An Investigation into Customers’ Requirements for Electronic Banking: A Case Study of Microfinance Institutions (MFIs) in Kenya

Dorothy M. Kalui, University of Science and Technology Beijing, China
Christopher A. Moturi, University of Nairobi, Nairobi, Kenya
Geoffrey Muchiri Muketha, Murang’a University College, Kenya
John K. Tarus, Moi University, Eldoret, Kenya

ABSTRACT

There is a general consensus that governments, businesses and all individuals need to harness the power of Information and Communication Technology (ICT) and ICT enabled services for wider access and improved welfare standards. The requirements of MFI clients in regard to electronic banking (e-banking) have received limited attention in the reviewed literature. In Kenya, little is known and understood about the customers’ requirements with emergence of e-banking. In this paper, the authors investigate the MFIs clients’ e-banking requirements to align with the MFIs preparedness for sustainable success. Besides, it narrows the digital divide in provision of financial services to Kenyans. Findings from this study indicate that in Kenya, MFI clients are ready for e-banking. The paper finally recommends some possible solutions that MFIs could embrace towards successful implementation of e-banking.

KEYWORDS
Alignment, Clients, E-Banking, E-Readiness, Kenya, Microfinance Institutions

1. INTRODUCTION

This paper highlights e-banking requirements, associated issues of MFIs customers and strategies to address the problem in the light of initiatives in Kenya. MFI has been identified as a key sector in financial industry to reduce the unbanked population of Kenyans.

There are many institutions providing microfinance services in Kenya. These include commercial banks, Savings and Credit Co-operative societies (SACCOs), MFIs, table banking and Rotating and Accumulating Savings and Credit Associations (ROSCAs) among others. Some of these institutions provide only lending facilities, while others provide a wide range of financial services from lending, savings/deposit mobilization, micro-insurance and money transfer services among others where permitted. The Association of Microfinance Institutions (AMFI) has 34 member institutions (Central Bank of Kenya (CBK), 2013; Kalui & Moturi, 2015), of which 30 are retail MFIs carrying out near banking activities, while the other four are insurance companies and wholesale MFIs. This study therefore, proposes that the 30 AMFI retail MFIs clients become our representative sample for the population. The assumption here is that AMFI members consist of large, medium and small MFIs, thus making them representative of the entire microfinance industry (population).
MFIs have embraced the concept of e-Readiness, therefore, it is important to understand the requirements of their clients to benefit from this technology. This issue is significant because the adopted modern ICTs may not be aligned to the clients’ requirements leading to MFIs under performance. E-banking achieves higher level of customer satisfaction and retention if tailored to specific needs of MFIs target clients. Nevertheless, in case MFIs clients are side-lined in design and the implementation of products and services, these MFI efforts towards e-Readiness are rendered meaningless. In particular Kenya’s MFIs have been investing in ICTs in their operations to achieve better level of e-readiness for efficacy and efficiency services. Yet little has been highlighted about the customer’s requirement and level of preparedness banking which is a major concern in the industry for its performance.

By aligning MFIs e-Readiness to clients’ needs ensures the ICT adopted is utilised for efficiency of the customers’ services hence attracting large numbers of the unbanked Kenyans. According to CBK (2013), there is a great demand to highlight the MFIs customer needs to establish whether the rapid adoption of ICT in provision and delivery of financial services is matching to their customers. A study by (Mulwa & Waema, 2016) focuses on understanding the interplay of the actors in provision of m-banking services in Kenya. There has been collaboration between the mobile operators and banking industry to offer traditional banking services to unbanked population in Kenya.

In this paper, we present the findings from a study to investigate the requirements of MFIs clients to use of e-banking financial services in Kenya. The study involved gathering information from MFIs existing clients about their perception on what constitutes important needs for efficiency and effective financial services. These stakeholders included CEOs, ICT and customer care services managers in 30 leading Kenyan MFIs. These categories of users were purposively selected due to their experience and roles in e-Readiness of MFIs in their respective organizations. The intent of the investigation was aimed at identifying critical clients’ e-banking needs that will guide these Kenyan MFIs towards further successful implementation of e-readiness.

The rest of the paper is organized as follows: Section 2 describes related work that is very close to our direction, Section 3 explains the study method, Section 4 presents the results of the study, and Section 5 presents the discussion. Finally, Section 6 concludes the study.

2. RELATED WORK

This section reviews existing literature relevant to this study. There exist multiple organizational, macro environmental and banking industry specific reasons for adoption of e-readiness in financial institutions in Kenya. Nowadays several studies have focused on e-readiness of MFIs and barriers all from the institution perspective. The success of usage of adopted ICT in provision of e-banking services requires to be evaluated from the client’s perspective.

2.1. The Concept of E-Banking

The development and the increasing progress that is being experienced in the ICT have brought about a lot of changes in almost all facets of life. We formally define e-banking as systems that enable MFIs clients to access accounts, transact business or obtain information on financial products and services through a public or private network, the internet or mobile phone (Chavan, 2013). The use of Automated Teller Machines (ATMs) is one example where a client can access his bank account by swapping his debit or ATM card in a machine and entering the PIN allotted to him/her by the bank.

Internet banking or online banking can be defined as the service that allows consumers to perform banking transactions using a computer with an internet connection (Mohamad et al, 2010). M-banking allow clients to perform banking transactions via a mobile phone connected to the internet. In the banking industry, it has been in the form of online banking, which is now replacing the traditional banking practice. Online banking has a lot of benefits which add value to customers’ satisfaction in terms of better quality of service offerings and at the same time enable the banks gain more competitive advantage over other competitors (Makosana, 2014; Al-fahim, 2012).
Optimal Hop Lengths to Ensure Minimum Energy Consumption in Wireless Sensor Networks

Using ICT to Integrate Smallholder Farmers into Agricultural Value Chain: The Case of DrumNet Project in Kenya
[www.igi-global.com/article/using-ict-integrate-smallholder-farmers/41934?camid=4v1a](www.igi-global.com/article/using-ict-integrate-smallholder-farmers/41934?camid=4v1a)