	2	3	4	5
1	With internet scale of economies may be less important, sincc new entrants can go to market with lower costs.				.	
2	A new cyber entrant can use the savings provided by the internet to charge lower prices and compete on price.					
3	Internet enables firms to serve the market more effectively with more personalized services and greater attention to product details.					
4	Internet enables firm to build reputation in its niche and charge premium prices.					
5	Internet increases Rivalry by making it difficult for firm's to differentiate themselves, and by shilling customer attention to price.				.	
6	Internet has made it easy to acccss distribution channels.					
7	Firms benefit from absolute cost advantages due to property product technology, favorable locations, and favorable access to raw materials and experiences curve.					

8	Internet has contributed to the growth of banking sector.					
9	The banking sector has diverse competitors with diverse strategies.					
10	A number of banks have high strategies stakes in achieving success in the sector.					
11	Has a result of internet there is pressure from substitute's products that put lid on the firm's profit					
12	I"he threat of substitution is heightened because of new internet capabilities.					
13	With internet consumers have knowledge of the products differences offered by different banks?					
14	Due to internet consumer's propensity to substitute one serv ice for another is high.				.	
15	Internet has enabled banks in the industry to have a variety of inputs substitutes.					
16	Internet has made suppliers' products highly differentiated that it would be costly for the banks to switch among supplier					
17	Internet gives customers new ways to access sellers.					
18	Internet inhibits die ability of banks to offer highly differentiated products or unique services.				.	
19	Internet creates more downstream outlets for banks to sell.					
20	Internet facilitates e-purchasing making it easier and lower switching costs.					
21	By linking banks to customers' internet create rapid, low cost, ordering capability that discourages					

	the customers from seeking other sources of supply.					
22	Threats of new entrant are a bigger threat now bccuusc internet lowers barriers to entry.					a
23	Internet has created the need for new types of financial intermediaries that can perform clearing functions for purchases made online.					
24	Customers switching costs arc potentially lower because of internet					
25	Bargaining power of distribution may decrease because of the internet.					
26	The internet may increase the power of incumbent firms relative to that of traditional buyer channels.					
27	Internet makes it easier and less expensive for banks to reach customers directly.					
28	Internet enable consumers have full information about products, actual industry prices, and services costs.					
29	The economies created by internet technologies have led to the development of numerous substitutes for traditional ways of doing business.					
30	Internet creates more tools and means for competing thus rivalry among banks is more intense.					
31	Internet enables banks to reach end users directly without intermediaries.					
32	Ranks may not be able to hold onto customers because buyers can do comparative shopping and price negotiations so much faster on the internet					
33	Internet makes it possible for banks to access more of their business customers at relatively lower cost					

	per customer.					

APPENIX II: LIST OK COMMERCIAL BANKS IN KENYA

1 ABC Bank (Kenya)
2 Bank of Africa
3 Bank of Baroda
4 Bank of India
5. Barclays Bank
6. CFC-Stanbic Bank
7. Charterhouse Bank
8. Chase Bank
9. Citibank
10. City Finance Bank"""
11. Co-operative Bank of Kenya
12. Commercial Bank of Africa
13. Consolidated Bank of Kenya
14 Credit Bank
1J I)cvclopmeni Bank of Kenya
16. Diamond Trust Bank
17 Dubai Bank
is Ecobank
19. Equatorial Commercial Bank
20. Equity Bank
21. Family Bank
22. Fidelity Commercial Bank
23. Fina Bank
24. Giro Commercial Bank
25. Guardian Bank
26 I labib Bank A.G Zurich
27. I labib Bank
21. Housing Finance
29. Imperial Bank
30 Investment & Mortgages Bank
31 K-Rep Bank
32 Kenya Commercial Bank
33. Middle Last Bank
34 National Bank of Kenya
35 NIC Bank
36. Oriental Commercial Bank
37. Paramount Universal Bank
38. Prime Bank
39. Prime Capital and Credit Finance Bank
40. Savings and Loan Bank
41. Southern Credit Banking Corporation
42. Standard Chartered Bank
43 Transnational Bank
44 United Bank for Africa

45 Vic,0ria **Commercial Bank**

Source; Central Bank of Kenya, June 2009