

# *e-Banking in Kenya: Practical lessons to be drawn*

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What *stress-free* banking is all about.

# Agenda

- What is e-banking?
- What are the forms of e-banking?
- Why the drive towards e-banking?
- Technology as a differentiation strategy
- Benefits of e-banking products e.g. CBA.
- Constraints for growth of e-banking
- e-Banking: Some challenges....
- Q&A session



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# What is e-banking?

- e-banking: “This is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick-and-mortar institution.” (FinCen, 2000).
- e-banking is the use of electronic means to deliver banking services, mainly through the Internet. The term is also used to refer to ATMs, telephone banking, use of plastic money, mobile phone banking and electronic funds transfers.



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# What are the forms of e-banking?

- Common embodiments of e-banking include the following:
  - Mobile/SMS Banking
  - Telephone Banking
  - Electronic funds transfers
  - Self Service (PC) Banking
  - POS Banking (Credit and Debit cards)
  - ATMs
  - Interactive TV
  - Branchless Banking
  - Intranet



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# Technology as differentiation strategy

- Technology (IT) offers banks the potential to dramatically reduce operating costs and improves the quality of management information hence making banking more profitable.
- IT has been, and continues to be, the core focus of CBA's operations and strategic direction since the early 90's.



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# Why the drive towards e-banking?

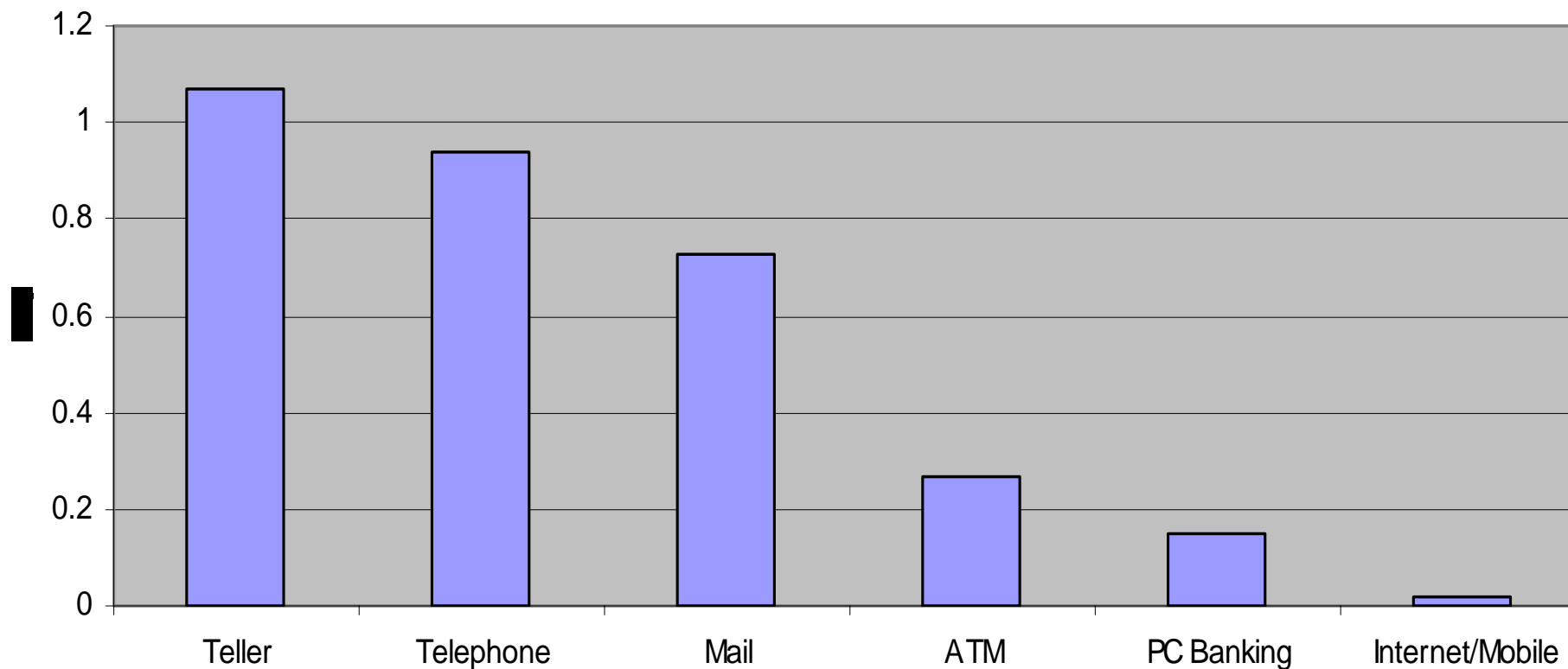
- Rapidly changing customers' needs and preferences
- Competitive forces and product differentiation strategies
- Enhancement of Customer Relationship Management
- Pressure to reduce transactional and operation costs and pass the benefits to customers.



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# The huge potential of technological innovation

TRANSACTION COST PER DISTRIBUTION CHANNEL



Source: BAI



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# Features/Benefits of e-banking products

- Internet banking e.g. cba@net
  - Transact wherever and *whenever it suits you* - 24/7
    - Access your account information and transactions.
    - Make electronic funds transfers.
    - View, download and print statements.
    - View CBA's up-to-date daily exchange rates.
    - Transfer funds between your personal accounts
    - Easy set-up.
    - User-friendly and secure: The system uses PIN and phone number combinations to ensure maximum security.
    - 24-hour access – no more space and time constraints.
    - User support from highly trained and experienced customer service teams.



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# Constraints for growth of e-banking

- Security: Majority of the customer shy away from E-Banking services due to security concerns.
- Human face: According some analysts, customers still value personalized and responsive services from their bankers.
- Ignorance: “on average 30% of bank customers do not even know whether their banks provide online services.” (BBC News).
- Computer illiteracy among majority of the population is still significantly high especially in Africa.
- Poor and/or lack of technological infrastructure and reliable power supply.
- Lack of proper legislation governing e-transactions.
- Preference to paper money, as opposed to “virtual” cash in transactions.

Source: Waterfield (2004)



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# e-banking: Some challenges....

- Key challenges:
  - Balance between convenience and security.
  - Designing products that offer a balance between competitive pricing and functionality.
  - Keeping abreast with dynamism of customer needs & innovation
  - Lack of proper legislative framework to support the growth of e-banking.



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# Conclusion

- e-banking at CBA offers a unique opportunity to reach a higher number of our target customers without necessarily increasing physical branches and enhancing our product offering through innovation.
- Despite all the challenges mentioned, more customers are now switching to e-banking as means of banking.



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# Q&A session



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