

Title: THE EXTENT TO WHICH SOCIAL MEDIA CAN INFLUENCE A BANK RUN: THE CASE OF KENYA

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ABSTRACT

This research attempts to analyze the risk of a bank run occurring in Kenya by using sociological factors namely; demographic characteristics, bank relations and social media activity to inform on the risk perception and possible withdrawal behaviors of Kenyan bank account holders on receiving adverse information about their bank (s) on social media. The sociological factors considered in the research were obtained through web-based questionnaires which were sent to respondents using email accounts and social media sites such as Facebook. Correlations between sociological factors and the risk perception, possible withdrawal behavior and level of confidence in Kenyan banks were then determined by use of statistical application packages to detect the existence of predictive signals leading to a bank run within the selected area.

Bank relations between the bank and the bank account holders has the highest correlation with risk perception, possible withdrawal behavior and level of confidence in Kenyan banks followed by social media activity. The study establishes that Kenyan bank account holders are generally confident in Kenyan banks; the risk of a bank run in Kenya is informed by the existence of information cascade which would lead to a given percentage of bank account holders withdrawing money from their bank accounts without necessarily believing the adverse information about their banks on social media.