STRATEGY IMPLEMENTATION CHALLENGES OF MOBILE BANKING IN COMMERCIAL BANKS IN KENYA

BY

SALOME NYACHAE ABUGA

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION,

SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.

NOVEMBER, 2013

DECLARATION

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

Signed ………………………… Date ………………………….

Salome N Abuga

D61/63482/2010

This project has been submitted for examination with my approval as university supervisor.

Signed …………………………. Date ……………………………

Prof. Martin Ogutu

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

This paper is dedicated my dear parents for setting a strong foundation for my education and to my Son Wesley and siblings, Bernard, Simon, Claire, David and James, for their love and support.

ACKNOWLEDGEMENT

My pursuit for the MBA degree would not have been possible without the encouragement, support and assistance of a number of people. Whereas I cannot mention everyone by name, I feel extremely grateful to so many people. I would like to thank my supervisor for his patience and dedication in guiding me. I would also like to thank my family for their moral support during the entire duration of the course. Finally, I also extend my gratitude to Tim for his continuous encouragement and support.

ABSTRACT

The introduction of mobile money transfer services in Kenya had a great impact on the way in which Commercial Banks in Kenya conduct their day to day business. This state of affairs compelled the researcher to conduct this study on the strategy implementation challenges of mobile banking in commercial banks in Kenya. The data was collected from senior IT staffs of Commercial Banks in Kenya. The researcher used an interview guide to collect data from the respondents. The interview guide had different questions covering the demographic details of Commercial Banks IT, the general information on mobile money transfer services in the banking industry in Kenya and specific information covering the implementation challenges of mobile banking in commercial banks in Kenya. The findings of the study indicate that responses included improvement in IT management, thorough research on the customer needs and development of products to match such needs to achieve customer expectation and also attract new customers. The most talked about challenge was the customers' literacy levels. The banks have also adopted a marketing system to reach its' clients alongside the use of modern information and technology system. Based on the findings it may be recommended that commercial banks streamline transfer service charges and packaging of the mobile banking product to match the one charged by mobile service providers especially M-pesa so as to remain relevant in the sector.

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ABBREVIATIONS AND ACRONYMS

ATM	**:**	Automated Teller Machine
CBK	**:**	Central Bank of Kenya
CCK	**:**	Communications Commission of Kenya
DFID	**:**	Department for International Development
FIs	**:**	Financial Institutions
FSD	**:**	Financial Sector Deepening
ICT	**:**	Information Communication Technology
IT	**:**	Information Technology
MIS	**;**	Management Information System
MNOs	**:**	Mobile Network Operators
SMS		Short Message Service

CHAPTER ONE

INTRODUCTION

1.1Background to the study

Financial services industry over time has opened up to historic transformation termed as e-developments which is advancing rapidly in all areas of financial intermediation and financial markets such as e-finance, e-money, e-banking,e-brokering, e-insurance, e-exchanges, and even e-supervision (Auta, 2010). According to Auta (2010), information technology (IT) is turning into the most important factor in the future development of banking, influencing banks' marketing and business strategies.

The introduction of information technology into bank markets dates back to 1846 when the telegraph reduced stock price differentials between New York and regional stock markets (Garbade& Silber, 1978, p. 823). The second wave of IT innovation in retail finance begun in the late 1950s and lasted up to the late 1960s. Banks introduced computers to keep up with growth in business volume while, at the same time, solve very specific problems and automate existing practices of specific departments (Seeger, Lorsch, Jay, Gibson & Cyrus, 1974). Auta (2010) asserts that the evolution of banking technology has been driven by changes in economic environment which include among others innovations in information technology, innovations in financial products, liberalization and consolidation of financial markets and deregulation of financial inter-mediation.

This study was anchored on the reasoned action theory developed by Fishbein and Ajzen (1975). This theory was used perhaps to explain the human behaviors toward the service provision through technology (Puschel and Mazzon, 2010). According to their theory, behavioral intention (use technology), was explained by people's attitudes toward that behavior and subjective norms. People's attitude toward a behavior includes behavioral beliefs; assess the consequences of behavior, subjective norms, normative beliefs and motivations that must be answered (Riivari, 2005). This theory, as long as the behavior was voluntarily controlled by the individual, can accurately explain the factors influencing technology adoption (Laukkanen and Cruz, 2009).

According to Financial Sector Deepening Kenya (2008), the most recent data available indicates that only 19% of adult Kenyans reported having access to a formal, regulated financial institution. This leaves more than 80% outside the bracket of the reach of mainstream banking. This is largely because more than half of the people in Kenya live in rural areas where banking services are often non-existent and their earnings are paltry. Recent indication of growth in incomes in Kenya however is already pushing up demand for banking services. Initially, the banking industry in Kenya responded to this growing demand for banking services by opening up new bank branches at the grass roots closer to their potential customers. However, with the continuously emerging wave of information driven economy, banks are swiftly resorting to the mobile phones technology as the channel of choice for the provision of financial services (Njenga, 2009). This is due to the widespread adoption of mobile phones even in low income regions of Kenya. Indeed over the last two years, several banks in Kenya have embraced mobile banking technologies, enabling customers to access their bank accounts via their mobile phones.

1.1.1 Mobile banking

The use of electronic banking technologies (e-banking) such as Automated Teller Machines (ATMs), Tele-banking, home banking and internet banking, in the delivery of banking products and services has increasingly become an essential aspect of contemporary banking systems (Mols, 1998), because banking services are informational (Bradley and Stewart, 2002) and can be easily automated and digitized (Porter and Millar, 1985). Most banks consider the adoption of e-banking technology as a means to improve efficiency and performance, and service quality (Robinson, 2000).

The term e-banking is relatively new (Moenaert and Lievens, 2000), and several definitions have been cited in the literature. Nevertheless, the majority of banking technology researchers and practitioners agree that the concept of e-banking refers to the system that enables banks to offer their customers access to their accounts to transact business and obtain information via electronic communication channels; these channels can include Automated Teller Machines (ATMs), tele-banking, home banking and internet banking (Turban, 1999).

1.1.2 Strategy Implementation

The discipline of getting things done is what differentiates companies that succeed from those that just muddle through or fail (Bossidy and Charan, 2006). The global recession and financial crisis took tremendous toll on business, consumers and governments. There was huge loss of confidence. Strategies and business models that once worked well no longer do so. In this regard, leaders must conceive the path forward despite the turbulence in the business environments created by the dynamism in the world economy. In many companies, the management team, are full of ideas. They come up with all sorts of potential strategies for it, strategies that would make their organizations competitive and profitable. These ideas sound great, but before they are implemented they cannot make any type of substantive difference in revenue or profits.

Strategy execution is what drives the organization along a conceived path to allow organizations seize and fully exploit the opportunities manifesting in the market place. According to Chetty (2010), the ability to execute strategy is more than even the quality of the strategy itself. According to Neilson, Martin and Powers (2008), well formulated strategies, can only put an organization on a competitive map but only solid execution can keep it there. In their survey it was revealed that three out of five of companies rated weak strategy execution in their specific organizations. Martin (2010) argues that the real value of a strategy can well be seen through execution. In the same regard, Kaplan and Norton, (2001), further state that, the ability to execute a strategy is more important than even the strategy itself. This is merely because if a strategy, however good it is if not well executed then its quality is meaningless to the organization.

Despite the experience of many organizations, it is possible to turn strategies and plans into individual actions, necessary to produce a great business performance. But it is not easy. Many companies repeatedly fail to truly motivate their people to work with enthusiasm, all together, towards the corporate aims. Most companies and organizations know their businesses, and the strategies required for success. However many corporations especially large ones struggle to translate the theory into action plans that will enable the strategy to be successfully implemented and sustained. As with all new strategies, the chances for failure are high. If you want your product to grow and succeed, you must learn how to make strategies and ideas a reality (Martin, 2010).

1.1.3 Commercial banks in Kenya

Kenya currently has 43 licensed commercial banks and one mortgage finance company. Of these 44 institutions, 31 are locally owned and 13 are foreign owned. Citibank, Habib Bank and Barclays Bank are among the foreign-owned financial institutions in Kenya. The government of Kenya has a substantial stake in three of Kenya's commercial banks. The remaining local commercial banks are largely family owned. Commercial banks in Kenya accept deposits from individuals and turn a profit by using the deposits to offer loans to businesses with a high interest rate (CBK, 2009).

Kenya’s commercial banking sector comprises of 3 public, 28 local (private), 11 foreign (private) and 2 Islamic (private) as at 31st Dec.2009. The sector was not affected by the first round effects of recent financial global crisis (U.S.A credit crisis), as it had no exposure to the toxic assets at the heart of the crisis (CBK, 2009). However, threats to the sector continued to be posed by the lag effects of the crisis as it spread from the centre, (CBK, Kenya Bankers Association and Reuters, 2009).

Facilities offered by Kenya Commercial Banks include the following: Money telegraphic transfer by mail, standing order payments, foreign exchange transactions services, issue of traveler’s cheques, discounting of bills of exchange and promissory notes, providing documentary credit to overseas trade, providing credit status information to customers, offering share brokerage services i.e. buying and selling of shares and stock on behalf of their customers, operation of safe deposits, operation of trust departments, dealing with confidential share purchases, offering business advisory services, acceptance of various deposits like fixed and regular deposits and providing loans and advances (http://www.kenyaplex.com).

1.2 Research Problem

To survive in today's business environment, a company's management team must be able to react to changes in the external and internal environment. By understanding their environments, they can locate and correct problems before they become crippling to them and finally lead to the death of the company. This is why Porter (1980) states that strategy is a concept of competition. He further explains that the competition may be as a result of five forces namely: threat of substitute products, bargaining power of buyers, bargaining power of suppliers, threat of new entrants and finally the competitive reactions from competitors in the market. It is imperative that an organization does not ignore its environment while formulating its strategies since this may lead the death of the organization. The core reason for the existence of most companies is the maximization of revenues earned and banks are no exception.

Competition in banking has never been fiercer (McDaniel and Gitman, 2008). Mobile money transfer service is a technological advancement that has brought about great changes in the way in which people do business in Kenya. As a result many banks have experienced the need to respond since the use of mobile money transfer services eats directly into their revenues. Mobile money transfer service has provided Kenya's unbanked population with the option of reduced costs as well as convenience which was not provided by the various banking institutions in the country.Literature on mediating factors influencing the relationship between IT resources and strategic competitiveness included issues on effective management of IT resources.

In studying competitiveness, Ross et al. (1996), commented that in a business environment with a fast-evolving nature and technology-based operations, the challenge is not deciding upon the right technology; it is more on how to effectively address changes in organizational roles, structures, and processes on adopting a new IT, to eventually enhance organizations' competitiveness. The adoption of mobile technology does not follow a single universal pattern. It can be ascribed to differences in mobile telecommunication infrastructure, types of services on offer, marketing strategies and the culture of the consumers (Harris *et al.,* 2005).

Previous studies on mobile telephony and banking by DFID (2006) focused on motivating factors to branchless banking, Koivu (2002) has focused on banking modernization through telephony while FSD (2007) in its report recommends the adoption of mobile banking in order to bring in the 80% of Kenyans outside the mainstream banking into the industries. Machio (2010) discussed the effect of mobile banking on selected macroeconomic factors in Kenya. Machio's study on mobile banking came to the conclusion was that there was no direct relationship between effect of mobile banking and selected macroeconomic factors. However, these studies have not focused on strategy implementation challenges of mobile banking facing commercial banks. Hence, this study seeks to address the question; what are the challenges faced by commercial banks in Kenya in implementing the mobile banking strategy?

1.3 Research Objectives

The study was guided by the following objectives:

i. To determine the challenges faced by commercial banks in Kenya in the implementation of mobile banking strategy.
ii. To establish how commercial banks were dealing with strategy implementation challenges of mobile banking.

1.4 Value of the Study

The findings of this will be important in highlighting the technological challenges around the use of efficient software, the higher cost of purchasing the software, the barriers that hinder inter-bank transaction through the national switch system that enhance fast mobile-trading. These findings will be important in designing the strategies by commercial banks and mobile operators to overcome the service provision-barriers in terms of policy frameworks.

The findings of this study will add to the literature on mobile banking and its challenges that will be of value to scholars interested in modernization of banking services through mobile telephony in Kenya. The big challenge that IT manager may encounter in the field of mobile banking is customers' attitude and adoption of this technology among them To Study the determinants of "mobile banking adoption" results in better understanding about beliefs and attitudes that direct potential customers to use new technologies. Depending on the type of users' attitude, it is possible to create conditions in which the adoption of mobile banking among customers can be expedited.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This section presents a review of literature on mobile banking implementation challenges experienced by commercial banks. The review has been carried out across the following topics: The theoretical foundation of strategy implementation, the process, factors and challenges of strategy implementation. This chapter will also review how to deal with challenges of strategy implementation,

2.2 Theoretical Foundation

The study was guided by Reasoned Action Theory founded by Fishbein and Ajzen (1975). This theory was used perhaps used to explain the human behaviors toward the service provision through technology (Puschel and Mazzon, 2010). According to their theory, behavioral intention (use technology), is explained by people's attitudes toward that behavior and subjective norms. People's attitude toward a behavior includes behavioral beliefs; assess the consequences of behavior, subjective norms, normative beliefs and motivations that must be answered (Riivari, 2005). This theory, as long as the behavior is voluntarily controlled by the individual, can accurately explain the factors influencing technology adoption (Laukkanen and Cruz, 2009).

Behavioral intention measures a person's relative strength of intention to perform a behavior. Attitude consists of beliefs about the consequences of performing the behavior multiplied by his or her evaluation of these consequences (Fishbein &Ajzen, 1975). Subjective norm is seen as a combination of perceived expectations from relevant individuals or groups along with intentions to comply with these expectations. In other words, "the person's perception that most people who are important to him or her think he should or should not perform the behavior in question" (Fishbein &Ajzen, 1975).

Sheppard et al. (1988) suggest "that more than half of the research to date that has utilized the model has investigated activities for which the model was not originally intended" (p. 338). Their expectation was that the model would not fare well in such situations. However, they found the model "performed extremely well in the prediction of goals and in the prediction of activities involving an explicit choice among alternatives." Thus, Sheppard et al. (1988) concluded that the model "has strong predictive utility, even when utilized to investigate situations and activities that do not fall within the boundary conditions originally specified for the model. That is not to say, however, that further modifications and refinements are unnecessary, especially when the model is extended to goal and choice domains" (p. 338).

Factors such as perceived usefulness, perceived ease of use, credibility, self-efficacy and financial cost, facilitating conditions and demographic characteristics have been recognized as influences (Luarn and Lin, 2005; Crabbe et al., 2009 cited in Zhou *et al.*, 2010). User adoption is one of the key requirements for realizing technology value and utilization (Min *et al.*, 2008).

2.3 Strategy Implementation process

Successful strategy execution requires a combination of various aspects. According to Chetty (2010) the six factors that need to be considered in order for an organization to successfully implement its strategy include: obtaining top executive commitment, generating engagement at all levels, communicating a clear tangible strategy, cascading accountabilities, selecting the best people to drive key initiatives, and the ability to monitor and tract progress. All six dimensions must be managed comprehensibly to align them with the firm's strategic choices.

Qi (2005) puts forward seven factors for successful strategy execution namely adequate feedback systems, sufficient resources, good leadership and direction skills, motivation for all involved staff, communication and coordination, an appropriate company structure, an appropriate company culture. Brenes, et al., (2007) points out five key dimensions of successful execution of business strategy. These five dimensions are the strategy formulation process, systematic execution, implementation control and follow-up, CEO's leadership and suitable, motivated management and employees, and, finally, corporate governance (board and shareholders).

2.4 Factors in Strategy Implementation

The introduction of new technology is bound to cause a disturbance within organizations and to individuals within those organizations as older technologies and systems are displaced by new ones. The successful implementation/adoption of any new technology is principally determined by organizational users' attitudes: employees and managers build up an attitude and feeling about the new technology, and that feeling could direct them to the adoption or rejection of the proposed technology. Attitude can be a very powerful enabler or a barrier towards the adoption of the new technology. Ajzen and Fishbein (1980) defines the term 'attitude' as a complex conundrum of feelings, desires and fears that create a state of readiness to act within a person.

Understanding users' attitude towards the adoption of new technologies has proved to be one of the most challenging issues in technology adoption literature. However, factors such as innovation characteristics (e.g. perceived usefulness and ease of use, compatibility, reliability, security), organizational and managerial characteristics (e.g., leadership characteristics, fear of loss of autonomy, fear of security breach), and facilitating conditions (e.g. availability of government support and availability of top management support) have been found as the key influential factors affecting users' attitude towards adopting the proposed technological system. Targeted users may reject the new technologies for several reasons. Absence of user involvement, lack of an understanding, technical difficulties, lack of training, and insufficient support from top management and perceived complexity, are considered as the main causes of user resistance. Moreover, users may reject some technologies because technologies are not compatible with their values, beliefs, and past experiences (Fichman and Kemerer, 1999).

2.5 Challenges of Strategy Implementation

In a study of strategy execution obstacles DeLisi (2001) examined "the six strategy killers" of strategy execution, as pinpointed by Bear and Eisenstat (2000). He established that indeed four of those factors were particularly involved in hampering or rather hindering strategy execution. Specifically these factors are: lack of effectiveness from senior management, secondly is the top-down or laissez-faire senior management style, thirdly is the lack of clear strategies as well as conflicting priorities and finally was the lack of coordination across functional boundaries.

Moreover, DeLisi also established that other than the four factors mentioned there are other potential reasons that can result into failure of the strategy execution process, these are: the lack of knowledge of strategy and the strategy process; the lack of commitment to the strategic plan; the lack of effective communication regarding the strategic plan and the lack of reward structures for people involved in the strategy execution process. Also issues like the aspect of inability of people to relate the strategy to their work; lack of accountability from those responsible in execution; Little attention paid by senior management to the strategic plan; little consideration to reinforce, which include culture, structure, processes, IT systems, management systems as well as human resource systems, as such they act as inhibitors; people being driven by short-term results.

The current study summed up these actors into three of namely; operations, strategy and people, in a bid to establish the strategy execution processes among multinational companies in Kenya. The three factors included in the current study are, unclear strategies, lack of coordination across functional boundaries as well as the management style. The current study seeks to establish how the interaction of these three aspects brings about successful strategy execution.

2.6 Dealing with Challenges of Strategy Implementation

Empirical support for the relationship between usefulness and attitude has been provided by a number of studies (Adams, Nelson and Todd, 1992; Mathieson, 1991). Although these studies have been limited to job-related contexts where few information system alternatives are available, perceived usefulness attributes, such as convenience, intuitively apply to the competitive e- service context. This view has been supported by the marketing literature findings that convenience, saving time and money, being in control and avoiding interpersonal interaction are some of the benefits that customers seek in self-service technology (Reardon & McCorckle, 2002; Meuter, Ostrom, Roundtree & Bitner, 2000; Dabholkar, 1996). This relationship has also been recently observed in the context of e-service use. (Gefen, Karahana& Straub, 2003 and Chen, Gillenson & Sherrell, 2002)

Some studies found strong support for perceived usefulness during post-acceptance stages (Gefen et al., 2003) while other studies offered only mild support (Bhattacherjee, 2001; Bhattacherjee, 2001). This paper expects a positive association between the user beliefs about the usefulness of M-banking services and their continuance intentions. Aspects of m-banking services that influence customers' perception of the usefulness of the m-banking product include the matching between the m-banking product and the customer need, pricing and reliability of the product with respect to informal channels (Indrani et al., 2009).

Multiple channels of communication should be used to promote the adoption of an innovation. Never expect one report, one presentation, one telephone call or one conference to accomplish everything. Successful programs need to be carefully conceived and carried out. Human contacts are critical ingredients, and need to be used along with good written and visual materials. These materials are useless without an understanding of the needs, limitations and problems of the user. Change agents can bring innovation for the user by examining their preconceived notions about the way things should be done. Personnel have to be receptive to change themselves, they have to be able to evaluate new ideas objectively and see their users --not as they have been --but as they might be.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a discussion of the research methodology that will be used in this study. It discusses the research design especially with respect to the choice of the design. It also discusses the population of study, sample and sampling techniques, data collection methods as well as data analysis and data presentation methods employed in the study.

3.2 Research Design

The research was descriptive surveys design that was seeking to investigate the challenges in mobile banking implementation which was a new phenomenon in the Kenyan banking sector. Descriptive research involved gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection (Glass & Hopkins, 1984).

The research design had been chosen because of its suitability for the phenomenon not sufficiently known, the purpose being to provide explanations and comprehension of such little understood phenomenon. Previous studies by Ayo et al (2007), on M-commerce implementation, Njenga (2008) on mobile phone banking and CBK (2008) on bank charges and lending rates have employed survey design in their approaches, thus, forming grounding for the success of this design in this study.Quantitative data was collected through survey while qualitative data was collected through key informant interviews.

3.3 Population of study

According to Cooper and Schindler (2000), a population is the total collection of elements about which we wished to make inferences. The target population in the study was both management and non- management staff of the 43 commercial banks in Kenya and are based in Nairobi. It was easier to carry out the research from a sample rather than from the entire organization due to the logistical aspects of large organizations. A census survey was done on all the commercial banks operating in Nairobi..

3.4 Data Collection

Primary data was collected. This was because it involved direct communication with respondents through a questionnaire. A questionnaire is simply a ‘tool’ for collecting and recording information about a particular issue of interest. It was mainly made up of a list of questions, but should also include clear instructions and space for answers or administrative details. Questionnaires were distributed amongst the 43 respondents from all the banks in this study.

The questionnaire captured in section A: the demographic information of the respondents, in section B: the challenges of strategy implementation in mobile banking and in section C: how commercial banks are dealing with the implementation challenges in m-banking. A self-administered questionnaire (appendix, 1) was used in collecting data.

In this study, the banks’ e-banking personnel were to be the main respondent. Information on the mobile banking services offered, the level of adoption of the service, volume of mobile transactions, security of the application, the set up requirements among the information sought; and the bank-and consumer based challenges facing the mobile banking services. The respondent were important in highlighting the software constraints experienced at the provider and consumer ends, the interbank transfer constraints, the operational costs and the various consumer attitudes that hinder the effectiveness of M-banking. A key informant interview guide (Appendix, 2) was used to collect data.

Secondary data was used in forming the background of this study. A longitudinal approach to study the 3 years trends of mobile banking content analysis was reviewed. Census of all registered 44 operational commercial banks in Kenya as per Central Bank of Kenya (CBK) record for the study period 2005-2009. Secondary sources were used to form the discussion of the findings of this study.

3.5Data analysis

This study used the quantitative method of data analysis. Data was coded and cleaned after fieldwork. To ensure easy analysis, the questionnaires were coded according to each variable of the study to ensure the margin of error was minimized to ensure accuracy during analysis. The quantitative analysis was applied using descriptive statistics.

According to Denscombe (1998) descriptive statistics involves a process of transforming a mass of raw data into tables, charts, with frequency distribution and percentages which are a vital part of making sense of the data. Data was analyzed using statistical software in the name of Statistical Package for Social Sciences (SPSS) program and Excel to compute descriptive statistics for the collected set of data and interpret results which were then presented using tables and bar charts to give a clear picture of the research findings at a glance.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSIONS

4.1 Introduction

This chapter presents the results and findings of the study on the research questions with regards to the data collected from the respondents. The respondents targeted in the study were employees of the 42 licensed banks. A total of 40 responded which is indeed 95 percent of the sample size.

4.2 Background Information

The background information has indeed been considered meaningful by the researcher, this is because of the role it plays in enabling the understanding of the logic of the responses given by the respondents of each respective bank.

4.2.1 Type of Institution

Table 4.1 provides a summary of the respondents who were engaged in the survey on the basis of the type of institution they were working for.

Table 4.1: Type of Institution

Type of Banking Institutions	**DISTRIBUTION**	
	Frequency	**Percentage**
Publicly Owned Bank	**20**	**50**
Privately Owned Bank	**10**	**25**
Foreign	**5**	**12.5**
Islamic	**5**	**12.5**
Total	**40**	**100**

Source: Survey Data, 2013

The results of the study show that indeed 50 percent of the total respondents were from the publicly owned banks, while the remaining 50 percent were from the privately owned banks, foreign as well as Islamic banks.

4.2.2 Branch Network All Over Kenya

The study sought to find out if the banks under survey had branches all over Kenya. The results of the respondents view in this matter are shown in figure 4.1.

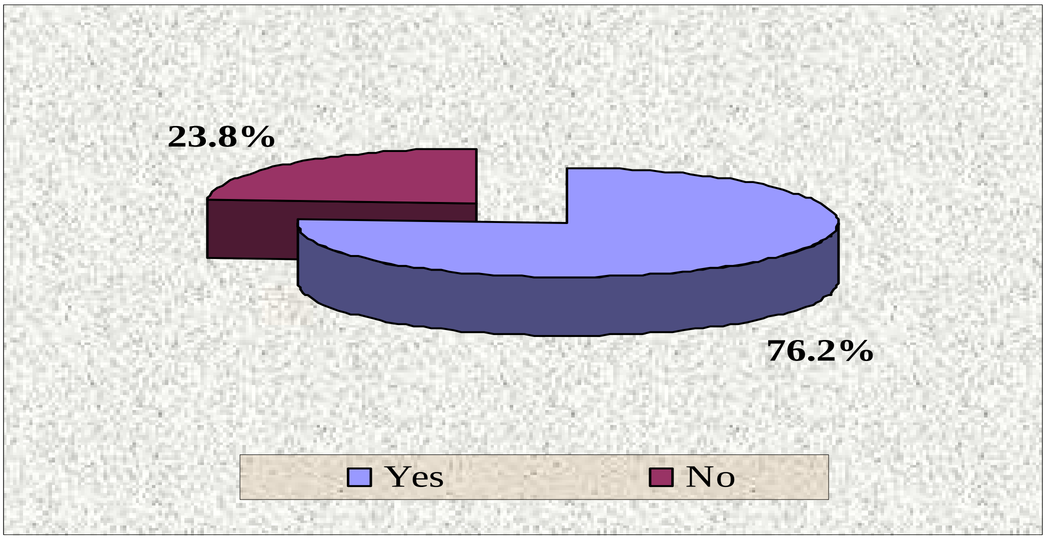

Figure 4.1: Branch Network All Over Kenya

The study findings indicate that indeed slightly more than three quarter (76.2%) of the respondents reported that their banks had branches all over Kenya whereas the rest (23.8%) said that it didn't have.

4.2.3 Banks Operating Internationally

The study sought to find out the number of banks surveyed, that operate internationally. Table 4.2 provides the results of the study findings.

Table 4.2: Banks Operating Internationally

	Frequency	Percent
No	16	40.0
East African Region only	12	30.0
Africa only	5	12.5
The whole world	7	17.5
Total	40	100.0

Source: Survey Data, 2013

The study findings indicate that 40percent of the respondents reported that their banks did not operate internationally, 30 percent said that their bank operate in East African Region only, another 17.5percent said that they operate in the whole world whereas 12.5percent said that they operate in Africa only.

4.2.4 Years of using Mobile Banking

Table 4.3 provides the results of the study findings with regards to the years of using mobile banking.

Table 4.3: Years of Using Mobile Banking

Years	**DISTRIBUTION**	
	Frequency	**Percent**
Less than 1 year	1	2.5
2-3 years	12	30
5 years	25	62.5
More than 5 years	2	5
Total	**40**	**100**

Source: Research Data, 2013

The study findings show that indeed the majority of the banks were making use of mobile banking. Specifically 2.5percent of the respondents have used mobile banking less than 1 year. Consequently 30 percent of the respondents have used it between 2-3 years, 62.5percent of the respondents for 5 years and 5 percent, more than 5 years respectively.

4.3 Challenges in Mobile Banking Implementation

The study sought to first establish the challenges of mobile banking implementation before analysing the various ways in which banks have dealt with these challenges.

4.3.1Ranking of Organization Challenges

Table 4.4: Ranking of Challenges

	N	CfVar	Rank	Mean	Std. Deviation
Network security?	40	0.26	4	3.41	.749
Technological dynamics?	40	0.28	2	2.56	.843
Poor staff attitude?	40	0.24	6	3.50	.894
Inadequate staff training?	40	0.25	5	3.38	.619
Remote infrastructure?	40	0.27	3	2.59	.553
Customer literacy levels?	40	0.36	1	2.82	.891
Inadequate nationwide cellular coverage?	40	0.22	10	3.71	.581
Inadequate Funds	40	0.24	6	3.50	.643
Verification of customers?	40	0.24	6	3.50	.674
CBK regulations?	40	0.23	19	3.38	.719
Government regulations?	40	0.22	10	3.71	.581
Procurement procedures?	40	0.22	10	3.71	.581
Number of customers?	40	0.21	13	3.81	.449
Power Outage	40	0.20	14	3.86	.343

Source: Survey Data, 2013

As seen in the table customer literacy stands out as the leading challenge to implementation of mobile banking This is followed by technology dynamics, network infrastructure, network security, goals, inadequate staff training respectively. This is an indication that indeed banks have to improve on customer education on mobile banking. Banks also need to enhance network securities and as well invest more on network infrastructures. This is well depicted in figure 4.2.

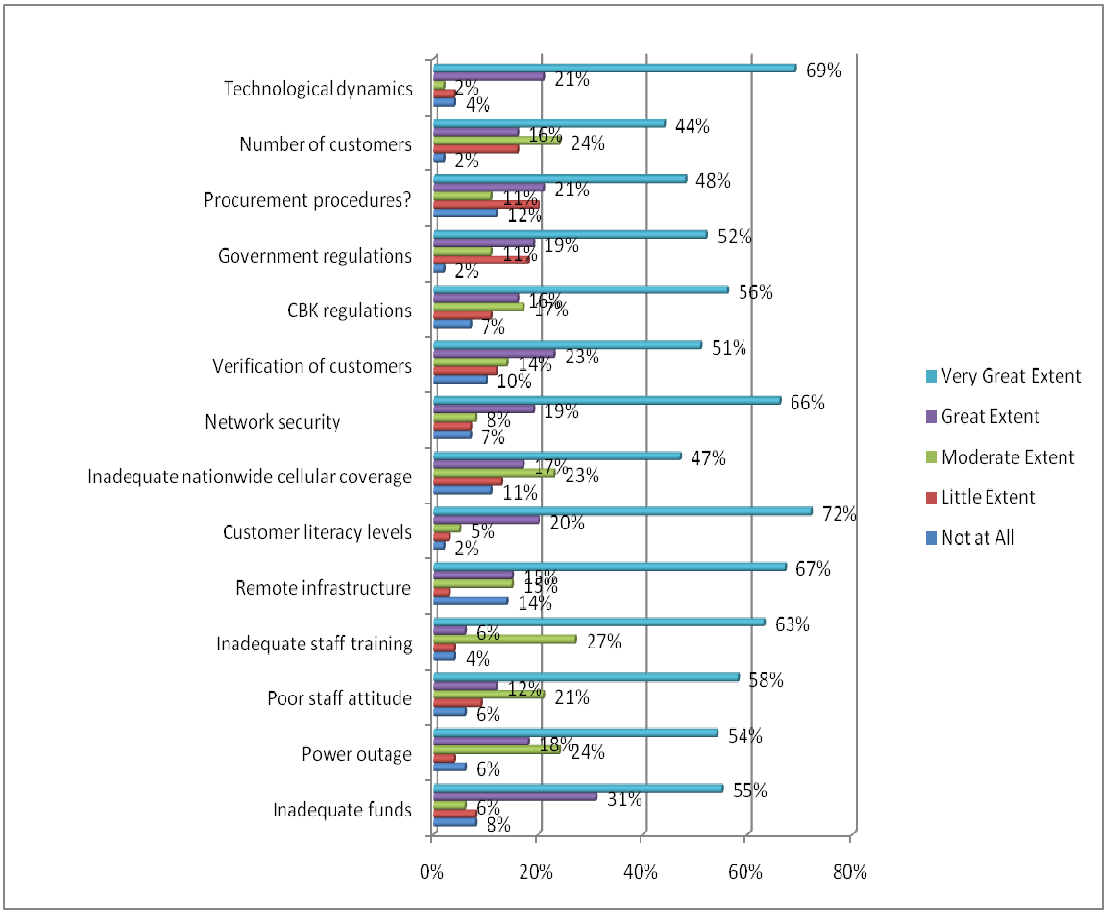

Figure 4.2: Challenges to Implementation of Mobile Banking

4.4 Strategies for Challenges

The study further sought to establish the strategies that can be employed by commercial banks in Kenya to deal with the challenges of implementing mobile banking. These findings are presented in figure 4.3.

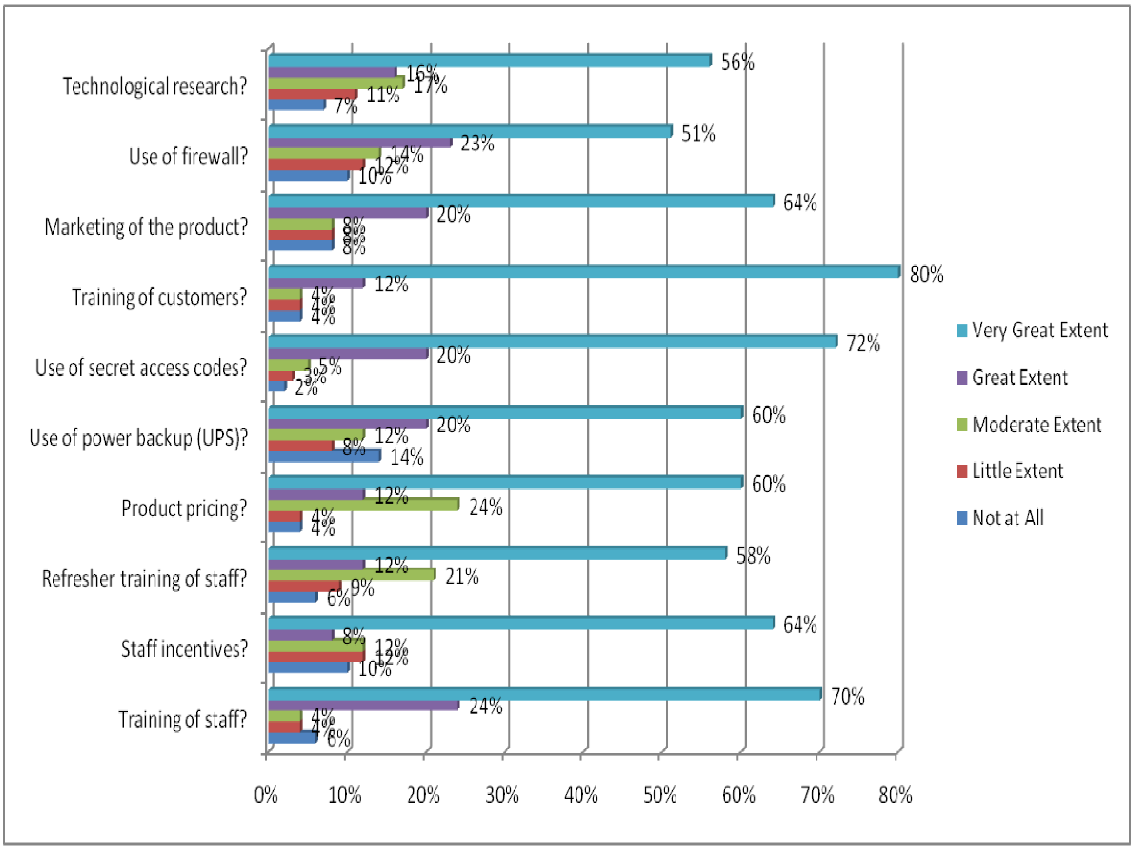

Figure 4.3: Strategies for Challenges

As seen in the figure, majority of the respondents were in agreement that in order for banks to deal effectively with the challenges of mobile banking, there is need to employ the above strategies, which include: Training of staff, staff incentives, refresher training of staff, product pricing, Use of power backup (UPS), use of secret access codes, training of customers, marketing of the product, use of firewall as well as technological research.

Table 4.5 further presents a summary of the study findings with regard to the long term strategies employed by the various banks.

Table 4.5: Strategies put in place to accommodate the Mobile Banking Ecosystem

Statement	Not likely	Likely	Very likely	Highly likely	Mean	S.D
1.Mobile banking as an alternative distribution channel of funds	8.0	12.0	38.0	42.0	3.68	0.112
2.Mobile banking as a source of revenue	8.1	11.9	34.0	46.0	3.45	0.123
3.Mobile banking as an image product to show how the bank has embraced technology	5.0	5.0	35.0	55.0	3.79	0.148
4. Mobile banking as a tool for increasing customer satisfaction	7.0	15.0	33.0	45.0	3.41	0.279
5.Mobile banking as a tool for offering services to customer-“anywhere at any time”	5.0	10.0	19.0	69.0	3.81	0.119

In most of the responses to the above statements, the mean is between three and four. Although the majority of respondents regarded mobile banking as a tool for offering services to customer-“anywhere at any time” (the mean being 3.81). Respondents rated mobile banking as a tool for increasing customer satisfaction neutral, therefore likely. Similarly, the results showed that the respondents view mobile banking as likely to be an alternative distribution channel of funds (mean 3.68). In the same regard, respondents believed mobile banking is very likely to be an image product to show how the bank has embraced technology (mean 3.79). All these findings recorded a mean of more than 3.4 which is a clear indication of how highly rated they were.

4.4.1 Agency Banking

Figure 4.4 presents a summary of the study findings with regards to the respondents view on the aspect of banks offering agency banking.

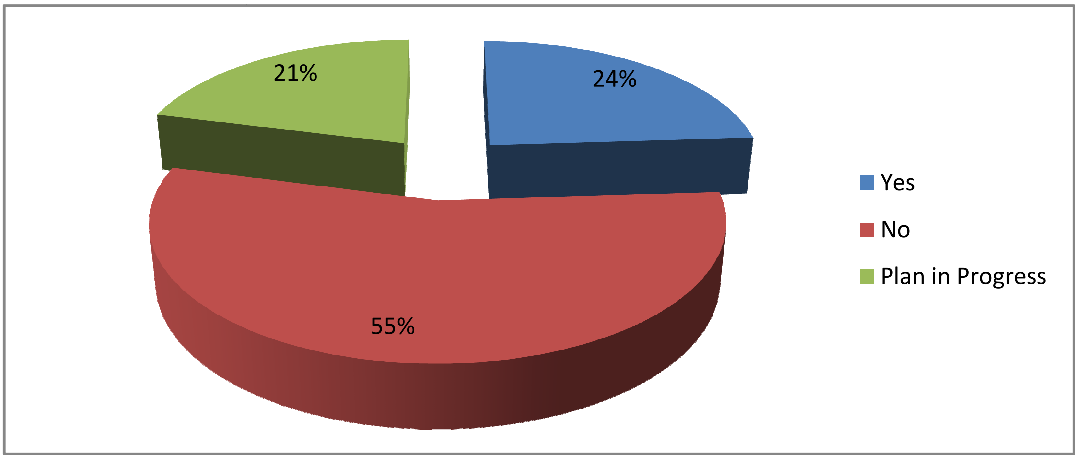

Figure 4.4: Agency Banking

As seen in the figure 24 percent of the respondents have conceptualized agency banking, while 55 percent of the banks are yet to conceptualize agency banking. The remaining 21 percent have it in their plans.

4.4.2 Relationship Marketing

Figure 4.5 presents a summary of the study findings with regards to the aspect of relationship marketing by banks.

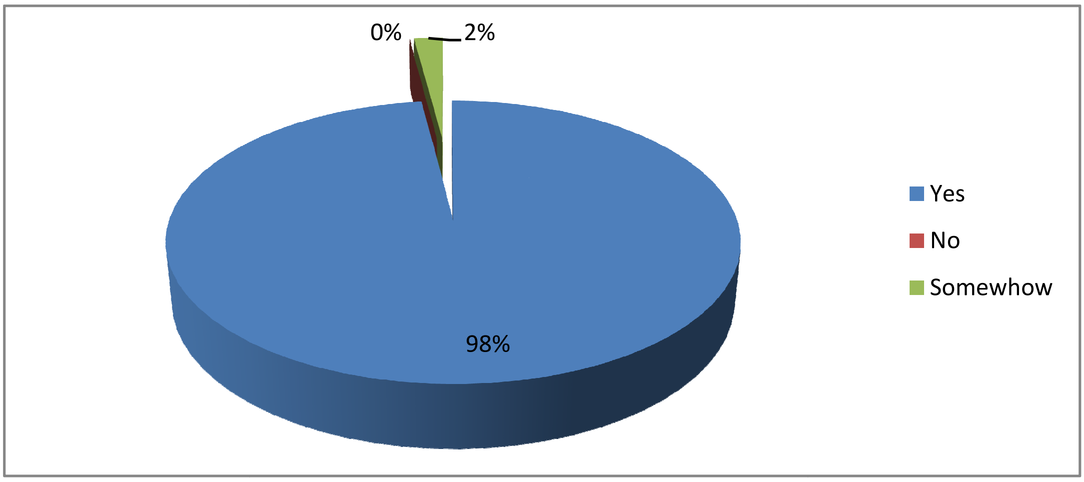

Figure 4.5: Relationship Marketing

As seen in the figure the majority of the respondents (98 percent) believe that their banks practices relation ship marketing. This is a clear indication that indeed kenyan banks promote relationship marketing through giving information to core target groups such as;

Sending birthday messages to junior customers, Sending product information and promotion activities to the youths, Sending foreign exchange information to the business people.

4.5 Discussion of Findings

The study concludes that there are a number of challenges that influence mobile banking strategy implementation. This includes: inadequate funds, power outage, poor staff attitude, inadequate staff training, remote infrastructure, customer literacy levels, inadequate nationwide cellular coverage, network security, verification of customers, CBK regulations, government regulations, procurement procedures, number of customers as well as technological dynamics.

It can therefore be concluded that customer literacy stands as the leading challenge to implementation of mobile banking. This is followed by technology dynamics, network infrastructure, network security, goals, and inadequate staff training respectively. This is an indication that indeed banks have to improve on customer education on mobile banking. Banks also need to enhance network securities and as well invest more on network infrastructures.

Additionally it can be concluded that in order for banks to deal effectively with the challenges of mobile banking, there is need to employ the above strategies, which include: Training of staff, staff incentives, refresher training of staff, product pricing, Use of power backup (UPS), use of secret access codes, training of customers, marketing of the product, use of firewall as well as technological research.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of four sections, namely summary, discussion, conclusions, and recommendations following that order. The first section provides a summary of the important elements of the study which includes the study objectives, methodology and the findings. The second section discusses the major findings of the study with regards to the specific objectives. The third section discusses the conclusions based on the specific objectives, while using the findings and results which are obtained in the fourth chapter.

5.2 Summary of Findings

This study sought to determine the challenges faced by commercial banks in Kenya in the implementation of mobile banking strategy. The study also sought to establish how commercial banks are dealing with strategy implementation challenges of mobile banking.

The study engaged the use of a descriptive research design in order to obtain the necessary data as it facilitated primary data collection as a means of getting into the research objectives. The population under study included the mainstream employees of fully fledged commercial banks.

The target population in the study was both management and non- management staff of the 43 commercial banks in Kenya. It was easier to carry out the research from a sample rather than from the entire organization due to the logistical aspects of large organizations. A census survey was done on all the banks in Nairobi.Primary data was collected by the use of questionnaires which were pilot tested to ensure that there was reliability as well as validity of the data collected. Thereafter coding of the data was done and then the data was analysed using Microsoft Excel as well as SPSS in order to come up with the descriptive statistics for instance frequencies and percentages. The results of the analysed data were presented through figures, tables, pie-charts and graphs.

The study revealed that customer literacy stands out as the leading challenge to implementation of mobile banking. This is followed by technology dynamics, network infrastructure, network security, goals, inadequate staff training respectively. This is an indication that indeed banks have to improve on customer education on mobile banking. Banks also need to enhance network securities and as well invest more on network infrastructures.

Additionally it was revealed from the study that majority of the respondents were in agreement that in order for banks to deal effectively with the challenges of mobile banking, there is need to employ the above strategies, which include: Training of staff, staff incentives, refresher training of staff, product pricing, Use of power backup (UPS), use of secret access codes, training of customers, marketing of the product, use of firewall as well as technological research.

Finally the study revealed that although the majority of respondents regarded mobile banking as a tool for offering services to customer-“anywhere at anytime” (the mean being 3.81). Respondents rated mobile banking as a tool for increasing customer satisfaction neutral, therefore likely. Similarly, the results showed that the respondents view mobile banking as likely to be an alternative distribution channel of funds (mean 3.68). In the same regard, respondents believed mobile banking is very likely to be an image product to show how the bank has embraced technology (mean 3.79). All these findings recorded a mean of more than 3.4 which is a clear indication of how highly rated they were.

5.3 Conclusions of the Study

The study revealed that customer literacy stands out as the leading challenge to implementation of mobile banking This is followed by technology dynamics, network infrastructure, network security, goals, inadequate staff training respectively. This is an indication that indeed banks have to improve on customer education on mobile banking. Banks also need to enhance network securities and as well invest more on network infrastructures.

This finding is in line with a study of strategy execution obstacles DeLisi (2001) examined “the six strategy killers” of strategy execution, as pinpointed by Bear and Eisenstat (2000). He established that indeed four of those factors were particularly involved in hampering or rather hindering strategy execution. Specifically these factors are: lack of effectiveness from senior management, secondly is the top-down or laissez-faire senior management style, thirdly is the lack of clear strategies as well as conflicting priorities and finally was the lack of coordination across functional boundaries.

The study findings also affirms what, DeLisi established that other than the four factors mentioned there are other potential reasons that can result into failure of the strategy execution process, these are: the lack of knowledge of strategy and the strategy process; the lack of commitment to the strategic plan; the lack of effective communication regarding the strategic plan and the lack of reward structures for people involved in the strategy execution process. Also issues like the aspect of inability of people to relate the strategy to their work; lack of accountability from those responsible in execution; Little attention paid by senior management to the strategic plan; little consideration to reinforce, which include culture, structure, processes, IT systems, management systems as well as human resource systems, as such they act as inhibitors; people being driven by short-term results.

Additionally it was revealed from the study that majority of the respondents were in agreement that in order for banks to deal effectively with the challenges of mobile banking, there is need to employ the above strategies, which include: Training of staff, staff incentives, refresher training of staff, product pricing, Use of power backup (UPS), use of secret access codes, training of customers, marketing of the product, use of firewall as well as technological research.

This finding affirms indeed convenience, saving time and money, being in control and avoiding interpersonal interaction are some of the benefits that customers seek in self-service technology (Reardon & McCorckle, 2002; Meuter, Ostrom, Roundtree & Bitner, 2000; Dabholkar, 1996). This relationship has also been recently observed in the context of e-service use. (Gefen, Karahana& Straub, 2003 and Chen, Gillenson & Sherrell, 2002)

The study findings also aligns with the studies, which found strong support for perceived usefulness during post-acceptance stages (Gefen et al., 2003) while other studies offered only mild support (Bhattacherjee, 2001; Bhattacherjee, 2001). Aspects of m-banking services that influence customers' perception of the usefulness of the m-banking product include the matching between the m-banking product and the customer need, pricing and reliability of the product with respect to informal channels (Indrani et al., 2009).

The findings further affirm that indeed multiple channels of communication should be used to promote the adoption of an innovation. Never expect one report, one presentation, one telephone call or one conference to accomplish everything. Successful programs need to be carefully conceived and carried out. Human contacts are critical ingredients, and need to be used along with good written and visual materials. These materials are useless without an understanding of the needs, limitations and problems of the user. Change agents can bring innovation for the user by examining their preconceived notions about the way things should be done. Personnel have to be receptive to change themselves, they have to be able to evaluate new ideas objectively and see their users --not as they have been --but as they might be.

5.4 Recommendations of the Study

Mobile money has indeed affected the banking sector in Kenya both positively and negatively. The positive aspect involves the introduction of mobile financial activities which enables accessibility of funds to customers "anytime, anywhere" by commercial banks. The negative aspect involves a decrease in the number of customers visiting the banking halls and decrease in the number of transactions of other methods of money transfer like western union and money gram This therefore calls for enhanced efforts to bring about creativity and innovation in order to promote the competitive nature of the banking industry. The researcher therefore recommends the continuous introduction of brand new financial products and services in order to advance economies and financial liberalization and thus bring about the adoption of new products and services in emerging markets. The charges of other money transfer services should be streamlined to match the ones charged by mobile service providers especially M-pesa so as to remain competitive in this sector

The banking institutions should integrate the mobile technology into their financial system. They should use the Importance/Performance grid as a strategic tool for the development of strategies as it gives a clear pictorial presentation of the factors that are critical for resource allocation. From the Importance/Performance grid, it is important that the financial institutions wanting customers to use and be satisfied with banking technology must implement personalized aspect to the service for example getting to understand what the customer needs and act as per the demands.

5.5 Limitations of the Study

Whereas no effort was spared in ensuring the objective of the study was achieved, the researcher faced some challenges that limited the extent to which the study be done. Time was a key limitation during data collection and analysis. There were cases of travelling constraints as the researcher had relocated outside the country during the study. Other main limitation was during data collection as in some cases the respondents were unavailable delegating their responsibility a case which limited the extent of information availed to researcher. The study focused on a very sensitive area of Strategy in the banking industry thus limiting the extent of information provided by respondents. Also, the study was cross-sectional collecting data at one point of time. A Longitudinal study would be useful in order to compare the challenges over a long period of time.

5.6Suggestions for Further Research

The researcher conducted a survey in the banking industry in Kenya and recommends that a study should be carried out to determine the parameters of the customer’s “zone of zero tolerance”. This will enable managers to understand at what point customers cease to be satisfied with core service they are receiving. The researcher also recommends that a study should be carried out to establish the challenges encountered by the customers in the process of using mobile banking in the service delivery.

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APPENDICES

Appendix I: Introduction Letter

Salome N Abuga

University of Nairobi

School of Business

P.O Box 30197- 00100,

Nairobi

September, 2013

Dear Sir/ Madam,

RE: DATA COLLECTION

I am a student undertaking a degree in Masters of Business Administration at the University of Nairobi. I am carrying out a research on "**Strategy Implementation Challenges of Mobile Banking in Commercial Banks in Kenya.**"

You have been selected to form part of the study respondents. This is to kindly request you to respond to the interview I will conduct. The information you provide will be used solely for academic purposes and will be treated with utmost confidence.

A copy of the final report will be availed to you upon request. Your assistance will be highly appreciated.

Yours truly,

Salome N Abuga	Martin Ogutu
Researcher	**Supervisor**

Appendix I1

Survey Questionnaire

Section A: Bank background

1. Under what category would you classify the ownership of your bank
    1. Local public
    2. Local private
    3. Foreign
    4. Islamic (private)
    5. Other (specify)____________
2. Does your bank have branches all over Kenya?

Yes [ ]

No [ ]

Don't Know [ ]

3. Does your Bank operate internationally?

No [ ]

East African region only [ ]

Africa only [ ]

The whole world [ ]

4. The number of years a commercial bank has been using M-banking
    1. <1 year
    2. 2-3 years
    3. 3-4 years
    4. 5 years
    5. 5 years & above

Section B: Mobile Banking Challenges

To what extent does your bank face each of the following challenges of mobile banking? Use a five-point scale where: 1= not at all, 2= little extent, 3= moderate extent, 4=great extent and 5= very great extent. Tick accordingly in the following table.

No.	**Challenges in M-banking implementation**	**1**	**2**	**3**	**4**	**5**
1.	Unreliable IT system?					
2.	Inadequate funds?					
3.	Power outage?					
4.	Poor staff attitude?					
5.	Inadequate staff training?					
6.	Remote infrastructure?					
7.	Customer literacy levels?					
8	Inadequate nationwide cellular coverage?					
9	Network security?					
10	Verification of customers?					
11	CBK regulations?					
12	Government regulations?					
13	Procurement procedures?					
14	Number of customers?					
15	Technological dynamics?					

Section C: Strategies for Challenges.

To what extent do you apply each of the following strategies to deal with mobile banking challenges? Use a five-point scale where: 1= not at all, 2= little extent, 3= moderate extent, 4=great extent and 5= very great extent. Tick accordingly in the following table.

No.	**Strategies for challenges**	**1**	**2**	**3**	**4**	**5**
1	Training of staff?					
2.	Staff incentives?					
3	Refresher training of staff?					
4	Product pricing?					
5	Use of power backup (UPS)?					
6	Use of secret access codes?					
7.	Training of customers?					
8.	Marketing of the product?					
9.	Use of firewall?					
10.	Technological research?					

SECTION D: LONG TERM STRATEGIES

In your opinion some of these strategies if applied or are being applied likely to have the stated impact in your bank?

(**Please tick the numeric value corresponding to your personal answer)**

Long term Strategy	**Not likely 1**	**Likely 2**	**Very Likely3**	**Highly likely 4**
1.Mobile banking as an alternative distribution channel of funds				
2.Mobile banking as a source of revenue				
3.Mobile banking as an image product to				

show how the bank has embraced technology				
4. Mobile banking as a tool for increasing customer satisfaction				
5.Mobile banking as a tool for offering services to customer-“anywhere at anytime”				

4. IS the bank offering services through agents- agency banking?
   - Yes
   - No
   - Plans in progress
5. In your opinion, do you think taking the service closer to the customer through agency banking is a strategy for coping with mobile banking competition? Pls. explain………………………………………………………………………………………
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…………………………………………………………………………………………………
…………………………………………………………………………………………………
6. Do you promote relationship marketing through giving information to core target groups such as; Sending birthday messages to junior customers, Sending product information and promotion activities to the youths, Sending foreign exchange information to the business people.
   - Yes
   - No
   - Some how
7. In giving the above information no.8 do you think giving this information customized for individual preference provide value –added to customer thus enhancing customer satisfaction? Pls. elaborate…………………………......................................
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8. Any other comment? ....
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……………………………………………………………………………………………………
…………………………………………………………………………………...............................

Thank you for taking your time to answer the questionnaire

Appendix III

Key Informant Interview Guide

i. What is your opinion about the rapid increase on m-banking in Kenya?
ii. What are the necessary grounds for mobile banking implementation?
iii. Is the Kenya market prepared for absorption of m-banking products?
iv. What are the benefits accrued by commercial banks through mobile banking?
v. What are the bank-related challenges that may affect the effectiveness of mobile banking?
vi. What are the consumer-based challenges that affect the effective implementation of mobile banking?