E-BANKING STRATEGY AND CUSTOMER SERVICE IN TIER-1 COMMERCIAL BANKS IN KENYA

CHEPNGENO CHUMO

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI

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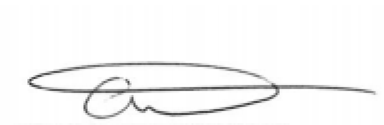
DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

Sign:  Date: 29th November 2022

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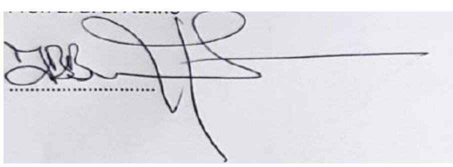
SUPERVISOR'S DECLARATION.

This research project has been submitted for examination with my authority as the university supervisor.

Sign:  Date: 29/11/2022

Prof. Zachary Bolo Awino

PROFFESSOR OF STRATEGIC AND PERFORMANCE MANAGEMENT

Department of Business Administration

Faculty of Business and Management Sciences, University of Nairobi

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ABBREVIATIONS & ACRONYMS

KBA: Kenya Bankers Association

MB: Mobile Banking

PC: Personal Computer

ATMs: Automated Teller Machines

DOI: Diffusion of Innovation

ABSTRACT

There are 9 Tier-1 commercial banks in Kenya which are classified according to the number of branches they have, their customer base, their assets and liabilities and their declared profits and losses year by year. The Tier-1 commercial banks under study are KCB Bank Group Limited, ABSA Bank Kenya, CFC Stanbic Holdings, Cooperative Bank of Kenya, Equity Bank, Diamond Trust Bank, NCBA Bank Kenya, National Bank of Kenya, and Standard Chartered Kenya and they all use E-banking strategy to achieve their objectives, one of which is customer satisfaction. The study's goal was to determine e-banking strategy and customer service in Kenya's Tier-1 commercial banks. Electronic banking (e-banking) technology has grown and altered the way banks deliver their services. Using a range of technological discoveries has become an important factor influencing competitiveness and commercial banks' profitability. As a result, banks are investing more on implementing and making use of cutting-edge online banking solutions. The effect of e-banking efforts on performance of Kenyan banks is big. Strategy is described as the wide program for describing and accomplishing a firm’s set objectives. All Tier-1 banks have introduced E-banking as one of the ways of giving service to their customers. This research revolved around Diffusion of Innovation theory, Unified theory of Acceptance and Use of Technology, Bass Model of Diffusion theory and Customer Satisfaction theory. The case study research design was employed to aid the study and the respondents were bankers both managerial and non-management staff. This method was selected because it enabled the researcher to observe and collect data without changing the natural setting of the respondents who were bankers both managerial and non-management staff at the branches. The study population comprised of the 9 tier-1 commercial banks in Kenya and a census was used in surveying these banks. Data acquired using interview guides was categorised as per the study questions to ease analysis. A total of 18 (67%) personnel from large commercial banks, both management and non-managerial, were interviewed, and they all agreed that e-banking was a success in all the banks studied. Females made up 40% of the responders, while male made up 60%. Descriptive analysis was applied and the relationship between variables was done by correlation analysis. The data was analysed descriptively and then presented in percentages and frequencies. The researcher used tables to submit the data collected for ease of comprehension and evaluation. According to the research, all Tier-1 banks have implemented e-banking across their branches, and clients are pleased with the services and thus improved customer service. The findings established a strong effectiveness of e-banking on customer service in banks. This study recommends more research be done in the same area, but this time focusing on small and micro banks in Kenya. The survey proposes to bank executives to spend more in e-banking infrastructure, such as ATMs, in regions where customers can easily access them and service delivery channels such as banking using telephone, internet banking, using applications such as WhatsApp to bank via mobile phones, and short code words for rapid access to their own bank accounts. Implication of this study is it will assist the management of the 5-tier commercial banks to make decisions and specifically budget and invest in robust technology as this study shows that customers prefer to use to use E-banking rather than visit the branches. Another implication of this study is it allows banking sector policy makers to get knowledge of the current banking sector dynamics and how to respond to them in a timely manner. It will also inform the banking sector policy makers to formulate policies on e-banking services and its regulation to assist both the banks and their customers.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The rapid improvement of technology and worldwide information telecommunications (as well as information technology and computer linkages such as both telecommunications and Internet techniques) has permitted the international expansion of electronic e-commerce (Amato & McCoy, 2006). Because of its nearly universal connectivity, the Internet has become a valuable profitable tool for businesses all around the world (Babcock, 2005) bringing forth a different form of economy known as the "digital economy". The rapidly evolving industry is promptly introducing product breakthroughs, developing technical competence and sensitivity across all industries, and establishing virtual logistical operations, business processes, and service provision outlets such as e-banking delivery (Ayadi 2006). For current corporate companies, the complexities of a changing competitive environment are a challenge (Blau, 2007). In the current period, external environmental analysis has given place to more sophisticate inside administrative analysis. Every kind of business dealings, together with those in the banking sector, has chosen numerous survival approaches, irrespective of their size or stage of growth. Because of the fierce competition in their operational environments and changing customer expectations, banks must develop, test, and execute actions that will allow them to minimize customer service breakdowns, complaints, and disappointments in order to attract, retain, and are referred by satisfied customers (Brown, Cajee, Davies, and Stroebel, 2003).

Theories used in this study are Diffusion of Innovation (DOI) (Rogers, 1995), Unified Theory of Acceptance and Use of Technology (UTAUT) (Venkatesh et al., 2003), Bass Model of Diffusion Theory, and Customer Satisfaction. Customer Satisfaction explains the connection between satisfaction and dissatisfaction of customers and explains that customer satisfaction is the feeling of satisfaction or disappointments in performance of a product against their expectation, Kotler (2000). This theory will be used to explain the effects of e-banking on customer service in Tier-1 banks in Kenya. Unified Theory of Acceptance and Technology explains the way customers accept and use technology. This theory will be used in this study to explain how customer acceptance of technology influences adoption of e-banking in the Tier-1 banks in Kenya. Diffusion of Innovation (DOI) (Rogers, 1995) theory tries to describe how and why an idea, or a system is communicated to separate groups of people. This theory argues that the channel of communication used in passing the message determines how the message is disseminated; this is seen on adoption of e-banking.

Diffusion of Innovation (DOI) (Rogers, 1995) has five stages of diffusion. Bass Model of Diffusion Theory describes the process of how new services and products are accepted by customers. It concluded that adoption and usage of e-banking was influenced by mass media.

Tier-1 commercial banks in Kenya have incorporated the use of alternative channels of transactions such as ATMs, Merchant and Agency business, use of mobile and internet banking. They have uses e-banking to cut costs, to enhance efficiency, promote flexibility of service and even to be perceived as leader in technology advancements (Pyun, Scruggs & Nam ,2002). In the recent past, Tier-1 commercial banks in Kenya have invested heavily on technologies that enable their customers to do e-banking transactions. There have been advertisements both on the mass media and social media of the channels that customers can use to access services from the banks. With the spread of Covid-19 and the call by the government and even the banking institutions urging their customers to avoid exchange of physical cash and instead were encouraged to utilise the available online banking platforms. The researcher wanted to understand how all the technology advancements has affected customer service in Tier-1 commercial banks in Kenya.

1.1.1 E-banking Strategy

Electronic banking strategy encompasses both the provision and availability of financial essential services by use of electronic gadgets, which includes mobile phones, personal computers, credit cards, debit cards and automated teller machines. B. G. Mwangi (2020) explained that most bank managers have used E-banking as a way of attaining competitiveness advantage. R. Nduta (2019) explained that technology innovations such as e-banking has improved with time and has totally changed the way banks offer their services.

E-banking, according to Hammoud, Bizri, and Baba (2018), involves banking activity and transactions conducted via the Internet, as opposed to the traditional method of delivery via physical offices, such as bank branches. Customers can quickly trade and check on their accounts in actual time, to obtain facilities, payment of their bills move funds from one account to another and perform other financial transactions by utilizing the e-banking technique. According to Muoria and Moronge (2018), thanks to the increase and development of modernizations in the banking sector, e-banking has risen and expanded significantly in Kenya. E-banking is a method that has helped banks in Kenya and around the world to see significant increases in assets and liabilities, earnings, efficiency and performance, and competitiveness (Njoroge & Mugambi, 2018).

Use of mobile and telephones to bank, ATMS, sending banking instructions on email, visiting bank agents and merchant business and are all popular techniques of service delivery in the banking industry. This study focusses on the effectiveness of E-banking on Customer services in 9 Tier-1 Commercial banks in Kenya. Many past studies have concentrated on the usage of the E-banking services. The role of e- technology in modern business world cannot be overstated. E-technology in Kenya is changing pace and is being adopted by every other organization and business sector. E-banking is perhaps the biggest influence in recent times has been experienced in the banking industry due to its availability, efficiency, safety, cost reduction and convenience to the customer. Many modern banks and other Financial Institutions have implemented Online banking features in an effort to minimize costs while increasing service to customers.

Despite the obvious advantages of online banking, customer uptake has really been restricted and, in so many instances, has failed to meet the expectations (McKnight & Chervany, 2002).
While most of the 50 largest major U.S. banks provided online banking around the year 2002, around 91% of American homes had savings accounts, just 17 percent of customers used online banking. Experts projected at that moment that internet banking adoption was not going to surpass 30 percent of the all the account holders at the end of by 2007. This forecast seems to have come true. Only 23% of Americans use internet banking as their primary banking method, according to an American Bankers Association poll conducted during the summertime of year 2007 (Fisher, 2017). Past studies on digital banking acceptance have primarily relied on survey methodologies to ascribe technical and societal factors like opinions towards modern technology, awareness, availability, and functionality to differences in online banking acceptance and utilization (Chen, 2000).

For Pakistan, nevertheless, financial institutions have come under fire for failing to provide their consumers with unique and appropriate financial products. As a result, some customers find it better to maintain the funds or savings in the house rather than in financial institutions. Customers were receiving subpar service via the manual banking method, which might have an impact on customer support. Money might take five to 10 days to transfer from one manually operating bank to another. Whenever the goal of transmitting money has practically died, there comes a moment. Businessmen are often forced to terminate transactions owing to the inability of traditional banking systems to transfer funds in a timely manner, resulting in services that are sluggish, insecure, and unsatisfactory.

There are 3,424 digital banks in Pakistan that provide real-time e-banking operations to lending holders, whereas there are 7,406 affiliates of 41 banking institutions in the same country, implying that just 42.47 percent of affiliate provide virtual services to its clients. Turkey has more than 18 percent of the total of financial institutions customers actively using e-banking. Owing to monetary liberalization, enhanced digital literacy, rapid adoption of electronic transactions, powerful obligations to lower costs of operation, shifting consumer needs for creative financial services and products, and increased client efficiency, Turkish banks have recognized online banking as a credible alternative distribution platform since 1997.

Clients' capacity to adhere to Digitally banking services is determined by a variety of considerations, including the user-friendly interaction, level of online expertise, range of services offered for instance electronic-mail, transfer of files, news, attitudes and perception, access and delivery time, and previous Internet knowledge. Only 23% of Americans use internet banking as their primary banking method, according to a poll conducted by the American Bankers Association in the summer of 2017 (Fisher, 2017). Research conducted in the past on online banking acceptance has mostly relied on survey methodologies to link social and technical factors like views regarding technological advances, understanding, availability, and attractiveness to differences in Online banking acceptance and utilization (Lee et al., 2013). Due to advancements in information technology and telecommunications, electronic banking has grown increasingly widespread in Malaysia. The online banking system in Malaysia was developed and implemented 2016. The Malaysian system is a wholly new financial service that allows banks to give financial services to a larger percentage of consumers via digital and interactive channels of communication, ability to reach more prospective customers.

According to Salehi and Zhila (2015), the internet and www creation led banks to enhance their utilization of digital systems in getting orders in addition to providing service together with products available for clients. Leveraging online platforms to provide monetary services is known as electronic banking. Banks provide a big selection of their products and services digitally, and every system has its own content, capability, and perfection. Electronic banking is the electronic delivery of traditional financial operations to clients. The distinction occurs in part because the use of gadgets to transact refers to all financial services where clients may obtain their financial data, account information as well as perform transactions themselves using mobile phones or computers.

M-banking refers to any type of transfer of funds conducted by cellular phone. The operations range from simple procedures like settling bills or transferring funds over vast distances to complicated procedures like bank transferring finances that a customer is told about through phone. Mobile banking has the advantage of allowing clients to transact all the time. It is noted that various safety problems, a restricted range of skills and activities as compared to a bank professional are some drawbacks of M-banking. Various financial companies provide their clients with smartphone apps, making M-banking highly handy. Individuals select mobile banking because they can verify deposits, pay for commodities, move funds to some other associate, or locate rapid ATMs.

As per Humphrey et al. (2013) e-commerce penetration the African continent has negatively been affected by the status, accessibility as well as the fees of operating the ICT set-up that existed.

Other challenges that impede the expansion of e-banking include a lack of competent employees, poor internet penetration, a lack of bank accounts, and a lack of timely delivery of physical items. Financial companies in Ghana for example stretch back before colonial era. The Ghanaian banking industry now has 28 banks functioning with about 856 bank branches. To counteract rivalries, most have sort to implement new and inventive techniques aimed at promoting the customer service. The development and implementation of electronic banking services has been key method of gaining a competitive edge of the different financial companies.

Banking in Kenya has its origins in East African business organisations that existed at the turn of the nineteenth century (Sashoo, 2012). Since the colonial period, changes in Kenyan banking have mainly mirrored the country's political and monetary shift from a province to an independent country (Heyer & King 2015). After South Africa, Nigeria, and Mauritius, Kenya's banking industry is now the largest and fourth largest in Sub-Saharan Africa (Mulwa, 2018). There are currently 43 banks, one home loan bank, nine microfinance banks, seven outside bank agent offices, 94 remote trade departments, seven cash settlement suppliers, and two credit reference agencies in Kenya (KPMG ,2015). 11 banks are listed on the Nairobi Securities Exchanges, out of a total of 44 banks (NSE). They provide liquidity, facilitate communal and personal savings, provide smooth financial transactions at their physical branches or online services, facilitate foreign payments, store precious assets, and give credit facilities to both retail and corporate customers.

1.1.2 Customer Service

Customer service is the provision of service to the customer before, during and after a transaction. It involves being king, courteous and being a professional face of an organization. Customer service strategy has been largely described as the combination of policies and plans offered by service providers to increase service quality (Howardell, 2003). Maintaining effective customer service helps to build and retain customers' relationship which is the main success in service industry (Sing, 2002). Typically, better service quality can assist in getting higher market share and better returns (Slu & Mou, 2003). To maximize its capabilities, it is important for banks to effectively utilize its main competencies. Organizations need to focus on getting competitive advantage that can be sustained over a long period of time. This is the reason a company's success depends on how huge and stable its competitive advantages are (Tilson, 2000). In today's service economy, where competition is a cut-throat occurrence; customer service strategy has become a critical drive towards getting competitive advantage by organizations. At the same time, satisfied customers tend to return for future business and sometimes assist in marketing service organization through referrals (Areni, 2003).

There have been several adjustments in financial sector in recently regarding how the industry is treating its customers and introducing e-banking services. Although the internet has been seen as a medium for sales transactions, most banks have not fully utilised the internet to their advantage but are using it for a few simple transactions. Recently, banks are advancing and have started the usage of internet to process e-banking services thus the clients have really embraced the use of technology to simplify their lives by accessing banking transactions and services in an easy and cheaper way.

New firms operate in a rapidly changing environment. This is caused by globalization, changes in the socio-economic environment, availability of cheap internet, technological advances and changes in the characteristics, behaviour, and age of their customers as many young people are accessible to banking. Introduction of automatic banking services have reduced the need for customers to visit the banks and alternatively do their banking services and transactions from their phones and computers. This is because the banks have really invested in technologies that assists and enables their customers to transact online.

1.1.3 E-banking Strategy and Customer Service

Digital banking is a contrast of high order that includes a variety of distribution channels. It really should be remembered that digital banking covers more than conducting financial operations online. However, in the modern world, a digital transaction that involves using the internet to do financial transactions otherwise called Digital Transactions has become common place. Electronic financial transactions have various definitions. The most common definition is that electronic banking is a dissemination of information or services by the bank to through electronic gadgets such as phone, TV, automated teller machines (ATMs) among others. Daniel (2016), for example, defines it as a link between a customer and the bank for the purpose of preparing, managing, and controlling monetary operations. Clients can use online money to access the account and conduct financial transactions. E - Banking is now primarily conducted through the web.

Electronic Banking enhances customer service and has advantages attached to it to keep up with a competitive edge and maintaining it, save costs, improve flexibility, marketing communications activities, and retain and attract customers, according to Kim (2016), who projected that 87 percent of domestic financial organisations offered it in 2013 with the aim of meeting customers' demands. According to Khatri (2013), Online banks also function as portals for a variety of 3rd party service providers, including identity and authorization services. According to Tantichattanon (2002), e - banking enables banks save money, gain new customers, enable mass customization of E-business products, expand communication and marketing avenues, find new innovative products and services, and examine and create non-core usefulness of banks.

With the emergence of branchless banking systems such as EFTs, ATM cards, and computer banking, the Kenyan banking sector has been developing branch networking. CBK's annual reports show that the number of branches has been gradually increasing since 2002. Kenya had a cumulative network of branches of five hundred and seventy-five by the end 2006, compared to 486 by the end of December 2002. Kenyan banks have embraced ICT in a big way, both in terms of providing services and as a survival strategy. They have spent a significant amount of money to establish self-service and virtual banking facilities in order to improve customer service quality. In today's Kenya, ICT underlies the computerized structure for banking. Kenya’s banking industry cannot disregard information systems since they have a significant influence on the present banking system, with most institutions' entire cash flow being tied to them (Saleh, 2014).

1.1.4 Commercial Banks in Kenya

Commercial banking in Kenya originates from East African business organizations that existed at the turn of the nineteenth century (Sashoo, 2012) then followed by Standard Bank of South Africa in 1910. Since the colonial period, changes in Kenyan banking have mainly mirrored the country's political and monetary shift from a colonial province to an independent country (Heyer & King 2015). After South Africa, Nigeria, and Mauritius, Kenya's banking industry is now the largest and fourth largest in Sub-Saharan Africa (Mulwa, 2018). There are currently 43 banks, one home loan bank, nine microfinance banks, seven outside bank agent offices, 94 remote trade departments, seven cash settlement suppliers, and two credit reference agencies in Kenya (KPMG ,2015). 11 commercial banks are listed on the Nairobi Securities Exchanges, out of a total of 44 banks (NSE). They provide liquidity to their customers, facilitate communal and personal savings, provide smooth financial transactions at their physical branches or online services, facilitate foreign payments, store precious assets, and give credit facilities to both retail and corporate customers.

1.1.5 Tier-1 Commercial Banks in Kenya

There are 9 Tier-1 commercial banks in Kenya based on total of customers in their books, their profits and savings, their assets and liabilities, their appetite for educated employees and the number of branches the banks have opened. Financial institutions have recently increased their profitability, assets, deposits, and their products and services supplied to their consumers. The banks have automated practically all their financial services and are moving away from delivering ‘off-the-shelf' banking services and products, which has resulted in exponential growth not only in Kenya but also throughout the greater East African region. As a result of greater innovation among banks, there has been growing competition among banks in recent years (MBendi, 2010) and customers choosing to bank with the most advanced and the one they believe their funds and information is safe and secure for both internal and external frauds. Tier-1 banks in Kenya have adopted technology to serve their customers. This has been because of the number of their clients being techno savvy. Stiff competition amongst themselves and other institutions has also made the banks to be creative to reduce their costs and at the same time retain their customers. The banking sector in Kenya is controlled by many sector acts and various prudential guidelines that were given by the Central Bank of Kenya (CBK). All banks are overseen by Kenya Bankers Association (KBA), a body that assists the banks with their activities.

1.2 Research Problem

Electronic banking strategy involves both the provision and availability of financial essential services by use of electronic gadgets, which includes mobile phones, personal computers, credit cards, debit cards and automated teller machines. Mwangi (2020) explained that most bank managers have used E-banking as a way of attaining competitiveness advantage. Nduta (2019) explained that technology innovations such as e-banking has improved with time and has totally changed the way banks offer their services. E-banking process gives the customer a business software package which enables the customers access operations at their homes or offices. Customer service on the other hand describes the experience and meeting the needs of the clients exceedingly together with delivering great, specialized timely service to achieve customers' needs at any particular time.

Banks' traditional corporate standard was established on tangible decentralization, with physical branches located all through populous environs and giving a range of services to satisfy customer demands. Traditionally, existence of many branches remained the key provision of client service, as it gave consumers with better geographical contact together with a guarantee that banks had considerable resources, thereby protecting their money. However, with the introduction of electronic banking channels, the number of branches is steadily decreasing, and banks can no longer rely on them to give services to their customers. Electronic banking is a general definition for the process by which customers do their transactions electronically without necessarily visiting the bank branches. It is the process of using the internet to get access to bank accounts and thereafter do online transactions. The expansion of the banking sector has majorly been supported by opening of many branches within Kenya and in other countries within the East African community. It has also been supported by automation of the services offered by bank and this has led to customers transacting online and not necessarily visiting their bank branches for services. Banks have experienced a lot of competition in the recent years from growth in improvements among themselves and newcomers into the banking sector (MBendi, 2010).

In prior local studies, Njogu (2014) used regression analysis to investigate the influence of e-banking on the profitability of commercial banks in Kenya and concluded that e-banking has a significant impact on the bank's profitability. This study however did not investigate the effects on e-banking on customer service in banks. Using a descriptive survey design, Kimani (2015) studied the effects internet banking on the performance of commercial banks.

The study established that growth in internet banking did not necessarily lead to profitability but leads to quality improvements and saves time. Using a descriptive cross-section research method, Kinyua (2018) studied the influence of Internet banking on commercial bank proficiency in Kenya and concluded that internet banking has led to increase in the bank's efficiency. Using descriptive research method, Chirchir & Oluoch (2019) studied the effects of e-banking on the banks liquidity and found that internet banking had a negative impact on liquidity while the use of mobile banking and bank agents had a positive impact to the banks. Many studies have been done in Kenya on e-banking but most of these studies are on effects of e-banking on profitability and efficiency in banks.

Customers' adoption of internet banking services improves efficiency, according to the report. However, this study focused solely on the efficiency of Internet banking, one of the e-banking methods, rather than on e-banking in general or correlation that exists customer service and e-banking. Previous research was unable to relate the impacts of competitive approaches and technological orientation on bank performance. In the United Kingdom, Cajetan (2018) investigated the link between E-banking, customer experience, and capital adequacy. E-banking has greatly enhanced the banks' profitability, according to the report. However, the focus of the study was on the bank's financial success rather than its customer service. Further, it was based in the UK that is a more advanced economy in terms of e-baking adoption and effectives. The findings obtained by Cajetan (2018) may not be applicable or replicated to the Kenyan banking sector, a gap that the current study intended to fill.

Although there are previous studies done in Kenya on E-banking, most of the studies have focused on the effects of e-banking on profitability and efficiency. The researcher is however not aware of any research or study that has been done locally regarding the effects of e-banking on customer service in the banks in Kenya which is a gap this study will leverage on. Thus, this research shall address the problem by giving an answer to the problem: what is the effectiveness of e-banking on customer service in Tier-1 commercial banks in Kenya? The study will have a special reference for selected Tier – 1 banks in Kenya by asking the question; how does e-banking strategy affect customer service in Tier-1 banks in Kenya? The studies including, Kinyua (2018); Nduta (2019); Mwangi (2020); and Cajetan (2018) further imply several gaps.

The first gap is that most banks are still yet to develop a customer service strategy. It is clear from these study results that most customers do not receive answers to their questions when they call or visit one of these banks. However, it is also evident that many customers are satisfied with the service they receive from their banks (Kinyua, 2018). This suggests that there is room for improvement in terms of developing better customer service strategies. The second gap relates to how bank staff handles complaints. While most customers who lodged complaints were satisfied with the manner in which these were handled, some were dissatisfied due to lack of empathy shown by staff members and failure to resolve issues within a reasonable period of time.

The third gap relates to changes in technology and its impact on bank operations. Most banks have made use of technology such as mobile banking apps and online platforms for transactions; however, few have taken advantage of new technologies such as digital wallet applications that allow customers. Pertinent issues still need to be addressed as the growth of E-Banking products, services and adoption in Kenya has been slow compared to other countries (Chirchir & Oluoch, 2019). Kenya is a hub of mobile money transfers, which is one of the fastest growing financial services globally (Mwangi, 2020). E-banking money services are transforming into a mainstream financial product for Kenyans, but it can be improved further. Besides, high cost of customer acquisition for banks continues to be a challenge for banks in Kenya. The cost of customer acquisition can be reduced by using technology and automation in some areas. The research question therefore is, does E-banking strategy affect customer service in Tier-1 commercial banks in Kenya?

1.3 Research Objectives

This research project aimed at examining how e-banking strategy influences customer service in Tier-1 Commercial banks in Kenya.

1.4 Value of the Study

This research allows banking sector policy makers to get knowledge of the current banking sector changes and dynamics and how to respond to them appropriately and in a timely manner. This study also assists the stake holders to formulate the banking sector policies that helps in regulation of practises in the banking sector especially policies on e-banking services and how it affects customer service.

This study will expound the resource-based theory. E-banking strategy is used by banks to get their competitive advantage. It is very valuable to the banks. It enables the banks to outperform its competitor’s sine by improved customer service; banks are able to make profits from their regular customers, charges for e-banking transactions and good referrals from the existing customers. It also enables banks to give convenient services to its customers by making transactions and payments right from the comfort of their home. Banks also gain significantly as it implies lesser effort from their end.

The study will be valuable in practice for top management to designate and organize activities that will recruit and keep consumers. Customer retention and lengthy relationships will be enhanced via creation of new products and quality delivery of services, resulting in trust and understanding between both the bank and its clients. The government gets from the study's findings because it will be able to comprehend the way banks techniques based on electronic banking aimed at realizing an edge amidst rivalry from domestic and foreign banks. It will key in the development of policies targeted at enhancing production as well as protection interests of the through quality assurance. The study also provides information to Kenyan scholars on e-banking strategy among Kenyan banks. The analysis increases their knowledge on e-banking in financial institutions and to select out areas of more study. The previous studies concentrated on usage of online banking technologies used by banks.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section of research paper discusses literature review on the variables of the research.
Empirical analysis, theoretical literature, and the conceptual framework is also discussion in this chapter. Theories relating to this study have been reviewed and discussed in order to identify the gaps for the study. The theories discussed are Diffusion of Innovation, Bass Model of Diffusion, Customer Satisfaction Theory, together with Unified Theory of Acceptance and Use of Technology.

2.2 Theoretical Foundation

Diffusion of Innovation (DOI) (Rogers, 1995), Unified Theory of Acceptance and Use of Technology (UTAUT) (Venkatesh et al., 2003), Bass Model of Diffusion Theory, and Customer Satisfaction Theory have been used in this study.

2.2.1 Customer Satisfaction Theory

A lot of theories have been used by researchers to try and explain the connection between disconfirmation and satisfaction of customers towards a product or service. Assimilation divergence theory states that if the organization's general performance is deemed suitable although the customers' needs and expectations are not met, then the small, the difference will be disregarded, and similarities will then take over and the organization's performance will be deemed suitable. If the performance does not meet the customer's expectation and is considered rejected, the product and service will be considered unacceptable.

Adaptation-level theory (Helsen, 1964) is considered to be dependable with a lot of expectation and disconfirmation effect on satisfaction. This model states that one views stimuli only in relation to an adapted standard. The normal is a purpose of point of view of the stimulus itself, the environment, and psychology characteristics of the organisms. Once created, acceptable level then sustains the evaluations that follow in that positive and negative adjustments will remain in the general context of one's original status. Only big influences on the adjustment level will change the final mood of the subject's evaluation."

2.2.2 Diffusion of Innovations Theory

This line of thinking sole aim is to find out how and why a system, expertise, or a notion is incorporated among separate citizens and societies. Furthermore, Rogers (2003), hypothesised that a new notion, the medium of communication (how message is passed from one person to another), time (the amount of time needed to adopt the innovation by the subjects) and communal system (a set of interconnected elements having the same goal) are considered as main factors in dissemination study. Model of Diffusion of Innovations declares that the diffusion process involves five distinct phases. The stages are as follows:

1. Awareness: This is the stage in which a person begins to learn about an initiative but does not have all of the necessary facts and information. 2. Persuasion: At this level, the individual determines how to become acquainted with the new ideas and develops a desire and interest to learn more about them, resulting in a search for additional information and learning resources on the innovation. 3. Decision: This is a critical step in which the individual begins to accept the new concept. During this stage, a person makes choices based on perceptions while keeping in mind the pros and drawbacks of the notion. 4. Execution: At this stage, the individual begins to employ the invention and attempts to comprehend and discover its utility. 5. Confirmation: This is a crucial stage in the process where the individual evaluates, approves, or rejects the invention. The person has the last say. Individuals make a final decision on whether or not to continue employing the invention at this point. Individual acceptance and adoption of online services is highly influenced by information technology, which leads to long-term service utilization.

Rogers introduced the idea of the diffusion of innovation in 1962 by describing it as a process whereby channels transmit invention periodically to a community of members. According to this concept, five elements determine the pace of modernization acceptance. These concepts are: trialability, observability, relative advantage, compatibility, and complexity. Relative advantage describes the extent and innovations perceived as bigger and important than the idea that birthed it. Compatibility can be described as the extent to which an invention is perceived as reliable with the current values, wishes of its users, both current and future. The degree at which others can observe the innovation's results is called Observability. (Rogers, 2003) anticipated that notable improvements with a greater relative benefit, trialability, and observability, compatibility and with minimum complexity will be accepted easily than other advances. This variable explains customer attitudes regarding online banking services.

Electronic banking services Adoption is a real activity taken by clients. 5 things have been used to quantify the variable on a 5-point Likert scale staring from number one meaning (I disagree strongly) to a high of five (I agree strongly) (strongly agree). Moore & Benbasat, 1991), Comparative benefit is the extent to which a newly created product or service is deemed superior to its predecessor (Moore & Benbasat, 1991). Compatibility is the degree inventions are seen to be matching with the standards, prior encounters, and demands of potential users (Moore and Benbasat (1991) defined complexity as the degree to which an invention is seen to be challenging to implement. Such is a degree to which idea is tested under restricted conditions.

2.2.3 Unified Theory of Acceptance and Technology

Venkatesh et al (2003) came up with the user acceptance of information technology: toward a unified view. It was decided that previous researchers that had information technology acceptance as their main pillar of their research came up with various variables that were used to predict the outcome. For them to come up with the final model for the study, many conventional Information technology acceptance models were combined.

In the original UTAUT model, they then considered the four main elements of both purpose and its practice and the other four controlling variables working as the main interactions were used. The main goal of coming up with this model is to give a wider knowledge and comprehension of both the customers and the organization adoption of the information technology platform to both researchers and managers. To this end, this concept is relevant in this study since telecommunication benchmarks, differences in cultural settings and usage circumstances, are expected to influence efficiency.

UTAUT can be defined as an authoritative theory which integrates the known by including the illustrative force of various theories, taking the principal impacts of moderation into consideration, Venkatesh et al. (2003). UTAUT's basic principles include expectation of performance, effort expectation, social influence, and enabling factors. Expectations of performance and effort, as well as social influence and favorable conditions, have a direct impact on individuals' intentions to use information technology. It has been demonstrated that these characteristics have an influence on behavioral purpose, and that purpose of behaviour directly influences systems adoption and information technology.

User's intention to accept a technology is influenced by his expectations regarding its performance. Past study demonstrates that perceived performance influences the behavioral intent to use mobile banking. In their research, Venkatesh et al. (2003) shown that customers' propensity to embrace a technology is contingent on their perception of its utility. Mobile banking claims to be a rapid and portable medium for financial transactions; hence, the user's perception of the fulfillment of these promises will decide the success of this endeavor. Researchers in a variety of geographic locations and disciplines discovered that user performance expectations are a crucial component in determining their behavioral intents.

According to experts in technology adoption models, the acceptability of a technology is determined by the user's impression of its usability. One of the primary reasons why Mobile Banking service consumers choose the technology is that it is simple to use and requires less work. It is anticipated that the service would make their lives easier by providing a user-friendly interface and speedy payment arrangements. Numerous scholars have already examined this subject. Venkatesh et al. (2003) highlighted the significance of social impact in the adoption of technology in their study. To comprehend how social impact affects the purchase intentions of customers, researchers employed a variety of frameworks such as TRA, TAM2, TPB/DTPB, etc.

Singh revealed in his studies that the decision to utilize mobile commerce services was influenced by loved ones. Being a part of his environment, a person cannot ignore the effect of society on his daily existence. Perception of risk involved with embracing mobile banking influences individuals' adoption of the service as people are naturally hesitant to change and leaving comfort zone. Fear of security concerns and loss of privacy prevents them from exploring options. Adoption of innovation is hindered by a lack of sufficient understanding of how the system operates and a self-perception of privacy.

Prior experience with technology and perceptions of secrecy and security affects the adoption of new technologies. The importance of trust in the acceptance of technology cannot be overstated. The system's dependability and accessibility when the user need the service is a significant element influencing the acceptance of such services. Adoption of any new technology is influenced by trust and confidence in it. The system must be up and running on schedule and as required. When an undesirable scenario arises, real-time customer service fosters confidence. The system should be resilient enough to guarantee service availability around-the-clock.

2.2.4 Bass Model of Diffusion Theory

The Bass model of diffusion Suoranta and Mattila (2004) was used to categorise 1253 respondents into those that do not use the services, random consumers, and frequent users as per their e-banking usage experience. This model states that possible consumers of a technological innovation are affected by two forms of interaction mediums namely interpersonal word-of-mouth and mass media. Suoranta and Mattila (2004) consequently analytically checked that interactive relationship was through media broadcast in influencing customers to use modern Mobi-banking technologies.

In its different study, Laforet and Li (2005) together with Suoranta and Mattila (2004) randomly studied 128 respondents in different towns then realised that adoption of all online banking services was inclined to customer consciousness plus attitude and that the general mass media played a big role in customer training and creation of awareness rather than the use of formal or word of mouth trainings. They thereafter concluded that the mass media has an upper hand in influencing the usage and fully adopting the e-banking services. Because of the meanness and foretelling capacity of TAM, Amin et al. (2008) used a bigger TAM with five assembles - seeming importance, apparent ease-of-use, apparent reliability, the information given, and coercive pressure - to investigate the usage of e-banking.

2.3 Concept of Strategy

In all businesses, strategy advances towards impressive service to its consumers and concurrently assists organization to attain a competitive lead. The purpose of developing a strategy is to connect an organization to the community in which it operates (Porter, 1980). The principle of strategy, according to Hamel and Prahalad (1994), is to establish future competitive advantages as quickly as possible before the competitors can prepare theirs. The target of strategy in a competition is to find a place in the sector where the organization can protect itself from competitive powers or use them to their advantage (Porter, 1980). Strategy is described as the broad program for defining and achieving a firm’s set objectives. Strategic management is described as a process used by organization’s management to plan and execute their overall strategy. There are three stages to this process: i) Conceptualization – this is the process of coming up with the idea and or strategy. ii) Execution – this means to carry out the plan and do what was set to be done. iii) Appraisal – the process of assessing and checking the success of the strategy that wad conceptualized and executed. (Stoner, 1995).

Although our understanding may differ from one person to another, the one thing that remains unchanged is that the strategy's main goal; to assist organizations to attain their competitive advantage. Competitive strategy which is also called business strategy deals with how an organization competes in a given industry or market (Grant, 1998). Bourgeois and Eisenhardt (1988) calls corporate plan as realm choice and competitive strategy as realm navigation through the competitive environment. Therefore, it is suitable to state at this juncture that competitive strategies deal with the main question; how should we as an organization compete? Grant (1998) argues that there are two sources of great performance; one is to check in an industry where the circumstances are well enough to allow profits way above its competitive level. He states that as competition increases in all industries, very few industry conditions can promise secure profits. Hence the main purpose of an approach is to determine the place of competitive benefit for a firm.

The competitive market has similarly propelled organizations towards product/ service innovation strategies aimed at generating products and services that meets their customer's needs. According to Kay (2014), organizations competitive advantage is defined as means and methods used by organizations to gain a business advantage over its competitors in their environment. Strategy as a tactic is specific manoeuvre meant to outsmart a competitor. E-banking strategy enables the customers to do their bank services from many places such as their homes, cars or even offices. It empowers clients to perform their banking dealings online at their own convenience. It employs the internet as a distribution mechanism for financial transactions such as fund transfers, bill payments, account balance inquiries, and fund transfers between accounts. A browser - computer software that operates internet banking services hosted on the Web server of the bank – allows consumers to manage his or her accounts

2.4 Strategic Thinking and Technology in Organizations

According to the Journal of Strategic Leadership (2008), Strategic thinking is a diverse way of how we arrange our logical thinking. It is the general process of collecting, interpreting, generation and evaluation of innovations, information and ideas that will eventually determine a firm's workable competitive advantage. By looking at the current market trends, organizations should investigate whether they are taking advantage of the opportunities at their disposal in their environment and at the same time reducing threats to their business. This will enable them to benefit from the investigation and increase their competitive advantage.

When knowledge-based enterprises innovate, a knowledge-based economy grows, and everything that has a favourable influence on innovation is important to technology owners and policymakers. There has been a debate on how evidence based economy and other several businesses based on knowledge were founded over the past few years as a result of growth of economy in Iran.
Typically, these organizations basing their ideologies on knowledge must be able to contest and win the market share from other firms, particularly recognized old firms together with corporations in conventional industry (Jalali & Golmohammadi, 2022). For a business to survive, invention is crucial. Without innovation, there is no growth of businesses nor profitability. This means that it is paramount for management of these firms to create and encourage creativity within workforce. The inability of senior managers to think strategically as a factor for failing to achieve the necessary deliberate and strategic decisions will be critical all workers all organizational stages. It increases their decision-making quality. Learning in organizations together with deliberate thinking significantly influence the enhancement of all elements of organizational performance, including creativity (Karimi & Abbasi, 2017).

2.5: E-banking Strategy and Customer Service

Kenyan banks have invested heavily in systems that enable their clients to digitally transact. Following the introducing and advertisement of their various online banking technologies by Kenyan banks, together with the recent Covid-19 scare that required less human physical contact and encouragement of people to work from home, the researcher wanted to find out how these investments, technologies and circumstances have affected the facilities rendered by the Tier-1 Kenyan banks to its patrons.

All the Tier-1 commercial banks have introduced e-banking strategy to their customers for use in form of using the internet to enable their customers to do many transactions on their own without necessary visiting their bank branches. There are various channels available for use by customers to access their accounts. The study sought to ascertain how customer service and the usage of internet banking strategy in Kenya's Tier-1 banks are related. Because of the minimal cost of attracting more customers to use online banking and maintaining current innovation-demanding clients over the last twenty years, most Turkish financial institutions discovered it compelling to invest huge sums in internet banking, despite the fact that client's adoption seemed slow.

Furthermore, the real popularity of online banking users seemed to be from 1 - 1.2 million (thirty percent) in 2003, even though 2 million persons (50%fifty percent) were expected to be using e-banking at the end of 2003 (Agarwal, 2019). Moreover, the number of registered online banking institutions in Turkey has increased by 68 % year on year, from 150,000 at the end of 2000 to 5.5 million in 2007. In contrast, while this shows that online banking has grown rapidly and steadily since its start, Turkey showed a lower rate in online banking compared to various European nations. Client study on online banking in the nation has been necessary to increase consumers' comprehension of how their specific views or reasons affect their use of the services.

Many people who lack formal financial services, such as accounts in banks, are now using their online accounts to transact and purchase goods and services. This has left many wondering how the future of banking industry will be. Results of the research do not claim offering solutions for the tactical responses by Kenyan banks to changes in the e- technology but attempts to bridge the existing knowledge gap in relationship between e-banking strategy and customer service in Tier-1 financial institutions in Kenya.

2.6: Empirical Studies and Knowledge Gaps

Brown et al. (2003), used both the decomposed model of planned behaviour (DTPB) and Innovation diffusion theory (IDT) and collected data from a total of 162 respondents and came to a realization that what really influences customers to use e-banking service industries is the available opportunity, advantages of using the system, the large number of products and services available to customers online and the safety of the service. The customers got all these without necessarily visiting the bank branches for services. They came to a conclusion that all these advantages are the reason for full usage and adoption of the services by customers. Customers believed in their experience in usage and concluded that the e-banking banking services were safe and good for their adoption. E-banking was assessed by Kramer and Paul (2006) in a number of African, Middle Eastern, and Asian nations. Porteous (2006) was able to pinpoint the formation of four distinct models based on his examination of e-banking in Africa.

Nduta and Wanjira (2019) analysed data using descriptive statistics, correlation, and regression analysis which were shown to have statistically meaningful correlations with the performance of banks. In addition, the study discovered that agency banking and mobile banking are statistically significant determinants of customer satisfaction (p0.01).

The study suggests based on these data, that firms depend on e-banking tactics to improve their performance, notably agency banking and mobile banking. In addition, the report suggests that both ATM and online banking contribute minimally to the success of Kenya's banks. Therefore, the study suggests that banks enhance mobile banking and agency banking, since they are highly predicted, while improving knowledge of online banking and resolving ATM security concerns. Consequently, future study should examine identifying characteristics that account for the 29 percent unexplained variability in the performance of banks.

However, the analysis covered all the 40 banks instead of only the major ones that have widely adopted e-banking technology. Additional research has shown distinct issues that customers have while utilizing e-banking services. A number of concerns, including insecurity, lengthy lines, and large investments with minimal returns, have prompted banks to abandon ATMs in favor of new ways of banking such as Mobi-banking, use of agents, and use of merchant business (Ayemoba, 2017). Nonetheless, another research was done on how e-banking impacts on liquidity, and it were revealed it had a damaging effect, but the use of both merchants and agents' beneficial effect (Chirchir & Oluoch, 2019). Consequently, banks face difficulties trying to boost profitability while also serving the different demands of their customers utilizing an e-banking approach. As a result of e-reliance banking's on electronic gadgets and innovations, it has led to a decline in the quality of financial services. Previous research indicates that the prevalence of dehumanized banking procedures leads to a reduction in individualized touch, resulting in a decline in client loyalty and happiness. (Njoroge & Mugambi, 2018), points in their research have also shown that consumer satisfaction correlates with service features like ease of access and safety.

Mosa (2022) pointed that CRM (Customer Relationship Management) based on contemporary technology and the Internet has become an essential step for service firms to obtain the greatest response and generate a superior customer experience in a marketing environment characterized by powerful winds of change resulting from technological advancements. The main aim of this study was to illuminate the significance of the effect and correlation between E-CRM and the customer excellence in E-banking service sphere. Using a standardized set of questions, 472 clients of banks operating within the administrative limits of the Basra Governorate in Iraq were surveyed. The results demonstrated that E-CRM is a crucial factor in creating a differentiated client experience. The report indicated that banks aim to leverage networks or digital platforms as effective ways to attain genuine client proximity and create a customer-perceived fantastic experience.

Williams and Torma pointed out that there are disparities between the various e-banking business models that have arisen (2007). Because these business strategies have been implemented, concerns have arisen about e-banking regulation, its connection with other areas of the banking system, and its role in the overall economy (Alleman and Rappoport, 2010). Ivantury and Pickens (2006) investigated how low-income South Africans adopted and used e-banking. One of the challenges to e-banking adoption mentioned by Porteous (2007) is general lack of understanding, with a second being that those with bank accounts just do not trust e-banking.

Sullivan (2007) traced the history of e-banking in the Philippines, where Globe Telecom, Smart's Philippine competitor, launched G-Cash, an e-banking service, in 2004 and marketed it as an e-wallet (Williams, 2007). Sullivan (2007) classified the banking transactions supported by e-banking in a number of ways. Money kept in a cell phone and then spent as needed is one example. The phone, on the other hand, can be used to transmit and receive money as well as pay bills. According to Coyle (2007), remittances are higher than government aid in certain countries and are only like foreign direct investment flows in others.

AlHaliq (2016) studied the focus of electronic banking in relation to customer experience with a focus on Saudi Arabia banking system. The research looked at adoption of digital systems and consumer services from three perspectives: ease of use, information security, and controllability. According to the findings, banks ought to pay attention on increasing customer knowledge of electronic banking as well as how to utilize them. Banks must also increase the convenience of the internet banking fundamental system and provides more opportunities to solve problems aimed at increasing consumer trust in the institutions, as well as improve security for clients using electronic banking. Satisfied customer will increase in overall if clients have complete reliability and security in digital banking. Digital financial transactions enable consumers to access financial facilities at their homes without visiting bank branches, and at workplaces, and to execute most of the transactions that would otherwise be performed at branches according to Addai et al. (2015). Customer uses mobile phones and computers that have access to the internet to do activities including cash withdrawals, bill payments, transfers between two and demand for checks printed from their conventional accounts. The goal of the research was to determine the accessibility, dependability, and convenience of digital banking services in Ghana, as well as the impact of electronic banking on customer excellence. It concluded that digital banking significantly and positively affected the customer service.

Raza et al. (2015), conducted research on the connection between digital investment and consumer service employing the SERVQUAL. The questionnaire includes 30 questions in the original data obtained from 400 participants. Confidence, Sensitivity, Dependability, Supportiveness, and Tangibility were the five variables used to assess customer experience. According to the regression outcomes, concreteness, dependability, attentiveness, and confidence all had a substantial positive influence on consumer service, but empathy had a favourable and insignificant effect. The research advised that the internet banking platform be improved, as well as the security of online banking, as well as the provision of new services and continuing upgrades. This will enhance quality while also increasing client experience and ease.

Ahmad (2011) looked on the role digital banking on customer service in Jordanian banks, which included 24 different institutions. In order to determine which factors are impacted by customer adoption levels and how customer service affects retention and word-of-mouth (WOM). Availability, accessibility, safety, confidentiality, information, layout, efficiency, charges, and fees were all considered in the study as factors that may affect service quality. Raw data was realized from 179 participants; a multiple linear regression model was used. Customer service was considered a dependent variable in the model, whereas the remaining nine elements were considered predictors. The findings demonstrate that all variables have a positive and significant impact on the consumer services.

Bogati (2016) assessed the determinants that are able to influence customer service and loyalty of customers in banks' online banking in Thailand, taking into account seven factors: primary service value, welfare, special treatment, optimism, physical, banking inclinations, and ease of access. Four hundred instruments with 33 items each, given to 206 digital bankers and 194 traditional bankers. The acquired primary data was subjected to a regression analysis. The study found that four of the nine variables studied had a substantial positive influence on customer service and that these four factors can demonstrate up to 72 percent of the variance in customer service. Al-Otaibi et al. (2018) did a comparative paper on the customer service with digital money for Saudi Arabia and the United Kingdom. Banking phone allows bank consumers to connect their accounts from everywhere, at any moment. of the system. The study included one hundred online surveys that were issued to a representative of digital banking in both United Kingdom and the Saudi Arabia, with three primary variables considered: quality, quality of information, and designs for interfaces.

The other two characteristics have a large positive influence on satisfaction of customer satisfaction in the two countries under review, whereas system quality has a big positive effect in both countries. In summary, customer from UK was happier with mobile banking compared to those from Saudi.

Asfaw (2017) investigated what role the quality of banking services has in the promotion of customer service in Ethiopia. The study used mixed method research approaches, with one hundred questionnaires given to clientele of Ethiopian financial institutions, and the gathered data was analysed by employing the SPSS v20.0. According to the survey, both quality of service and digital banking security were key determinants in consumer service. There was a linear connection between digital banking and consumer happiness. The research advised that the public and financial institutions increase awareness about adopting internet and mobile banking operations as means of promoting the electronic banking in Ethiopia. Asiyanbi (2018) investigated the effects of digital service quality perceptions in Nigeria. The paper examined two key hypotheses: one about the importance of online banking in improving customer happiness, and the other about the application of e banking.

The study used a quantitative technique, delivering one hundred questionnaires to customers of the bank in Ibadan district. The SPSS v20.0 was employed in the analysis of the acquired primary data, which revealed that Automated Teller Machines and Online banking were used the most, with money transfers, POS, and m - banking being used the least. The first hypothesis, that e - banking greatly increased customer happiness, was accepted with the authorized analysis. The outcomes rejected the 2nd hypothesis, but the authorized study found that increased use of digital transactions lowered the incidences of bank visits. To summarize, boosting consumer awareness is critical for growing the acceptance and utilization of e - banking services in a manner that improves consumer happiness. Ismail (2017), investigated the influence internet banking has on internet banking service quality for consumer service in Jordan, taking into account the effects of conventional banking on some individuals in underdeveloped nations. The numerical technique was used in the investigation to determine the link and influence of customer service. Following the conclusion of the survey, one hundred questionnaires were completed at five selected banks in Jordan. In summary, the factors studied positively influenced on overall customer service when it comes to financial institutions in Jordan, with the exception of confidentiality because the client is concerned about the level of security when utilizing internet banking.

As a result, improving service quality and raising customer awareness increases the Mobi-banking practise, boosting electronic banking transactions as compared to old-fashioned methods of operations and services are provided and delivered any place and at any moment.

According to Nexhmi and Curtin (2015), the primary variables influencing consumers' perceptions of digital banking efficiency are help-line assistance, ease, efficiency, competitive prices, and flexibility through analysis and testing. The difference between the formulation of client-based service standards and actual service delivery by firm workers that generates business satisfaction or discontent with digital services. Elevated digital service is not guaranteed, even when norms and standards of quality are in place inside the firm. Standards and norms still require adequate resources, such as personnel, systems, and technologies platforms. Workers must be assessed and rewarded depending on their performance in comparison to the established criteria. Even the most precise customer reflection standards are pointless if the organization does not promote and demand their employees to comply with the regulations. Only by guaranteeing that all of the company's resources can meet the criteria can the supplier gap be closed.

Mbiti and Weil (2011) held that M-Pesa has increased online banking use by encouraging financial transactions and banking system openness. According to the report, cell phone use has transformed Kenya since figures reveal that 93 percent of Kenyan population have mobile phones, 73 percent do financial transfers with phones, and 23 percent regularly do transfers. Banks in Kenya have recognized the possibility given by the cell phones to transfer money and have developed mobile payments to address the specific demands of their clients. It is noted that banking digitally influences how banks perform because the systems are available, easy, inexpensive, and useable as a result, it is clear that digital banking has a significant impact on client happiness and overall performance of the financial institutions, Njoroge and Mugambi (2018).

Persistent technological advancement, notably the ICT revolution in the last twenty years of the 20^{th} century, has compelled banks to adopt electronic finance as a tactic for future growth in an environment that has become very competitive. Internet presence has transformed many organizations' activities and has evolved into a significant conduit for company communication and marketing. Without a doubt, the financial environment will become more paperless in the future, overcoming old limitations such as distance and regional limits.

Even though e-banking has risen fast, there is not enough evidence of client adoption. According to Fisher (2017), half of those who have used digital banking services fail to become users who are active. According to the literature review, no study has been conducted to support Bankole's conclusions (2017). The study found this gap to determine the effect of digital products that affects delivery of service

The solutions of customer’s problems are an addition to other factors and works hand in hand with the structured systems used by the bank for an organization to succeed to most integrate all the elements of success in good proportion. Poor integration means an organization may have strong management and all success therefore important for the organizations to not only identify but also evaluate the success factors and execute all of them to succeed. In order to succeed in using their channel such as ATMS, computers and other branch networks, commercial banks will be forced to improve not only their operations management but also their networks as the main medium for e-banking.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1: Introduction

Research may be described as the pursuit and search of knowledge on a particular issue through a consistent and organized approach (Rajasekar, Philominathan & Chinnathambi, 2006). Research methodology uses procedures and proposals employed to get the required knowledge. As put by Kothari (2004), research involves generalisation and formulation of theories in a methodological order. The problem of research and the kind of the data determines the methodology to adopt.

The chapter of the study discusses the methodology, research design used for the study and the target demographic characteristics. This section of the study further discusses the sample design used to investigate, data acquisition methods together with processes used for respondents from all the bank staff interviewed in the Tier-1 banks studied. This chapter also discusses data analysis and sampling process used which includes qualitative together with quantitative analysis techniques that were utilised to analyse data.

3.2: Research Design

Case study research design was used to discuss the significant aim of this research, which was to determine how e-banking affect Kenya's banking industry. The respondents were bankers both managerial and non-managerial staff. This research strategy was used because it allows the investigator the flexibility of collecting data through various methods such as interviews guides. It also allows the researcher to capture the context of the research and has an ease of explaining the results as Kothari (2004) recommended. Furthermore, this strategy allows data and information to be collected from respondents in their native and unaltered surroundings.

The researcher can use the case study research design method to observe and explain the behaviour of the study topic without affecting it in material context hence the research design is termed as naturalistic. The subject is being investigated in an entirely natural and undisturbed setting. The strength of the study’s model is the similarity, to explore, explain, as well as analyze the respondents’ relationships included in this study as Sekaran (1992) suggested. Overall, this is a preferred method for this study as it has been used to gain knowledge from people who have first-hand experience of a given phenomenon or event. There are three kinds of case studies, comprising empirical, historical, and interpretive.

The empirical case study seeks to understand some specific problem by looking at the real situation as seen through the eyes of an observer who can report his/her observations to others. The historical case study looks at past events that have influenced present ones. The interpretive case study explores how people think about a particular topic or event in order to understand what they believe about it.

3.3 Piloting and Validity of the instruments

The pilot research took place at the Kenya Commercial Bank Group Limited (KCB). Feasibility study targeted a total of 12 respondent participated in the mini study. The reason for this exercise was to determine certain factors such as cost and time, which would affect the main study. These 12 respondents did not however participate in the actual study as they would introduce bias to the study. The instruments, according to Mugenda & Mugenda (2002), could be conducted on pre-tested 12 participants who would not take role in the final study. The information gathered was utilized to improve the surveys' dependability. As put by Mugenda and Mugenda (2002), authenticity and validity are the correctness and value of the conclusions drawn from the and the level to which the findings represent the precisely show the anticipated outcomes.

3.4: Population of the Study

There are 42 commercial banks in Kenya, of which 9 are tier-1 banks as per the CBK report (2021). The tier-1 banks control 77% of the market share in terms of assets. There are a number of criteria that were used in selecting the 9 Tier-1 commercial banks in Kenya. These include the banks' total assets, deposits, loans, and profitability. The banks were also required to have a minimum capital adequacy ratio of 10% and a non-performing loan ratio of 5% or less. In addition, the banks were required to have a strong presence in both the retail and corporate banking sectors. In statistics, respondents that are on focus are specified group of people or items from whom material and data is obtained. “A population is a group of individuals, services, components, and activities, a set of items or households under study,” according to Ngechu (2004). The researcher defines population as a comprehensive census of the sampling frames. Census is a demographic study that is also known as a census. Cooper & Schindler (2006) explains population on focus as the entire compilation of components in which a researcher desires to draw a conclusion.

It is a whole group of objects, events or people showing similar characteristics that can be observed (Mugenda & Mugenda, 2003). Maxwell (2012) defines a target population as objects or a group that interests a researcher to get information as well as drawing conclusions.

The population of the study, therefore, comprises of the 9 tier-1 banks in Kenya that met the criteria. These are KCB Bank Group Limited, ABSA Bank Kenya, CFC Stanbic Holdings, Cooperative Bank of Kenya, Equity Bank, Diamond Trust Bank, NCBA Bank Kenya, National Bank of Kenya, and Standard Chartered Kenya. The researcher settled on this population because they are directly involved in E-banking, and they have introduced the tool to all of its customers. Further, the rationale for the choice of these Tier-1 banks is that they are the biggest and most influential banks in the Kenyan banking sector. It is significant to define the target population from which the researcher intended to get the results. This investigation therefore concentrated on Kenya's nine Tier-1 commercial banks (Market Intelligence, 2021) because the number is small for sampling therefore this study employed census since the census is appropriate when the size of the population is less than 200 as Yin (2013) recommended.

3.5: Data Collection

Interview guide research instruments contains a collection high level set of questions that permits the researcher to collect data and information from bank branch employees both managerial and non-managerial branch staff (Mugenda & Mugenda, 1999). Interview guides were used to collect information from managerial and non-managerial employees of the Tier-1 commercial banks under study, and other customer serving and interacting employees in the banks. Structured interviews were conducted to obtain more information from the customer service team, customer facing and serving branch staff together with the management staff.

The researcher distributed the set of interview guides directly to the staff at their branches. The researcher dropped the interview guides to the respondents, gave them time to complete and then pick them at later date. Some interview guides were filled as the researcher awaited them. The researcher requested information from the respondents informs of choices and choose from. Questions that require longer explanations from the respondents were used to obtain longer and detailed responses.

The interview guides were chosen as the preferable method in this study because they allowed the researcher to obtain information from a large population of people in a very short amount of time. Closed-ended items were employed to realize the exact facts, while open-ended items were employed to realize the respondents' ideas and opinions on how e-banking has contributed to consumer satisfaction. The Likert scale was used to create matrix items. To ensure its validity and reliability, this study tool was pre-tested on ten officials at KCB group was comparable to the one being studied.

3.6: Data Analysis

The use of content analysis in studying the E-Banking Strategy and Customer Service in Tier-1 Commercial Banks in Kenya is important to identify the extent of customers' satisfaction with the services provided by these banking organizations. The main objective of this study was to determine the customer satisfaction level with regard to E-banking services offered by commercial banks in Kenya. The use of content analysis allowed for a deeper understanding of what customers expect from their banks, thus allowing banks to tailor their services accordingly (Kothari, 2004). A more informed bank would be able to provide better services to its customers, but it may also have to change its operations if it fails to meet customer expectations. For instance, if there is a gap between what customers expect and what they actually get, then there are two possible outcomes: either the bank changes its strategy, or it does not and loses money; or it does not change its strategy and makes profits from providing poor services in order for customers not to leave due to dissatisfaction.

The study adopted content analysis as its method of data collection during the interview process because it is an efficient analytical approach that can produce meaningful results while being quick and inexpensive as Cooper and Schindler (2006) recommended. This analytical method has been used before by other researchers in studying consumer behaviour (Makola & Visser, 2011) and consumer satisfaction with e-banking (Sullivan, M. (2007). Overall, in this study, it was essential to collect data through interviews with relevant stakeholders. This is because interviews provide first-hand information that can be used to understand the e-banking strategy and customer service in these banks. Furthermore, interviews allow for a more in-depth exploration of the e-banking strategy and customer service, as stakeholders can be asked follow-up questions to clarify any points.

The use of interview guides was essential in ensuring that the data collected was comprehensive and of good quality. The interview guide focused on key issues that needed to be covered in the interview, as well as any specific questions that required to be asked. It helped to ensure that the interviews are focused and that all the relevant information was collected.

Data collected was analysed in various ways. Both qualitative and quantitative analysis methods were applied so as to recognize the relationship between the variables. Raw data from interview guides was converted into systematic categories and coded to ensure the data was accurate. Quantifiable information was analysed using descriptive and inferential statistical tools that assisted the researcher to illustrate the collected data and establish its usage and therefore descriptive statistics formed the primary stage of the data analysis, Bless & Higson-Smith (2000). The data was analysed by use of SPSS (Statistics Package for Social Sciences) 20 for windows to present the data in tables and percentages. Analysis of data enables the researcher to determine patterns and trends that are consistent from the data collected. Data analysis process depends on the research approach, methods, and the questions to be answered.

Descriptive statistics are very important in giving information and summary of the collected data in a meaningful way (Mugenda & Mugenda, 2003). After collecting the responses, all the filled interview guides were checked if they were filled properly and consistently. The data that was collected was then simplified to allow the responses to be categorised into various groups of percentages and tables. The qualitative data was operationalized to come up with quantitative data for ease of analysis. Analysed data was thereafter submitted using percentages and frequency tables. The researcher used tables to submit the data collected for ease of comprehension and evaluation. A frequency distribution table shows the scores distribution for a specific variable or subjects while percentages are used in descriptive research for comparison reasons.

CHAPTER FOUR: DATA ANALYSIS, AND INTERPRETATION OF RESULTS

4.1: Introduction

The data analysis and research conclusions are both covered in this part of the study. The demographic profiles of the respondents and their opinions concerning the relation between e-banking and customer service in Kenya's nine Tier-1 commercial banks are also discussed in this chapter. The data was summarized using a descriptive survey design.

To present the study's findings, the researcher applied tables, frequencies, and percentages. The data was gathered using fairly open structured interview guides delivered to bank employees. The research tools were dropped and picked up later by the researcher. The information was gathered from Tier-1 commercial banks. A success response rate of 77.8% was attained as 7 out of the 9 tier-commercial banks completed the interview guides, meeting the recommended threshold of 60 percent which Mugenda and Mugenda (2003) recommended for data analysis and interpretation.

4.2 Effects of E-banking on Customer Service to the Banks

From the responses, e-banking has really reduced queues at the banking halls. Customers have been trained and they can access many banking services online using their phones and personal computers. Customers also feel that their information and funds with the bank are secure, and the online platforms provided for the online transactions are secure. Table 4.6 indicates the findings.

Table 4.1: ***Effects of E Banking on Customer Service to the Banks***

BANK	Queue Reduction	Customer's Product Knowledge	E-Banking Security	E-banking Products and Services	Access to E-banking
ABSA Bank Kenya	42%	88%	96%	78%	45%
KCB Bank Ltd	50%	89%	96%	90%	63%
Diamond Trust Bank	62%	80%	88%	92%	68%

Co-operative Bank of Kenya	52%	80%	90%	80%	52%
NCBA Bank Kenya	60%	80%	91%	83%	75%
Standard Chartered Bank	80%	90%	95%	98%	90%
CFC Stanbic Holdings	77%	80%	92%	93%	70%
Average	**60%**	**84%**	**92%**	**88%**	**66%**

Source: Primary Data (2021)

Table 4.1 above indicates that the customer queues in the banking halls have greatly reduced by 60%. This reduction in queues had majorly been contributed to by the movement of customers to other available alternative e-banking means that keep them away from the branches, mobile banking, and the use of intelligent Automated Teller machines. This therefore keeps the customers away from the banks as they are able to do the transactions themselves wherever they are without necessarily having to visit the branch.

The results indicate 84% of the customers have the knowledge of the banking products and services offered by these banks through the e-banking platforms. Apart from this, 92% of the customers trust the commercial banks' e-banking security system and they believe that their personal information, accounts, and transactions are safe with the banks. Further, 88% of banks products and services are available through e-banking platform and all customers that have been connected can access the services. This shows that the commercial banks have moved most of their products and services online for ease access by their customers. The results show 66% of the bank customers have access and enjoy the e-banking services from their smart phones and their personal computers. From the findings of the study, e-banking strategy has greatly improved customer service in Tier-1 commercial banks.

4.3 Effects of E-banking on Customer Service to Clients

The respondents had mixed reactions regarding the effects of e-banking on customer service to the clients of tier-1 commercial banks in Kenya are both positive and negative. On the positive side, e-banking has made it possible for customers to access banking services from anywhere in the world at any time of the day or night. This is a huge convenience for customers who may not have the time or opportunity to visit a physical bank branch during traditional banking hours. Additionally, e-banking has made it possible for banks to give a broader range of services to their customers, including online bill payment, money transfers, and account management.

On the negative side, e-banking has also caused some disruptions to traditional customer service channels. For example, if a customer's online banking account is hacked, it can be very difficult to resolve the issue through traditional customer service channels such as the bank's call centre. Additionally, e-banking has made it possible for scammers to target customers with phishing emails and other fraudulent activities. As a result, it is important for customers to be vigilant when using e-banking services and to only use trusted and secure websites. Table 4.7 indicates the results from the respondents upon which the above inferences have been made.

Table 4.2: ***Effects of E Banking on Customer Service to Customers***

Bank Client	**Use of e-banking**	**Use of internet banking**	**E-banking site and trust**	**E-banking and improvement of client banking services**	**Internet baking and flexibility**	**E-banking and speed to transact**	**e-banking and convenience**	**E-banking and output/quality**
ABSA Bank Kenya	79%	86%	75%	81%	83%	88%	94%	90%
KCB Bank Ltd	71%	69%	71%	67%	77%	81%	88%	72%
Diamond Trust Bank	82%	74%	76%	66%	76%	84%	88%	80%

Co-operative Bank of Kenya	69%	61%	66%	64%	68%	80%	85%	77%
NCBA Bank Kenya	73%	58%	68%	79%	72%	86%	90%	79%
Standard Chartered Bank	84%	83%	86%	90%	87%	97%	98%	93%
CFC Stanbic Holdings	75%	72%	68%	88%	75%	87%	91%	82%
Average	**76.1%**	**71.9%**	**72.9%**	**76.4%**	**76.9%**	**86.1%**	**90.6%**	**81.7%**

Source: Primary Data (2021)

Table 4.2 show that majority of the respondents use e-banking services of the tier-1 commercial banks in Kenya and are satisfied with them. The result found that an average of 76 % of respondents use online banking services and that satisfaction levels are high, with these users saying they are satisfied with the service. The respondents were found to use most of the popular features of online banking such as checking account balances, transferring money between accounts, and paying bills. Other popular features include viewing transaction history and setting up direct debits. The findings imply that the popularity of online banking is due to the convenience it offers users. The ability to check account balances and make transactions at any time of the day or night is seen as a major advantage by many users. The study also found that online banking is seen as more secure than traditional banking, with these respondents saying they believe it is more secure to bank online than to visit a branch.

The result shows that significant average percentages (71%) of respondents use internet banking services. This is an important finding as it highlights the growing trend of these banks' clients using online banking services. There are a number of reasons why people use internet banking. The most common reason is that it is convenient and easy to use. Customers can access their accounts anytime, anywhere.

In addition, internet banking services are usually faster and more efficient than traditional banking services. Another reason why the respondents may use internet banking is that it often saves them money. For example, many banks offer discounts and special offers to customers who use online banking services. In addition, online banking can help people avoid fees, such as ATM fees. The findings of the study suggest that internet banking is becoming increasingly popular. This is likely to continue as more people become aware of the benefits of using online banking services.

The study shows that a majority of respondents (72%) said that they found e-banking sites of tier-1 commercial banks to be trustworthy. This is a significant finding, as trust is a key factor in determining whether or not customers will use a particular service. There are a number of reasons why these customers may find e-banking sites to be trustworthy. First, most e-banking sites use strong security measures to protect customers' information. This gives customers confidence that their information will be safe if they use the site. Second, e-banking sites typically provide clear and concise information about their services. This makes it easy for customers to understand what they are getting into and helps to build trust. Finally, e-banking sites often have a good reputation. This is because they typically have a long history of providing quality service. Customers who have had positive experiences with e-banking in the past are more likely to trust new e-banking sites. Overall, the findings of this study suggest that e-banking sites are generally seen as trustworthy by these customers. This is positive news for the e-banking industry, as trust is essential for attracting and retaining customers.

The results establish that a majority of respondents (76%) feel that E- banking improves customers' performance of banking services. This is likely due to the fact that E- banking offers a number of advantages over traditional banking, such as increased convenience, 24/7 access, and lower fees. There are a few potential drawbacks to E- banking as well, such as security concerns and a lack of personal interaction. However, these concerns can be mitigated by choosing a reputable E- banking provider and taking steps to protect these clients' personal information. Overall, E- banking is a convenient and cost-effective way to manage customers' finances.

Further, the results establish that a majority of respondents (76%) find internet banking flexible to work with. This is likely due to the fact that internet banking offers a wide range of features and services that can be customized to fit the customer's needs. For example, many internet banking providers offer mobile apps that allow customers to check their balances and transactions on the go.

Additionally, many internet banking providers offer budgeting and money management tools to help customers keep track of their finances. This flexibility is likely to appeal to customers who are looking for a convenient and easy-to-use banking solution. The results show that a majority of respondents (86%) say that using e-banking facilitates them to execute their banking tasks more swiftly. This is likely due to the fact that e-banking provides customers with a convenient and efficient way to manage their finances. With e-banking, customers can access their accounts anytime and anywhere, and can easily conduct transactions such as payments and transfers. In addition, e-banking also offers a range of other features such as account management and bill payment services. Thus, it is not surprising that more and more clients are choosing to bank online. This trend is expected to continue in the future, as e-banking continues to offer customers a convenient and efficient way to manage their finances.

The results indicate that 90% of respondents consider e-banking to be a convenient way to conduct their banking operations. This is because e-banking allows the respondents to conduct their banking operations from the comfort of their own homes or offices, without having to visit a physical bank branch. Customers can also use e-banking to conduct their banking operations at any time of day or night, which is convenient for those who have busy schedules. In addition, e-banking is often more efficient than traditional banking methods, as customers can avoid queues and paperwork. The respondents believe that e-banking is more secure than traditional banking methods. This is because e-banking uses advanced security measures, such as encryption, to protect customers' personal and financial information.

In addition, e-banking customers can typically set up their own security measures, such as passwords and PIN numbers, to further protect their accounts. Overall, these findings have shown that e-banking is a popular and convenient way to conduct banking operations. E-banking is also more efficient and secure than traditional banking methods. On average, the majority of respondents (81%) who use E-banking reported an increase in the output and quality of their banking services. This is likely due to the fact that E-banking provides these customers with a more convenient and efficient way to manage their finances. With E-banking, customers can easily access their account information, transfer funds, and make payments without having to visit a physical bank branch. This saves time and allows customers to bank at their own convenience. In addition, E-banking typically offers a higher level of security than traditional banking methods, which helps to protect customers' finances.

4.4 E-banking in Identifying and Anticipating Clients' Needs

Based on the responses (table 4.8), e-banking system has been shown to be beneficial in helping to identify and anticipate customers' needs. This is due to the fact that the system provides a wealth of data that can be used to understand customer behaviour. Additionally, the e-banking system helps to create a more personalised experience for customers, which can lead to increased satisfaction and loyalty. There are a number of features of the e-banking system that help to identify and anticipate customers' needs. Firstly, the system provides detailed information on customer activity, which can be used to understand trends and behaviour. Additionally, the e-banking system allows customers to set up personalised profiles, which can help banks to understand individual needs and preferences. Additionally, the e-banking system helps banks to keep track of customer interactions, which can be used to identify potential problems and address them quickly. Overall, the e-banking system helps to identify and anticipate customers' needs in a number of ways. By providing detailed data on customer activity, creating personalised profiles and keeping track of customer interactions, banks are able to gain a better understanding of their customers and anticipate their needs. This can lead to increased satisfaction and loyalty from customers.

Table 4.3: ***E-Banking in Identifying and Anticipating Customers' Needs***

Statement	**1**	**2**	**3**	**4**	**5**
Improves general customer satisfaction	0%	0%	0%	40%	60%
Reduces transaction time for customers	0%	0%	5%	42%	58%
Reduction of customer complaints	0%	10%	0%	60%	30%
Reduction on transaction costs for customers	2%	0	13%	74%	11%

Source: Primary Data (2021)

Key *1=Strongly disagree, 2 = Disagree, 3 = Neutral 4 = Agree and 5=strongly agree*

Table 4.3 shows that the majority of respondents (60%) in the study strongly agreed that e-banking helps in identifying and anticipating clients' needs, thus improving customer service generally leads to improved customer satisfaction. This is good news for businesses, as it means that making even small changes to their customer service can have a big impact on customer satisfaction levels. There are a number of factors that can contribute to improved customer satisfaction, such as more efficient service, more knowledgeable staff, and more personalized service. By focusing on these areas, businesses can make significant strides in improving customer satisfaction. However, there is no denying that poor customer service can have a negative impact on customer satisfaction levels as customers who have a bad customer service experience will never use that company again. This is why it is so important for businesses to ensure that their customer service is up to par.

Based on the findings, 58% of the respondents strongly agreed that e-banking reduces transaction time for customers. This is a significant finding, as it highlights the potential for e-banking to improve customer service and efficiency. There are a number of reasons why e-banking may reduce transaction time for customers. First, e-banking can provide customers with 24/7 access to their accounts, which may be more convenient than traditional banking hours. Second, e-banking may offer more self-service options that allow customers to complete transactions without speaking to a teller. Finally, e-banking may allow customers to set up automatic payments and transfers, which can save time and reduce the risk of missed payments. Overall, the interview results suggest that e-banking has the potential to improve the customer experience by reducing transaction times. Banks should consider these findings when designing their e-banking services and make sure to offer features that will save customers time.

The interview findings indicate that 60% respondents agreed that e-banking helps in reducing customer complaints. They said that e-banking is more efficient and convenient, and that it helps to keep track of transactions. They also said that it is easier to resolve complaints through e-banking channels. The respondents also said that e-banking helps to reduce the chances of fraud and that it is more secure. They said that they feel more confident when they use e-banking channels to conduct their transactions. Overall, the respondents agreed that e-banking helps to reduce customer complaints. They said that it is more efficient and convenient, and that it helps to keep track of transactions. They also said that it is easier to resolve complaints through e-banking channels.

According to Table 4.3, 74% of the respondents in the study agreed that e-banking helps in reducing transaction costs for customers. This is because e-banking enables customers to perform transactions and not physically visit a physical bank branch. This means that customers can save on travel costs and time, as well as avoid queues at the bank. In addition, e-banking typically has lower fees for transactions than traditional banking, so customers can save money in the long run. Overall, the respondents felt that e-banking is a convenient and cost-effective way to bank.

4.5 Discussion of Results

Most the respondents agreed that most of the employees and customers use e-banking and was adapted to using internet. They also expressed the view that due to internet banking, most of services became easily accessible and that the daily targets were met in time. Customers found it very flexible to use e-banking and that they avoided crowding at the banking halls. On the management side, they praised the e-banking as it is believed to have improved performance not only in their specific branches and banks but also in the entire banking sector.

The findings were also presented using tables and percentages for easier interpretation. Many of the respondents agreed that banks have proper ways of dealing with its customers in case of network breakdown as communication is easier. The commercial banks have trained its staff as a form of strategy to deal with emergencies in the network to avoid inconveniencing its customers whenever they require guidance or when their network systems are not working. Customer's information and enquiries desk has been established in the Tier-1 commercial banks to respond to customers' needs as soon as the customers' queries are received.

According to the findings, e-banking strategy came out as an empowering instrument and the management commitment were indicated by the respondents as the key determining factors to employee ability to work harder and make e-banking a success as this also translates to their own personal performance on their targets. The respondents agreed that creating organizational structures that enhances openness and flexibility, encouraging personal initiatives, having mutual support at all levels, further improvement is necessary to enhance effective communication, appreciation of employees needs and expectations, allocating sometimes to discuss the mode of communication they prefer, training on and developing of employees were important factors to be considered by all the Tier-1 banks in Kenya.

Morman (1991) employee’s attitudes are affected by their perception of fairness. The commercial bank employees feel that there is fairness at all levels of management, the channels of communication are open and transparent. Holden (1997) employees like being involved in the matters directly concerning their day-to-day activities, this can be best done by good communication practices as reported by the respondents in their responses. The respondents also indicated that banks have given priority to its customers. Most respondents were agreeable to the fact the commercial banks had secured their systems that no security risk was expected at any level of e-banking operation. This was strategically possible since it acquired system experts.

The findings of this study conform to some previous studies despite some differences in findings (Nduta & Wanjira, 2019; Ayemoba, 2017; Chirchir & Oluoch, 2019). Similarly, Nduta and Wanjira (2019) concluded that automated banking involving usage of agents and telephone gadgets significantly predict happiness of customers. Using the findings, the agreement is that financial businesses heavily rely on Mobi-banking technologies to boost and improve their financial growth. In addition, the survey indicates that both internet and ATM banking have not contributed significantly to the growth of the banks. However, Ayemoba (2017) reported that customers that utilize e-banking services face a variety of challenges, as revealed by additional study. Banks have abandoned ATMs in favour of agency banking, mobile banking, and the use of internet because of many advantages including insecurity, lengthy queues, and expensive investments with small returns. Nonetheless, Chirchir and Oluoch (2019) found that usage of internet to transact negatively impacted due to its many risks although mobile and use of agents had better advantages to the customers. Consequently, banks struggle to increase their profitability while simultaneously meeting the diverse needs of their consumers using an e-banking strategy. As a result of e-reliance banking's on technological devices and innovations, the quality of financial services has declined.

According to previous studies, the proliferation of dehumanized banking operations reduces the personal touch, resulting in a drop in customer loyalty and satisfaction. Njoroge and Mugambi (2018) have also demonstrated that customer happiness corresponds with service attributes such as convenience, security, and accessibility. In a marketing environment characterized by strong technological winds of change, CRM (Customer Relationship Management) centered on advanced technology and cyberspace became essential for service firms to obtain the greatest response and generate a superior customer experience. Mosa (2022) established that that E-CRM is a significant element in differentiating the customer experience.

Commercial banks strived to harness networks systems and digital programmes as efficient means for achieving actual client intimacy and provide a terrific customer experience. Unquestionably, mobile banking greatly appeals and to many customers and has improved overall satisfaction of the customer; notwithstanding the problems involved with its use, people still favor using their gadgets to transact as the most convenient method of conducting bank businesses. Mobile banking technique is a fine innovation in the banking business and plays a crucial part of enhancing client satisfaction.

Mobile banking has increased customer satisfaction owing to customers' demands for an accurate, dependable, and systematized invoicing structure provided by the stakeholders in the industry and read their accounts. As the most convenient method for obtaining everyday necessities, customers expect mobile banking technologies to service them throughout day round the clock. Consumers always choose a bank with a higher level of convenience and service quality, and that the daily advancement in IT and mode of passing information forced clients to encounter different methods of performing banking business. It is essential to devise tactics for overcoming the intense rivalry in a corporation that has become extremely competitive. A number of financial institutions have adopted e-banking as their primary approach for gaining competitive advantages by increasing the level of client satisfaction.

Electronic banking has enhanced the ability to access financial services in comparison to conventional way of visiting the banking halls. The ease with which clients may get required information and services is referred to as Accessibility. The accessibility of traditional bank services is inferior to that of electronic banking services. Unlike traditional banking, the modern way of banking has given customers the convenience of getting bank services from where they are regardless of their geographical location. Privacy: electronic banking ensured the confidentiality of customer's details. This is because all the transaction details of the client can only be accessed by the owner using secured passwords sent to their phones from the bank., Customers' widespread use of e-banking technology is mostly due to security concerns. Unlike conventional banking, the modern Mob-banking do not use papers such us hard currency and this is more secure for both the customer and the banks. Acceptance and usage of the new e-banking technologies has enabled users to access their transactions with more speed and in a shorter amount of time than with conventional banking method. Level of client happiness and the swiftness of bank services has a strong correlation.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter summarizes the research results, draws inferences, then offers recommendations in light of the findings. According to Mugenda and Mugenda (2003), the summary recollects the aim of the research. The summary also discusses the findings of the study therefore it is paramount that this section gives a clear indication of the study. The main aim of the study was to determine the effect of e-banking strategies on customer service in Kenya's Tier-1 commercial banks. This segment of the study moreover highlights the recommendations of the research, as well as its limitations and ideas for future research.

This chapter therefore deduces from the outcome of the study, the discussions in both chapter 4 and 5. This assists to draw conclusions and to give workable recommendations in line with the research objectives. The conclusions drawn together with the recommendations given support the effectiveness of E-banking on excellent service in commercial banks. This chapter likewise discusses the limitations faced by the researcher and suggests area for additional study.

5.2 Summary

According to the data reviewed, the response rate was at 77.8%. The respondents had good experience as most of them had worked for longer periods in their banks. The study found out that the organization depended on the information to reach their employees and that technology was cited as one that has increased the information levels in the bank, the most mode of communication being electronic mails to show that the bank is committed to e-banking. It bought computers for almost all the staff and as a strategy to keep on updating the software to match the technology advancement.

Almost everything was done online, the bank created email addresses for each employee for ease of communication and customer feedback desk. It was noted that e-banking was very popular among its customers. The findings indicated that e-banking is an empowering instrument, and the management commitment is the key determining factors to employee's ability tin making e-banking a success by creating organizational structures that enhances openness and flexibility, encouraging personal initiatives, having mutual support at all levels. Morman (1991) noted that employee's attitudes are affected by their perception of fairness.

It was noted that bank employees feel that there is fairness at all levels of management if the channels of communication are transparent as employees like being involved in the matters directly concerning their day-to-day activities, this can be best done by effective communication practices.

Lastly, the banks have given priority to its customers as far as e-banking is concerned. It was noted that banks had secured their systems ensuring that no security risk was expected at any level of e-banking operation. The findings clearly demonstrated how the modernized banking has played a crucial role in ensuring the satisfaction of clients. The findings have presented a clear picture of how the consumers of the nation's largest commercial banks profit from the company's electronic banking services. Unlike conventional banking services that obligated consumers queuing in halls for hours waiting for services, automated banking has reduced the amount of time clients must wait in line for services.

The full adoption of modern technologies by the largest banks' management has enhanced the bank's capacity to satisfy client expectations and this has drastically reduced threats and risks that came with customers banking traditionally by visiting the premises. The conclusions share a strong link with the findings of a prior academic who suggested that e-banking is essential for enhancing customer happiness. Jalali and Golmohammadi (2022) did a research on the usefulness of automated banking in enhancing business processes of small and medium-sized enterprises (SMEs). The study found that automated banking performs a crucial part in facilitating regular corporate operations. The findings of Karimi and Abbasi (2017) are corroborated by data collected, that indicate that modern technologies use current technology to minimize customers' wait time and boost the speed of transactions. Conclusions from data clearly shows that introduction of new Mobi-banking methods has successfully met client expectations.

A study that was done by Ayemoba (2017), on the success of automated digital banking by analyzing the role 53 electronic banking plays in increasing the levels of gratification of customers, the best way for a company to meet the customers' expectations is to ensure that needs, demands and wishes of customers are met. The results from the field demonstrate that the main commercial banks' e-banking systems are secure and simple for users to use, hence increasing customer happiness. the conclusion from data that was collected are backed by the Technology Unified Theory of Acceptance and Technology, which claims that customers are always considering the technology's security, ease of use, and utility.

Despite the effectiveness of the e-banking technology in increasing customer satisfaction, the cost involved with the automated digital transactions discouraged many respondents. According to Nduta and Wanjira (2019), most customers prefer a human touch gotten by transacting at the branch and tend to avoid costs of transaction at the ATMs and other online platforms.

E-banking services seem to get more difficult as customers' expectations become more unpredictable, diverse, and sophisticated. This implies that, in order for banks to be vital for the future, they must continually modernize and be up to the latest technologies, which will keep them ahead of their competition. Cost was formerly seen as a major competitive priority and a critical factor in every organization's future development. In contrast, strong competition has compelled banks to seek out effective ways of distinguishing themselves in the marketplace and increase possibility of client fulfillment. According to studies, the primary integral factors of digital banking services are privacy, efficiency, and charge, which confirm the research of (Khatri, 2013).

Empirical studies show that providing customer services is an important marketing strategy because a firm's outstanding track record in terms of consumer delivering services interfaces in repetitive and correlational comparisons against its competing companies; service delivery is difficult to replicate due to conditional, strategy, and institutional knowledge and activities in the delivery of customer services; it is a holistic and yet advanced perception of activities of the Bank, however the attempt to define service delivery, as well as difficulties in implementing prevailing methods to measure such constructs to specific contexts, represent significant constraints for the banking industry in approaching their markets (Lee, 2013). Most methods employed in the service delivery to customers in the banking today rely on the comparison evaluation of expectations against the performance that is perceived, which results in the two judgements of evaluations regarded to satisfaction of the clients and the quality of the services offered.

Consumer expectations are distinctive since customer evaluations of service quality and overall satisfaction of clients impact personal constructions ahead to a transaction. Digital banking, as per Rocha (2012), is the answer to lowering costs/fees and resolving the conflict between sustainable development and managing to reach the poor. This implies that by establishing new reduced avenues for providing banking services, financial institutions may discover that clients who previously appeared to be beyond the reach of formal financial system are in reality a lucrative and appealing industry.

Overall, it can be determined from this study results that e-banking customers, satisfaction levels were found to be directly related to the quality of customer service received. In other words, the better the customer service, the more satisfied the customer was likely to be. This finding is in line with other research on customer satisfaction, which has consistently shown that good customer service is one of the key drivers of customer satisfaction. It is clear that e-banking providers need to focus on delivering enhanced superior service in order to improve customer satisfaction levels. There are a number of ways to improve customer service in e-banking, such as providing more personalized service, responding quickly to customer inquiries, and resolving problems efficiently. By implementing these and other measures, e-banking providers can be sure of customer satisfaction with their service.

5.3 Conclusion

The data analysis shows e-banking in Tier-1 commercial banks was routinely used indicating how banks were committed to electronic banking. Majority of the respondents agreed that they receive adequate information from their supervisors to deal with e-banking. Customer response was positive in all the banking services. The study concludes that some of the benefits of well channeled communication help the bank perform better and it increases participation among employees and customers. Technological advancement on the communication equipment has made it easy to manage employees. The country political stability was seen as one that has helped the commercial banks to grow under new technology.

The study concluded that e-banking as a delivery and distribution channel for Tier-1 commercial banks' customer services has reached full maturity. Internet banking is convenient, decreases bank lines, and eliminates geographical limitations. E-banking at Tier-1 commercial banks contributes to many models of cash withdrawals and cash management, and it offers consumers the interaction that encourages them to use e-banking capabilities. Even while Tier-1 commercial banks customers comprehend the meaning and functionality of e-banking security measures, they remain skeptical of the credibility of e-banking privacy rules. The Tier-1 commercial banks ensure the security of its clients by providing a privacy statement, details regarding the security of the shopping procedures, and encrypted data packets. E-banking platforms and strategies, according to Oshikoya et al., (2007), require complementary human resource, ICT competence, management integration, and inventive capabilities.

The study suggests that banking institutions should develop resources and training in productive capacity, technology capacity building, organizational structure integration, and innovation to get the most out of the strategies.

While e-banking initiatives may be costly in the short run, the research suggests that banking institutions should develop long-term holistic corporate strategy that handle the costs of the initiative. This will ensure that the connection is seamless and that the expense of e-banking does not affect other aspects of the bank's operations. As a result, instead of focusing on short-term industrial technologies, banks should aim for long-term e-banking strategies. The company's technological direction and technology framework are based on its ICT strategy-determined development service. The ICT strategy supports the organization's strategic objectives, which include the creation of new and enhanced product and service capabilities. The banks’ substantial expenditures in complex ICT systems have boosted its effectiveness in erecting market entry barriers, and it is also utilized to cut the cost of doing business by lowering transaction costs for both suppliers and customers.

E-banking has meant that Tier-1 commercial banks policymakers are attentive to the escalating need for ICT skills and are continually taking corrective measures to prepare the necessary quantities and quality in advance. The Tier-1 commercial banks ' e-banking strategy also emphasizes becoming the lowest-cost manufacturer on the market. The banks place an emphasis on hiring highly experienced personnel in online banking, developing and enhancing current products, and investing in organizational learning.

The conclusion is that the Tier-1 commercial banks electronic banking systems facilitate access to banking services, resulting in greater customer satisfaction and retention. E-banking at these banks has decreased the processing time for loans since the loan processing authority and loan approval authority see loan applications concurrently. Tele-banking (telephone banking) has made it possible for the banks’ customers to contact the bank with instructions to pay specific invoices or transfer monies across accounts. The ATM services have substantially enhanced productivity during banking hours and are a cost-effective means of attaining more output per period. The study has successfully demonstrated that e-banking technology has a beneficial effect on mobile banking uptake. Conclusions from the research indicate that all financial organizations must invest in e-banking as the most effective technique for increasing client happiness.

This study reveals that e-banking has met consumer expectations by ensuring service accessibility in locations that do not have physical branches. Notwithstanding the efficacy of e-banking in satisfying consumer expectations, the study was able to demonstrate that the usage of e-banking techniques in nations that are still in development continues to face a myriad of obstacles that must be adequately addressed. According to the survey, e-banking is plagued by security risks such as hackers and fraud. In addition, the majority of clients still using the old-style banking and visits banking halls for transactions find the rise of technologies and usage to be difficult and expensive.

5.4 Recommendation and Implications of the Study

Investors should spend greater resources to the creation of a sound internet banking platform high-bandwidth internet or fiber-optic internet connections, to enable wider adoption of e-banking services in Kenya, from urban to rural areas. Structured, accessible e-banking services powered by a reliable internet connection, similar to M-Pesa's in reaching even rural populations, will accelerate this process. On the regulatory side, CBK being the sole regulator that enforces banking policy, broaden the scope of e-banking strategies so that creativity and innovation and that the financial industry is not left out of these tactics, since the study proves that generally, e-banking policies improves efficiency. The Companies Act, the Banking Act, and the Central Bank of Kenya Act (2012) should all be evaluated in light of the modern, highly techno logicalized finance system, so that banks can design various products and ideas to assist them perform well.

The survey proposes to commercial bank executives to spend more resources in e-banking infrastructure, such as Automated Teller Machines, in regions where customers can easily access them and service delivery channels such calling their branches for services, sending text messages through WhatsApp, empowering their agents to be fully operational and the use of merchants to do their transactions.

According to Bass Model of Diffusion theory, the general media and person to person communication influences. The adoption of all e-banking services was influenced by customer awareness and attitude, and that the general mass media played a significant role in customer training and awareness creation, as opposed to formal or word-of-mouth trainings. Mass media has the upper hand when it comes to influencing the usage and widespread adoption of e-banking services. Technology's user-friendliness has inspired users to adopt it for day-to-day transactions.

The simplicity of use has also affected customers' perceptions of the system's dependability, availability, adoption, and utility. Businesses must adopt strategies that impact the will tilt all the structures to favor them in order to succeed in an industry where the chase for customer is key. This helps firms acquire and maintain more customers as they meet their demands. This study confirms that management of organizations should seriously consider adopting the Bass Model of Diffusion theory by implementing their plans in agreement with the industry growth plans, investments in people, and by investing in certain strategies that enables their firms to attain competitive edge than their rivals to satisfy customer demands. E-banking techniques in financial firms are unique to individual banks. They increase a bank's competitive edge, allowing it to function at a higher level than its competitors. This means that banks should aim at improving the quality of work, deliver their services effectively and to continuously invest in modern technologies to effectively satisfying their customers.

Unified Theory of Acceptance and Technology, being the major pillar of their research, adoption of information technology generated a number of characteristics that were utilized to forecast the outcome. In order to create the final model for their research, several old ideas of adoption of information technology have been incorporated. In the original UTAT model, they then analyzed the four key parts of the purpose and the practice, as well as the four regulating factors that served as the primary interactions. However, not only does service quality have a substantial link on how clients are satisfied and happy with Mobi-banking, but dependability is also the aspect of service quality that has the greatest impact on gratification of clients. This thought is supported by previous research (Venkatesh *et al,* 2003), where the excellence of the service offered is considerable and is indicated by the gratification of customers.

From the conclusions of the study in Lebanese banks, there are four autonomous factors that when linked to the value and quality of Mobi-banking services, they create a huge influence and impression on the satisfaction of the bank customers. These factors are the simplicity of use and efficiency of the system, how dependable the system is, confidentiality customers' information together with security of their resources, communication and how the system is responsive. The effectiveness and usability of a service are crucial components of its quality. Utilizing a bank's electronic services enables consumers to complete transactions in a cost-effective manner, which saves them money and transaction time.

Reliability is a key aspect of service quality that creates a substantial effect on the satisfaction of customers with Mobi-banking technologies. This validates the claim on this issue, as users must be able to rely on a consistent E-Banking service delivery. On the other hand, despite the fact that the dimension of confidentiality of information, how the system is secure, and customer's privacy had a huge statistically significant effect on satisfaction and happiness of the customers, this substantiates the previous studies. The influence of Reliability seems to be less that the influence of the facets of service quality has.

The factor of responsiveness and how the system communicates to its clients have an advantageous and significant role in happiness and gratification of the customers. Timely response and good communication, which might be crucial for consumers experiencing problems when transacting using online platforms, is seen to negatively affect customer's happiness with the service. With reference to the study's findings, the following areas are proposed for improvement in terms of policy implications for the purpose of advancing e-banking technology and ensuring consumer happiness.

i. Advancement of technological telecommunications: All participants and stakeholders involved in the digital banking process including telecommunication service providers, engineers and the team that supply and distribute electronic devices, are urged to upgrade and improve their systems. The cyberspace suppliers must expand their internet coverage in order to enhance the network employed in e-banking technologies.

ii. Investment in security of systems and technologies: In order to ensure the safety of the transactions and eliminate the possibility of hackers and fraud that may lead to lose of customers funds and bank's reputational loses, all institutions in the financial sector have been urged to invest in secure systems and do regular updates and servicing to ensure the systems are secure for use by customers.

iii. Minimizing and reducing both transaction costs and banking tariffs: Even though Mobi-banking technologies are very beneficial to the customers, it has been noted that customers with low incomes are not able to use as they consider it to be expensive. Banks are therefore encouraged to reduce the costs of transactions and waive other charges for its customers. This will encourage full adoption of the process.

5.5 Limitation of the Study

There were several factors that were presented as challenges to the study. First limitation was time, inadequate time made the depth and scope of the research limited. The researcher needed time to physically visit the institutions and request them for the research information. The researcher thereafter was required to collect the filled interview guides. Some respondents took their time to fill them, and the researcher had to visit the branches several times. Lack of resources such as funds was also a major factor such as transport on several occasions to the branches to drop and pick the interview guides as the study targeted a larger population.

Some of the employees did not cooperate at all in providing information for the study and completion of these of interview guides. In fact, there are respondents who were not able to provide any information required for the study. Another challenge was the reluctance by bank staff to share the information or even stamp the interview guides to evidence the data collection. They felt that information collected may be used against them. The researcher took a lot of time to convince the management to allow their staff to provide information.

Covid-19 was also a big hindrance in the aspect of collecting the data. The government of Kenya through the Ministry of Health urged its citizens to avoid sharing of papers as this was one of the ways Covid-19 was being spread from person to person. Banks adopted the directive and discouraged its customers from using papers and instead opt for mobile banking and other online platforms available for use. Exchanging papers, in this case interview guides was a challenge. Most of bank employees were also working in teams in shifts. This meant that while one team was working, the members for the other team were working from home to avoid and reduce the spread of Covid-19. The few that were present were very busy, and the researcher had to drop the interview guides to be filled and picked them later.

5.6 Area for Further Research

This study raises many questions which should be highlighted further in future research. This study looked at the effects of e-banking and customer service in the Tier-1 commercial banks in Kenya. Although there have been previous studies on efficiency of the use of internet to do financial activities against how the institutions have performed financially vis a vie the use of the modern technologies, this id a broad topic that needs a lot of more research and study.

It is very clear from this study that there is still a great need for research to be carried out in larger area involving Mobi-banking in the banking establishments. More research should also be done on the effects of e-banking on customer service in small banks in Kenya. Effectively assessing the impact of e-banking on the level of customer happiness, the study demonstrates both the problems involved with Mobi-banking technique as well as the advantages of employing use of gadget technology to boost customer satisfaction. Therefore, the researcher suggests conducting study in the following topics.

The legal elements of e-banking: The researcher suggests that other researchers investigate the efficacy of regulatory authorities in monitoring and assessing the success of e-banking in Kenya.

Elements defining the success of e-banking adoption: The researcher suggests that other academics should conduct a research on the factors that influences the efficacy of e-banking in order to provide the most effective means by which e-banking will be enhanced in Kenya.

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APPENDICES

Appendix A: Introduction Letter

DATE…………………………………………………...

The Respondent

<u>RE: REQUEST FOR YOUR PARTICIPATION IN RESEARCH WORK</u>

I am a postgraduate student in the School of Business, University of Nairobi pursuing Master of Business Administration. As part of the course, I am required to write and present a Project Paper in an area of interest. My Research Project focuses on e- banking strategy and customer service in Tier-1 commercial banks in Kenya.

I believe you can provide valuable information. I would appreciate if you could spare some time to interview you.

Please be assured that the information you will provide is strictly for academic purposes and I shall avail the organization a copy of the results once the study in complete.

Yours Faithfully,

CHEPNGENO CHUMO

APPENDIX B: Interview Guide.

This Interview guide aims at collecting data about the effects of e-banking on customer service in Tier-1 Commercial banks of Kenya. The results of this study will be used by stakeholders to improve customer service using various e-banking channels. Kindly fill in accurate and honest answers by marking inside the bracket as indicated (√)

E- Banking and customer service in Tier-1 commercial banks in Kenya

		YES	NO
A	I personally use e – banking		
B	I like to use internet banking		
C	I trust the e- banking site		
D	The e- banking site is trustworthy		
E	E- banking improves my performance of banking services		
F	Customers find internet banking flexible to work with		
G	Using e-banking facilitates me to execute my banking tasks more swiftly.		
H	I consider e-banking to be a convenient way to conduct my banking operations.		
I	Customers using E-banking have increased the output and quality of their banking services.		

1. How has e- banking improved customer satisfaction in your bank?

2. What trainings have your bank trained employees on their e-banking products and services?

3. What percentage of your total customer base has been enrolled in e- banking services?

4. Which banking services are available through the e-banking platform to customers?

5. Have your customers been educated on the latest e-banking technology products?

6. Is your bank updating its web site to become an information centre on e- banking service?

7. What features does your bank's mobile applications offer to the customers?

8. What security measures has your employer used to enhance safety and security of e- banking services to enable safety of customer's transactions and information?

9. Has e-banking reduced the number of customers transacting at the banking hall?

10. What complaints do you receive from customers who are using your e-banking services to transact?

11. Is e-banking open to all your customers?

12. Does your e-banking products and services have the customers' interest in mind?

13. If yes, how?

14. Does the e-banking system help to identify and anticipate customers' needs?

Indicate the level on concurrence with below statements on the effects of e-banking on customer service using a scale of 1-5 where 1=no agreement and 5=strongly agree

Statement	**1**	**2**	**3**	**4**	**5**
Improves general customer satisfaction					
Reduces transaction time for customers					
Reduction of customer complaints					
Reduction on transaction costs for customers					

Thank you for participating.

APPENDIX C: List of Tier-1 Commercial Banks in Kenya

1. ABSA Bank Kenya
2. CFC Stanbic Holdings
3. Co-operative Bank of Kenya
4. Diamond Trust Bank
5. Equity Bank
6. Kenya Commercial Bank Ltd
7. National Bank of Kenya
8. NCBA Bank Kenya
9. Standard Chartered Kenya

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