Evolution of Electronic Banking in Kenya and customer reactions

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Abstract

Developments in information technology and telecommunications have set in motion an electronic revolution in the banking industry. This in turn has resulted in new delivery channels for banking products and services that is:The Automated Teller Machines (ATM's), Telebanking,

Mobile/SMS Banking, PC-banking, Electronic funds transfers, POS Banking (Credit and Debit cards), Interactive TV, Branchless Banking and, Intranet.

In this regard, this paper examined the evolution of electronic banking in Kenya, analyzes the various electronic delivery channels utilized by local banks and to assesses the consumers' reactions to these delivery channels.

Electronic Banking offers a 24/7 service at a lower cost compared to traditional banking. However it faces challenges of designing products that offer a balance between competitive pricing and functionality, balance between convenience and security, keeping abreast with dynamism of customer needs & innovation and lack of proper legislative framework to support the growth of electronic banking.

The findings show that customers trust a human teller (banker) that is why they still visit their banks branches/ offices at least once a month.

Key words: Electronic Commerce, Financial Institutions and Services

1.0 Introduction

Technological developments particularly in the area of Telecommunications and Information Technology are revolutionizing the way business is done. Electronic commerce is now thought to hold the promise of a new commercial revolution by offering a relatively an inexpensive and direct way to exchange information and to sell or buy products and services. This revolution in the market place has set in motion a revolution in the banking sector for the provision of a payment system that is compatible with the demands of the electronic marketplace

This paper seeks to analysis of the types of electronic delivery channels utilized by local commercial banks. In this context, the Kenyan commercial banks' use of the Website

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