Role of Internet Banking in Customer Acquisition for Commercial Banks in Kenya: A Case of Commercial Banks in Nairobi, Kenya

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Abstract:- **The purpose of this study was to establish the role that internet banking has on customer acquisition for commercial banks in Kenya. The reason for this is that it is important to know the influence that internet banking has on how and why a commercial bank attracts a customer and retains its customers. It specifically assed, payment processing and account reporting as critical components that would demonstrate the relationship that exists between internet banking and the twin objectives of any progressive bank; acquisition of new clients and retention of the new and the older clients to assure future profitability and survival. Anchored on the customer service theory, the study employed a descriptive research design wherein the target population was 868 staff working in specific departments within the selected 9 banks as per the tiers. Stratified random sampling technique was used to come up with a sample of 269 respondents. Questionnaires was the data instrument used for collecting data which was then analysed using descriptive analysis in the forms of means and presenting the same in tables and graphs. Further, inferential statistics was used to assess the influence of internet banking in attracting and retaining customers by commercial banks in Kenya. Additionally, multiple regression was used to establish the relationship between the dependent and the independent variables in the study. The study is of great significant to commercial banks as it may help the banks to develop policies and strategies for attracting and retaining customers, to the CBK as it develops and deploys regulatory policies and to the research community in further development of customer acquisition and retention theories. The researcher conducted simple and multiple regression analysis in order to find out the relationship between internet banking characteristics and customer acquisition in the banking sector. The inferential results on influence of account reporting on customer acquisition in banking sector show R=0.673 indicating a strong positive correlation and R^2=0.453 and there was a significant effect between account reporting on customer acquisition (t=2.548, p<0.05). The inferential results on influence of payment processing on customer acquisition R=.661 Indicating a strong positive correlation and R^2=.437 and there was a significant effect between payment processing and customer acquisition (t=5.571, p<0.05). Banks need to structure their operation in order to fulfil a clients' needs better. If possible, banks should come up with service delivery such as effective account reporting that add more value than existing customers and that are able to attract more customers. The study recommended that banks should strengthen their customer bonds. Improved customer bonds will enable both the firms and the customers to commit resources to the relationship built on high levels of trust and commitment. The study further suggest that a study be to be done on other factors (44.9%), as established in coefficient of determination) that contribution customers acquisition in the banking sector.**

Key Words: **Internet Banking, Customer Acquisition, Commercial Banks**

I. INTRODUCTION

In today world, the financial sector has been greatly confronted with a potential technological advancement primarily due to the concept of globalization. Advancements in technology has also seen increased competition among financial sector players which is coupled with a shift in changes in customers demand for services that has driven the banking industry to further challenges (Martins, Oliveira & Popovic, 2014). Globally, a key challenge that is facing financial sector players, particularly commercial banks, is the issue of a diminishing margin due to loss of customers.

Hanafizadeh, Keating and Khedmatgozar (2014) aver that commercial banks across the globe have been trying to better their strategies particularly through automation of its services in a bid to attract and retain more customers while at the same time aiming to increase their profitability and decrease their costs. The adoption of internet banking services among commercial banks is critical factor that commercial banks are utilizing in their bid to increase profitability through reduction of their operating costs and also as means of retaining their customers (Shaikh & Karjaluoto, 2015).

One of the significant components of internet banking is account reporting capability. This refers to how a bank client is able to view, download, save and even print its bank account statement through the internet. This is a feature that enables faster account reconciliation and improves customer service. It has the potential to aid in attracting customers to the banks, foster loyalty and help keep them from leaving to competitors.

Additionally, internet banking entails use of various technologies by commercial banks in delivering other financial services. Among the most notable internet banking platforms used by commercial banks today in their bid to remain attractive to their customers include payment initiation and processing. This refers to the manner in which bank customers use internet banking to initiate payment instructions including payroll, supplier payments, Real Time Gross

Settlement (RTGS), and utility payments among others. Use of internet banking by commercial banks has totally altered the manner in which financial services are offered globally (Shaikh & Karjaluoto, 2015).

Commercial banks have been striving to outdo each other in upgrading their internet banking service provision in order to make their customers to be more loyal and thus being able to retain them as a result of customers increasing desire for twenty-four hours banking services across the globe (Govender & Sihlali, 2016). As such, internet banking is considered to play a very significant role in customer attraction and retention amongst commercial banks.

Studies on internet banking have been undertaken by various researchers across the globe. Internationally, Yau (2014) conducted a research study on professionals and business practitioners in Hong Kong on how internet banking influences customer's retention. The study results show that the attributes of specific transaction affects customer retention positively through internet banking in Hong Kong. In India, the public, private and foreign banks was examined by Navneet, (2015) and how quality of electronic banking services and customer loyalty. The study results established that improvement in service quality among banks in India through electronic banking services tend to induce higher customer loyalty. In addition, Beh and Faziharudean (2010) conducted a study in Malaysia that examined factors affecting customer loyalty of using internet banking. The results of the study established that internet banking tend to increase service quality, trust, perceived value and the reputation of the bank, thus, increasing its customers loyalty.

In Africa, Gemechis (2015) conducted a study on how internet banking impacted customer retention in commercial banks of Ethiopia. According to the study results, it was established that respondents indicated that internet banking allows one to have access to banking services even after banking hours as well as being secure, reliable, and responsive. Additionally, the study results found out that there is a positive relationship between internet banking and customer satisfaction, hence, their retention. The researcher, thus, recommended that the banking sector should promote use of internet banking in order to make their customers more satisfied, hence, being able to retain them. In Tanzania, Chacha (2015) notes that, one way through which commercial banks have made strides is by investing in modern technology. This has increased customers confidence in the banks and from time to time customers have doubled their investments in the respective banks.

In Kenya, James, (2013) conducted a study that investigated factors affecting customer retention in Barclays bank of Kenya. The researcher used semi-structured questionnaires to collect data from Barclays bank customers while an interview guide was used to interview selected employees of the Barclays Bank. The study results established that transactions accuracy, delivering services, offering of customer services with efficiency, physical appearances and branch locations convenience influenced customer retention. Additionally, it was found out that competitive advantage that a bank holds against its competitors especially in regards to use of internet banking also played a key role in customers' retention.

1.1 Problem statement

The banking sector has for the last few decades been experiencing fast-changing competitive environment as a result of globalization, economic changes, privatization as well as constantly changing regulations. With such, commercial banks are efficiently and effectively engaging in continuous technological innovations in order to continue remaining competitive (Mburu, 2014). This has been as a result of emergence of new banking technologies, products and services, markets to serve as well as intense competition which has forced commercial banks to engage in intense innovations necessary to remain competitive and be able to attain a significant competitive advantage.

As Mbugua, Waiganjo and Njeru (2015) note, banks must continuously undertake technological innovations so as to facilitate its sustainability in the face of ever-growing competition and other external threats. As such, wide expansion of Information Communication Technology (ICT) has revolutionized the manner in which commercial banks operate. This has seen almost all commercial banks increasingly adopting banking related ICT technologies. This is based on the fact that banking ICT technologies particularly use of internet banking is expected to improve the operation efficiency of commercial banks, hence, allowing their customers to remain loyal (Kombo, 2015). Based on this, adoption of internet banking is very essential for commercial banks as it increases profitability, reduces customer acquisition costs and also increase customer base.

Effective delivery of services to the customers has been enhanced by most banks through the adoption of internet banking in Kenya (Okibo & Wario, 2014). As such, some scholars have investigated how internet banking impacts Kenyan commercial banks. Ombok (2016) carried out a study to examine effect of automation of bank services on customers' satisfaction at Equity bank, Uasin Gishu County. Ondiek, (2011) examined factors that affect the adoption of internet banking among corporate bank customers in commercial banks in Kisumu county. Sheila, (2017) examined the impact of mobile banking on commercial banks in Kenya. Based on this, it is clear that most of the studies undertaken on internet banking in Kenya look at the traditional impacts of internet banking on commercial banks and not on newer aspect of customer acquisition and retention. Therefore, this study aims to fill this research gap by investigating the role of internet banking on customer acquisition among commercial banks in Kenya. Customer acquisition in this study is taken to also include customer retention.

1.2 Specific objective

1. To establish the effect of account reporting on customer acquisition among commercial banks in Kenya
2. To examine influence of payment processing on customer acquisition for commercial banks in Kenya.

1.3 Conceptual Framework

The independent variables for this study are account reporting and payment processing respectively whereas the dependent variable is customer acquisition for commercial banks in Kenya. The figure below presents the diagrammatic relationship between the dependent and the independent variables.

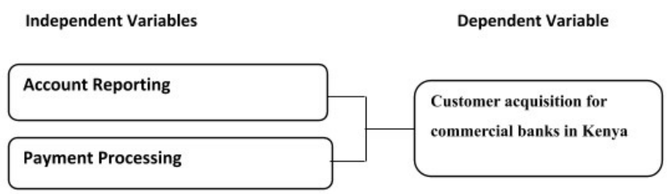


Figure 1 Conceptual Framework

II. LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Customer Service Theory

This study will be anchored on customer service theory. This theory was advocated by Gilbert and Horsnell (1988), and competition was made the central factor in customer service. The theory states that any firm that thinks about its future management must be involved with meeting customer needs, or the customer will go elsewhere where their needs are met or concerned. For this reason, firms whose major goal is to make profit must treat customers with outmost respect and strive to win their loyalty and return business.

When a firm fails to understand and pay attention to the basic principles of customer service including the concerns and comforts of customers it exposes itself to failure as it puts off purchasers. Therefore, for a company to be successful company owners must be fully engaged and committed to meet customer needs. Failure by the firm to comply translates to poor performance. Consequently, company must pay attention to their customers so as to achieve customer loyalty and thus boosting revenues (Anderson, 2000).

One of the five components of customer satisfaction process is the reliability in service provision. Reliability can be explained in terms of quick to respond to the needs of its buyers and on time delivery. Consistency is another important component of customer satisfaction process. To achieve consistency firms must constantly strive to meet needs while capturing the bargain side. It is very important for the providers of customer service to show empathy to customers while providing value through relationship building and friendships than ensure customer retention. There is need for firms to remove all aspects that physically affect clients (Anderson, 2000).

Good customer service is what results to customer loyalty. To achieve Good customer service, a particular procedure is used which according to Anderson considers is “equation of fantastic service”. First impression is very important; therefore greeting a customer is helps to make them feel “at home”. The second important thing is to identify customer’s need and meet them with a lot of efficiency. This can be achieved by checking and re-checking to confirm and ensure that those specific customer needs are appropriately met. It is import6ant to note that creation of friendly and personal relationship could additionally enhance positive association. Lastly, it is important to make sure that the customer gets a return incentive. The return incentive defines is a characteristic of an amazing service that persuades customers to want to come back again. The most important thing to customer is a pleasing and efficient experience.

In most cases, customers have product and service expectation that they hope to be confirmed. When the customers’ expectations regarding products or service are confirmed the firm is likely to benefit from customer loyalty. The more firms are able to meet customer expectation the more customers are likely to return again and again. For firms to be able to meet customer expectation they need to be very reliable and consistent and trustworthy. This is because customers are more attracted to businesses that they feel they can trust to deliver. However, it might take long for business to build trust. Firm’s employees are also in need of this virtue so as to feel psychologically safe. Consequently, trust assures long term relationship (Anderson, 2000).

Some of the opponent of the theory have criticized it, such as Payton et al (2003) argues that customer service theory has a number of shortcomings. First, the approach assumes that there is a relationship between expectation and satisfaction but does not specify how disconfirmation of an expectation leads to either satisfaction or dissatisfaction. Second, the theory also assumes that consumers are motivated enough to adjust either their expectations or their perceptions about the performance of the product. Consumers would generally find that product performance deviated in some respect from their expectations or effort expenditures and that some cognitive repositioning would be required (Oliver, 1980).

2.2 Empirical Review

2.2.1 Account Reporting and Customer Acquisition

The acquisition and retention of customers has been improved, offering of services in the banks has increased and operations of the banks have also improved in their operations which has revolutionized the whole of the operations of banking due to electronic banking introduction as per Sumra *et al*. (2011). The satisfaction of customers has thus been contributed by technology and the success of the organizations due to core competencies brought about by technology. Electronic banking which resulted from introduction of technology has made banking services to be much easier and efficient. Banks have been able to provide services such as PC banking, mobile banking, ATM, electronic funds transfer, account to account transfer, paying bills online and online statements due to adoption of internet banking services. Most of the banks have made banking through the internet as a complimentary service rather than a substitute service.

2.2.2 Payment Processing and Customer Acquisition

Customers are kept in the banks' books and other attracted to the banks through the services they offer using internet banking. All the services offered in banks are provided more effectively and efficiently through the use of internet banking where it is expected that the value of the products and services is more improved thus delivered efficiently to the customers as defined by Basel Committee banking supervision (2003).

The use of internet banking is very efficient, convenience, personalized and less expensive process when you compare with the traditional approaches. Advances in the internet services provided by banks such as inter account transfers; payroll processing, utility payments and supplier payments improve customer loyalty.

Internet banking is very effective as customers tend to perform the activities they require with their banks at the comfort of their home, office or over the internet. The transactions that customers need to do such as checking of account balances, transferring of funds, paying of bills, applying for loans and performing other financial transactions using the transactional websites. The transactions can be done anywhere, at any given time and information can also be accessed by the customers easily. Customers have been made to receive services form the banks in an improved manner through internet banking.

Most of the transactions nowadays are being done through the technology of internet banking as it has made it easy to access information and all other activities without at ease. The telecommunication and electronic systems have been invested on by many banks, and the use of internet banking has been accepted by many people as it is easy and effective (Vaidya 2014).

III. RESEARCH METHODOLOGY

3.1 Research Design

The research problems answers are generated through the scheme, outline or plan which are defined as the research design as defined by Orodho (2003). The researcher's structure is thought by Kombo and Tromp (2006) as the research design. The descriptive research design was used in studying of the research problem. The phenomenon's what, where and how are used is the concern of a descriptive study as per Cooper and Schindler (2003) argument. With quantitative study as a focus, this study was able to generalize the findings to corporate relationship management, cash management, customer service and marketing departments.

3.2 Target Population

The hypothetical set of people, events or objects which the researcher tends to use as his/her population to generalize the results which is the study's universal set as Borg and Gall (2009) described a target population. The target population of this study was 269 members of staff working in the following departments namely; corporate relationship management, cash management/electronic banking, customer service and marketing in all banks form the unit analysis of this study.

Table 3.1 Target Population

	CRM	CM	CS	Mkt	Total
Kenya Commercial Bank	13	18	14	12	57
Standard Chartered Bank	12	16	11	9	48
Commercial Bank of Africa	10	11	10	9	40
Diamond Trust Bank	6	7	9	7	29
CFC Stanbic Bank	7	6	10	6	28
Family Bank	6	5	6	6	22
African Banking Corporation (ABC)	4	5	4	4	17
Credit Bank	3	4	4	4	15
Jamii Bora	3	4	4	3	13
Total	**62**	**76**	**71**	**60**	**269**

Source: Author 2019

3.3 Sampling Method and Sample Size

The unit of sampling, frame, procedures and the size are described by the study's sample. The selected sample from the initial population is what is described as a sampling frame (Cooper & Schindker, 2003). From the target population of forty two (42) banks registered with CBK, the researcher randomly selected 9 banks in the three tiers where 3 banks were selected in each of the three tiers as per Kenya Bankers Association report of 2017. These respondents having been in banking industries and directly working in departments perceived to be oriented in dealing with electronic banking and were, therefore, aligned to the study research objectives.

The study employed stratified random sampling technique in coming up with 9 commercial banks. A sample of responding staff was drawn from all the nine (9) banks in Nairobi where purposive sampling technique was used to come up with the departments in which the various the various respondents came from. Purposive sampling technique produces estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population.

Based on Krejcie and Morgan's (1970) table for determining sample size, for a given population of 269, a sample size of 108 respondents is appropriate to adequately represent a cross-section of the population at 95% confidence level. The general rule-of-thumb for smaller populations is that a research needs to have at least 40% respondents but for bigger populations, a representative depends on the mode of selection. Further, Gay (2001) pointed that a sample of 10-40% is representative. The technique was applied so as to obtain a representative sample when the population does not constitute a homogeneous group.

Table 3. 2 Sampling and Sample Size

	CRM	CM	CS	Mkt	Total
Kenya Commercial Bank	5	7	6	5	23
Standard Chartered Bank	5	6	4	4	19
Commercial Bank of Africa	4	4	4	3	16
Diamond Trust Bank	2	3	3	3	12
CFC Stanbic Bank	3	2	4	2	11
Family Bank	2	2	2	2	9
African Banking Corporation (ABC)	1	2	1	2	7
Credit Bank	1	1	2	1	6
Jamii Bora	1	1	1	1	5
Total	**25**	**30**	**28**	**24**	**108**

Source: Author 2019

3.4 Research Instruments

This study used primary data collected from the selected sample respondents using a questionnaire.

3.5. Pilot Study

A pilot test refers to testing a questionnaire in a small-scale test with a view to minimising the possibility of respondents having challenges providing answers to questions and ensuring data collected is both valid and reliable, (Sanders, Lewis and Thornhill, 2009). Cooper &Schindler, (2011) studies show that the purpose of pilot test is to identify weaknesses in design and implementation and to provide proxy for data collection of a probability sample. Sekaran, (2008) added that pilot testing is necessary for testing the reliability of instruments and the validity of a study. The pilot test will aid in assessing the feasibility of the study, determining if it is realistic and establishing whether the sampling frame and technique are effective. Since the research will be done in refugee settlements, understanding the logistical issues that may arise and the resources needed and the evaluation of the data analysis techniques will be done at this stage. According to Connelly, (2008) a pilot study sample for any social science research should be 10% of the sample projected for the larger parent study. Therefore this study used 10% (or 11 respondents) of the sample size for pilot testing. The respondents that took part in the study were not part of the final data collection process.

3.5.1 Validity and Reliability of the Research Instrument

The research results' inference meaningfulness and accuracy is termed as validity as defined by Mugenda and Mugenda (2003). The questionnaires validity was used to ascertain the main reasons for conducting the plot study. The questionnaires validity was ascertained through the use of both face and content validity of the study. The representativeness of the sample population is concerned with content validity. The knowledge and skills in the large domain are represented by the items covered by the knowledge and skills as stated by Gillham (2008).

The repetition of the results of the study is the main concern of reliability. Co-efficient (Cronbach alpha) of 0.6 or better is the construct composite reliability, which the study considers adequate for all the constructs (Rousson, Gasser & Seifer, 2002). The research instrument's reliability was tested through the Cronbach Alpha.

3.6. Data Analysis and Presentation

Statistical Packages for Social Scientists tool (SPSS Version 17.0) was used to code the collected quantitative data and analyzed through the use descriptive and inferential statistics.

IV. DATA ANALYSIS AND RESULTS

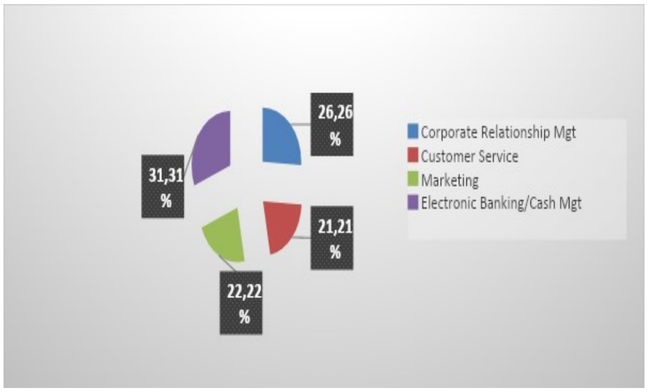
4.1 Response Rate

Table 4.1 illustrates the response rate of the respondents that participated in the survey. From the study, 90 out of 108 target respondents filled in and returned the questionnaire contributing to 83%. This commendable response rate can be attributed to the data collection procedure, where the researcher engaged three researcher assistants to administer questionnaires and waited for respondents to fill in, while respondents left with questionnaires were reminded to fill in the questionnaires through frequent phone calls and picked the questionnaires once fully filled. Any clarifications sought by the respondents were accorded due attention to without delay. This response rate was good, representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The questionnaires that were not returned were due to respondents not being available to fill them in time and after persistent follow-ups, there were no positive feedback from them. The response rate demonstrated the willingness of the respondents to participate in the study.

Table 4.1 Response Rate

Response	Frequency	Percentage
Responded	90	83
Non response	18	17
Total	**108**	**100**

4.2 Demographic Profile



4.2.1 Position held by the Respondents in their Respective Banks

The study aimed to investigate position held by the respondents in their organization. From the findings (33%) of the respondents were unit heads, 22% as assistance manager and directors, 18% were technical personnel, 14% were departmental heads while 4% were supervisors. Position held in the workplace leads to easier application and strategic practices that leads to better perfomance of the organization towards achieving organizational goals and objectives. This depicts that all participant of the study were under the level to which the study targeted as stipulated in previous chapter.

Table 4.2 Position held by the Respondents in their Respective Banks

Position Held	**Frequency**	**Percentage**
Supervisor	3	3
Technical personnel	9	16
Departmental Head	11	11
Unit Head	26	29
Director	23	23
Manager	18	18
Total	**90**	**100**

4.2.2 Working Duration of the Respondents in Years

Figure 4.2 illustrates working period in years of the respondents in their respective organization. From the findings majority (53%) of the respondents had worked in the organization for a period of 6-10 years, 36% had worked for a period of 1-5 years, 7% had worked for a more than 16 years while the rest (5%) had served in the organization for a period of 10-15 years. This implies that most of the respondents of this study had worked for a longer period within the organization and thus were conversant enough of the information that the study sought pertaining to the internet banking and its effect on customer acquisition and retention in as far as the areas of account reporting, payment processing and direct debit was concerned.

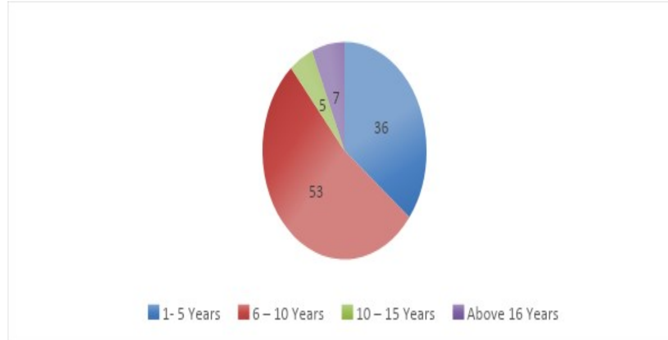


Figure 4.2 Respondents Working Duration in Years

4.2.3 Education Level of the Respondents

The study was also inquisitive to determine the highest level of the academic qualification that the respondent held. Table 4.3 shows the findings of the result, most (58%) of the respondents were holders of undergraduate degrees, 32% were post graduate (holders of masters degrees), 9% were diploma holders while the rest (3%) had only certificates as their highest level of education. This depicted that most of the respondents interviewed were well knowledgeable to understand and able to respond to the questionnaire in the manner intended.

Table 4.3 Education Level of the Respondents

Level	**Frequency**	**Percentage**
Post Graduate	27	30
Undergraduate	52	58
Diploma	8	9
Certificate	3	3
Total	**90**	**100**

4.3 Descriptive Statistics

4.4 Role of Internet Banking on Customer Acquisition and Retention

4.4.1 Account Reporting on Customer Acquisition and Retention

Table 4.4 illustrates the finding of the study on the respondent level of agreement on the aspects relating to influence of account reporting on customer acquisition and retention. From the findings, most of the respondents agreed that through use of internet banking customers accomplish banking activity such as viewing, checking and savings account balances as depicted by mean score of 4.45 on a Likert scale of 1-5, where 5 represents very strong agreement. Further, banks enable their customers to use their mobile devices to check balance, monitor transaction obtain other account information and sometimes playbills as depicted by mean score of 3.89. On the other hand respondents were neutral that through internet banking payments business are conducted properly and transactions are fully reconciled and activities against those accounts are legitimized and that internet banking allows individuals to use their bank credentials to access online services as depicted by mean score of 3.40 and 3.19 respectively.

Table 4.4 Account Reporting on Customer Acquisition and Retention

Statements	Mean	STDev
Through use of internet banking customers accomplish banking activity such as viewing, checking and savings account balances	4.45	0.862
Through internet banking, the banks help to reconcile the card balances with the current account of the cardholder domiciled in the bank.	4.26	0.723
Internet banking allows on-line viewing of statements, bank transfers and bill payments.	4.12	0.882
Banks enable their customers to use their mobile devices to check balance, monitor transaction obtain other account information and sometimes playbills	3.89	1.01
Through internet banking payments business are conducted properly and transactions are fully reconciled and activities against those accounts are legitimized.	3.40	1.498
Internet banking allows individuals to use their bank credentials to access online services	3.19	1.321

4.4.2 Influence of Account Reporting on Customer Acquisition and Retention for Commercial Banks in Kenya

The first objective of this study was to establish influence of account reporting on customer acquisition for commercial banks in Kenya. This influence was tested by regressing the influence of account reporting on customer acquisition guided by the equation $Y=\beta_0+\beta_1X$ where X represented account reporting and Y denoted customer acquisition and retention.

Model Summary for Account Reporting

The study investigated the contribution of account reporting on customer retention among commercial banks in Kenya. The study established that account reporting contributes to 55% to the customer acquisition among the commercial banks in Kenya. This is as indicated by R. 0.673, indicating a strong positive correlation and R^2 .453 as shown in table 4.5

Table 4.5 Model Summary for Account Reporting

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.673	0.453	.429	.101316

ANOVA for Account Reporting

In this study, the research tested the linearity between account reporting and customer retention and acquisition among the commercial banks in Kenya. Based on the output, account reporting had a value Significance of 0.009 which is much less than 0.05. Thus, we can conclude that there was linear relationship between the account reporting and customs customer retention and acquisition in banking sector.

Table 4.6 ANOVA for Account Reporting

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.197+++9	1	.067	16.105	.009
	Residual	.370	89	0.00416		
	Total	**.436**	**90**			

Coefficients Correlation for Account Reporting

The study also establish that there was significance relationship between account reporting and customer retention and acquisition in commercial banking sector in Kenya (sig=.015, sig <0.05). The results presented in table 4.7 show that the influence account reporting on customer acquisition and retention was significant (F =3.512, $p < 0.05$).

Table 4.7 Coefficients Correlation for Account Reporting

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	.452	.147		3.065	.004
Account Reporting	.473	.186	.391	2.548	.015

4.4.3 Payment Processing on Customer Acquisition and Retention for Commercial Banks in Kenya

Table 4.8 illustrates the finding of the study on the respondent level of agreement on influence of payment processing on customer acquisition and retention for commercial banks in Kenya. From the findings, most of the respondents strongly agreed that banks have partnered with mobile phone network providers to offer banking services to the clients such as paying utility bills and that through internet banking, commercial banks in Kenya are able to offer salary payment services capability to their customers as indicated by the mean score of 4.59 and 4.66 respectively. Through internet banking customer can pay their utility bills at their convenience over the internet from the comfort of their offices or homes as well as the fact that internet banking enables customers to perform all routine transactions, such as account transfers as shown by mean score of 4.53 and 4.4.8 respectively. Finally, respondents agreed that many customers in the bank use internet banking for salary payments while banks' managers want customers to use different aspects of online banking as depicted by mean score of 4.44.

Table 4.8: Payment Processing on Customer Acquisition and Retention for Commercial Banks in Kenya

Statements	Mean	STDev
Our bank has partnered with mobile phone network providers to offer banking services to the clients such as paying utility bills	4.66	0.542
Through internet banking, banks are able offer salary payment services capability to their customers	4.59	0.48

Through internet banking customer can pay their utility bills at their convenience at their offices or homes.	4.53	0.62
Internet banking enables customers to perform all routine transactions, such as account transfers	4.48	0.62
Many bank customers use internet banking for salary payment while banks managers want customers to use online banking	4.44	0.51
Internet banking enable customers to easily transfer their funds electronically from one branch to another	4.11	1.06

4.4.4 Influence of payment processing on customer acquisition and retention for Commercial Banks in Kenya

Customer acquisition and retention was regressed against the score for payment processing guided by the linear equation Y= $\beta_0+\beta_1 X$ where X represented payment processing and Y denoted Customer acquisition and retention. The results were as presented in the table below.

Model summary for Payment Processing

The study investigated the contribution of payment processing on customer retention and acquisition in the commercial banking sector in Kenya. The study established that account reporting contributes to .44% to the customer retention and acquisition in banking sector. This is as indicated by R.391, indicating a strong positive correlation and R^2 .437as shown in table 4.9.

Table 4.9 Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.661	.437	.423	.084422

ANOVA for Payment Processing

In this study, the research tested the linearity between payment processing and customer retention and acquisition in banking sector. Based on the output, payment processing had a value Sig. of .008 which is greater than 0.05. Thus, we can conclude that there was linear relationship between the payment processing and customs customer retention and acquisition in banking sector.

Table 4.10 ANOVA for Payment Processing

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.221	1	.221	31.042	.008
	Residual	.28	89	.007		
	Total	**.506**	**90**			

Coefficients for Payment Processing

The study also establish that there was significance relationship between payment processing and customer retention and acquisition in the commercial banking sector in Kenya (sig=.017, sig <0.05). The results presented in table 4.11 show that the influence payment processing on customer acquisition and retention was significant (F =3.512, p < 0.05).

Table 4.11 Coefficients for Payment Processing

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	.28	.099		2.834	.000
payment processing	.673	.121	.661	5.571	.017

The results presented in table 4.11 show that the influence of payment processing on customer acquisition was significant (R Square=0.437, F=31.042, p< 0.05) with 44% being explained by variation in payment processing. The β was also statistically significant (β =0.673, t=5.571, p <0.05). The hypothesis that payment processing influences customer acquisition was therefore confirmed because there was a statistically significant influence of payment processing on customer acquisition and retention among the commercial banks in Kenya.

4.5 Inferential Statistics

The study conducted inferential statistic to establish the relationship between the independent variables and the dependent variable. This study sought to establish the extent to which account reporting, payment processing and direct debits modules on customer acquisition and retention among commercial banks in Nairobi, Kenya. The tests were carried out using simple regression analysis, multiple regression analysis, correlation analysis and step wise regression analysis. The tests were done at 5% significance level (α=0.05). The evaluation focused on the hypotheses derived from the objectives of the study.

4.5.1 Coefficient of Correlation

In trying to show the relationship between the study variables and their findings the study used the Karl Pearson's coefficient of correlation **(r)**. According to the findings as indicated in table 4.16, it was clear that there was a positive correlation between account reporting and customer acquisition and retention as shown by a correlation value of 0.521, there was also a positive correlation between payment processing and customer acquisition and retention with a correlation value of 0.587 and a positive correlation between direct debits and customer acquisition and retention with a correlation value of 0.553. This shows that there was a positive correlation between account reporting, payment processing, direct debits and customer acquisition and retention.

Table 4.16 Coefficient of Correlation of Variables

Variables		Customer acquisition and retention	Account Reporting	Payment processing
Customer acquisition and retention	Pearson Correlation	**1**		
	Sig. (2-tailed)			
Account Reporting	Pearson Correlation	.5210	1	
	Sig. (2-tailed)	.0032		
Payment processing	Pearson Correlation	.5870	.1240	1
	Sig. (2-tailed)	.0043	.0120	

V. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of findings

The study sought to establish the extent to which account reporting influence customer acquisition, to establish the effect of account reporting, payment processing, direct debits modules and to establish the combined effect of account reporting, payment processing and direct debits modules on customer acquisition among commercial banks in Nairobi, Kenya.

On the influence of account reporting on customer acquisition among commercial banks in Kenya. the study established that through use of internet banking enables customers to accomplish banking activity easily such as viewing, checking and savings account balances. The findings of this study conforms to Samat, Ramayah and Norizan (2013) that incidence of high service quality and extraordinary customer retention rates resulted to a high level of customer acquisition. Through internet banking, banks help their clients to reconcile the card balances with the current account of the cardholder and as well as allowing on-line viewing of statements, bank transfers and bill payments. Further, banks enable customers to use their mobile devices to check balance, monitor transaction obtain other account information and sometimes playbills. . Rowley and Dawes (2000) reported that customer retention was impacted by product quality, service quality, and retailer appearance. They also found out and reported that quality of product and service is openly linked to customer retention.

On payment processing, the study established that banks have partnered with mobile phone network providers to offer banking services to the clients such as paying utility bills and that through internet banking, banks are able offer salary payment services capability to their customers. Through internet banking vital business activities are conducted easily with a lot of convenience such as making payment where internet banking is the most preferred mode of payment to most bank customers (Arnold, Fang & Palamtier, 2014). Through internet banking customer can pay their utility bills at their convenience over the internet from the comfort of their offices or homes as well as that internet banking enables customers to perform all routine transactions, such as account transfers. The study findings support an argument by Vaidya (2011) that days are long gone when customers would queue in the banking halls waiting to pay their utility bills, school fees or any other financial transactions. Hayashi (2012) avers that customers can now do this at their convenience by using their ATM cards or over the internet from the comfort of their homes while working in the office, and even at odd hours when offices are closed.

5.2 Conclusions

The study set out to establish the extent to which account reporting influence customer acquisition and retention. From the study findings, the study concludes that there was a positive correlation between account reporting and customer acquisition and retention. It was clear from the study that internet banking enables customers to accomplish banking activity easily such as viewing, checking and savings account balances. Through internet banking, banks help their clients to reconcile the card balances with the current account of the cardholder and as well as allowing on-line viewing of statements, bank transfers and bill payments. Additionally, the study concluded that banks enable customers to use their mobile devices to check balance, monitor transaction obtain other account information as necessary and appropriate.

The study also sought to assess whether payment processing influence customer acquisition and retention in the banks. The study deduced that banks have partnered with mobile phone network providers to offer banking services to the clients such as paying utility bills. Likewise, the study found that banks are able offer salary payment services capability to their customers. Finally, the study found that through internet banking customer can pay their utility bills at their convenience over the internet from the comfort of their offices or homes. The study also found that there was positive relationship between payment processing on customer acquisition and retention in the banking sector.

5.3 Recommendations

This study recommends that the management of commercial banks continue with the objective of embracing internet banking in all the services they provide since it enhances customer retention and acquisition in their institutions. The commercial banking industry in Kenya is very competitive and banks are on the edge to retain the customers and to fight for new customers to come on board. Banks need to structure their operation in order to fulfil a clients' needs better. If possible, banks should come up with service delivery such as effective account reporting that add more value to the existing customers and that are able to attract new customers or new business lines from existing customers that have hitherto been domiciled in other commercial banks. In this way clients will feel that they are getting better value for their money.

Online transaction initiation and processing is highly recommended. This can only be achieved if the needs of the costumer are well understood. Products can be increased but if not well structured, it results to dissatisfaction and loss of customers. In addition, it is recommended that managements of the various commercial banks analyse and act on feedback obtained from customers on issues related to service and products. This will increase the chances of customer retention since products will be tailor-made to fit customer needs. Since internet banking facility has appeared to be a strong retention strategy, the study recommends that banks should implement robustly and train their staff to utilize all its functionalities in order to improve on service delivery and thus act as a critical catalyst for customer acquisition and retention for commercial banks.

The researcher recommended that companies should strengthen their customer bonds. Improved customer bonds will enable both the firms and the customers to commit resources to the relationship built on high levels of trust and commitment. In doing so these firms will increase customer retention, increase market share as well as grow their sales volumes. In order to increase the retention rates in the commercial banking sector, commercial banks should provide extraordinary customer service; go above and beyond the customers' expectations at all times. They can do so by having a dedicated and outstanding team to ensure customer satisfaction, provide immediate response to complaints and questions, provide consistent on-time delivery as well as provide what the firm promises the customers before and after the sale. These methods as proven from the findings of the research will result to significant increase in customer acquisition and retention and ultimately lead to growth in both market share and profitability; the very ideal goals which in effect sum up the overall objective of the banks' existence.

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