

**FACTORS INFLUENCING UPTAKE OF INTERNET BANKING BY SMALL AND MEDIUM ENTERPRISES IN NAIROBI COUNTY; A CASE STUDY OF COMMERCIAL BANK OF AFRICA**

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## **ABSTRACT**

While the world of electronic banking is changing day by day, customer uptake is a recognized dilemma for the strategic plans of financial institutions. At the Commercial Bank of Africa, the percentage of business banking customers making up the SME segment that had subscribed for internet banking was only 28.97%. Past research has recommended investigations to be carried out using different types of users of internet banking such as corporate customers. In response, t

he main purpose of the study was to investigate the factors influencing the uptake of internet banking for financial transactions by SMEs in Nairobi County that formed part of the corporate clients of CBA. Descriptive research design was used in conducting the study.

The target population was 1,123 SMEs in Nairobi Metropolis that had subscribed for internet banking with CBA. The sample size for the study was 112 SMEs. The sampling unit was the owner/manager of the SMEs. Systematic sampling technique was applied.

A structured questionnaire was used to collect the data. Data analysis was aided by SPSS . Inferences were drawn using Karl Pearson's Correlation Coefficient technique. The data was further subjected to regression analysis using multiple regressions modeling. The results showed that

82.1% of the SMEs used internet banking for financial transactions. On average, most of the SMEs sometimes used internet banking for making bill payments ( $M=3.20$ ,  $SD=0.90$ ), receiving

payments (M=3.17, SD=0.98) and making payments to suppliers (M=3.00, SD=1.08). Collectively, reliability, security, cost and accessibility of internet banking explained 50.5% of the variation in uptake of internet banking for financial transaction. Specifically, accessibility had the strongest explanatory power on the variability of uptake of internet banking for financial transaction (

*B*  
=0.438). It was concluded that accessibility had the strongest influence on the uptake of internet banking for financial transactions by SMEs with convenience being the main incentive for utilization of internet banking service at CBA. Perceived security risks had a negative influence on the uptake of internet banking for financial transactions. The uptake of internet banking was directly influenced by perceived relative cost savings and reliability of internet banking. It was recommended that CBA should champion the convenience of internet banking in the form of worldwide unrestricted accessibility any time as a unique selling proposition besides cost savings. This should be reinforced by enhancing internet banking security.

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