

**ELECTRONIC BANKING AND FINANCIAL PERFORMANCE OF BANKS
IN UGANDA: A CASE STUDY OF POST
BANK MBALE BRANCH**

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**A RESEARCH REPORT SUBMITTED TO COLLEGE OF ECONOMICS AND
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DECLARATION

I Kainza Asha, a student of Kampala International University Uganda do here by declare that this is my own research work and it has never been submitted to any other university or institution for academic purposes.


Sign:..........

Date: 11/10/2018.....

APPROVAL

This is to certify that this research report has been done under my supervision and guidance and is ready for submission to the university with my approval.

Dr. Kirabo K. B. Joseph

Sign: 

Date: 

DEDICATION

I dedicate this research report to my father Masuba Ali and mother Khainza Alice whose effort towards my education is fundamental to this far I have reached, I am very great full for your contributions and May God accord you abundantly

ACKNOWLEDGEMENT

All my praises and thankful hands to God, the most merciful and gracious one for his abundant protection to me which enabled to successfully complete this work. Without the Lord God, all this work and my entire study would have been but just myth.

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LIST OF ACRONYMS

ATM	Automated Teller Machine
MFIs	Microfinance Institution
PC	Personal computer
POS	Point of sale (POS)
TAM	Technology Assessment Model
TAT	Technology Acceptance Theory

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ABSTRACT

The purpose of the study was to investigate the effect of electronic banking on financial performance of commercial banks in Uganda. The study was to determine the extent of e-banking adoption by post bank Uganda, to determine the relationship between adoption of e-banking and financial performance and to establish the challenges encountered by the banks in establishing electronic banking systems in the banks. The study was conducted from Post bank Mbale branch where data was collected from 30 respondents using questionnaires to collect the data in the required form of assessment in the study. The study concludes that e-banking adoption in the bank was moderately high meaning that the state of the e-banking adoption is coupled with weaknesses in the management of the electronic system. The study concludes that electronic banking facilitates financial performance of the bank hence concludes that improving the state of bank can be improved through e-banking adoptions in the bank. There are several challenges faced in the banking industry with the use of electronic banking hence the need to provide the means for the determination of the need for financial performance, security risks and trust provide an avenue for reducing work efficiency in the performance. The study recommends that bank management should establish country wide training and training for clients on usage of various e business applications for efficient performance of the bank. Also ATMs should be put in different locations easily accessible by customers, so that quick service and convenience is maintained hence improving bank operations. The study recommends that banks should subscribe to reliable internet providers for effective and efficient service delivery. The bank should employ skilled personnel with more experience on network management in order to ensure the reliability of network. On the third objective, the bank should keep on upgrading their e banking technology in order to have an up to date system for effective service delivery. There is need for constant power back up should be ensured in order to solve the problems of power interruptions and fluctuations. The study recommends to the management of banks which are slow in innovation adoption, to move in and adopt various innovations in their operations in order to shore up their profitability.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background, problem statement, purpose of the study, objectives of the study, research questions, scope of the study, significance of the study and conceptual framework.

1.1 Background to the study

In the introduction to this background, the back ground focused on the historical, theoretical, contextual and conceptual perspectives

1.1.1 Historical Perspective

The origin of electronic banking services dates back to the mid-90's. The roll-out of the services has been incremental ever since because of the low operating costs associated with them. Initially e banking constituted ATM and over the telephone transactions. Internet is a new channel for transactions between banks and their customers and this channel has given rise to electronic funds transfer (EFT), POS banking and mobile banking. EFT is popularly used to move money across bank accounts, either within the same bank or to a different bank. POS banking encompasses card transactions (credit and debit cards).

The world has witnessed an information and technological revolution. According to Siam (2012) this revolution has touched every aspect of people's life including banking. Such changes and development have impacts on services quality, future of banking activities, and consequently, its continually competition ability in the world markets since going along with technology is one of the most important factors of economic organizations success in general and banks in particular. This motivates banks to spend more on technology and information to achieve maximum returns and attracting large number of clients. Furthermore banks have to provide an excellent service to customers who are sophisticated and will not accept less than above average service. Thus, the issue of service marketing in general, and banking services in particular has become one of the most important and modern directions which have witnessed a substantial expansion during the last years in almost all societies. This is because the increasingly significant role which banking services have with the widening and variety that these services are characterized with, thus banking services have touched most aspects of contemporary societies life and activities.

The banking industry of the 21st century operates in a complex and competitive environment characterized by these changing conditions and highly unpredictable economic climate. Information and communication technology (ICT) is at the center of this global change curve of electronic banking system today. A study of information of e-business (Stevens, 2002) asserted that banks have over the time been using electronic and telecommunication networks for delivering a wide range of value added products and services, managers in banking industry cannot ignore information systems because they play a critical impact in current banking system, they point out that the entire cash flow of most fortune banks are linked to information system.

The internet was first used as a platform for providing banking services in the USA in 1995. In just a few years, this new channel has rapidly gained popularity in almost all developed countries and many developing countries. The internet allows businesses to use information more effectively, by allowing customers, suppliers, employees, and partners to get access to the business information they need, when they need it. These internet enabled services all translate to reduced cost: there are less overhead, greater economies of scale, and increased efficiency. E-banking' greatest promise is timelier, more valuable information accessible to more people, at reduced cost of information access.

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Banks are mandated to provide electronic services to remain competitive. Electronic banking transactions are provided by Kenyan banks. E-banking services comprise of internet transactions, ATM, funds transfers, and access to customer service without bank employees assistance. ATM banking has arguably been the banking industry's biggest innovation of the past twenty years. With the success of ATMs, banks had the impetus to develop new products and new delivery channels. Such development occasioned mobile banking surpassing the usage of ATMs (CBK annual report, 2015). The suggested reason for this is ease of accessibility and convenience. Mobile networks are available on a larger scale than ATMs. The familiarity of most people with the technology has also increased the trust they have in the mobile phone as a tool for effecting financial transactions.

Agboola (2006) studied Nigeria's banking industry Information and Communication Technology's (ICT) application in Nigeria. The study's findings established that modern technology was the major driver of competition in the banking sector. In the study an upsurge in the deployment of various e-banking tools was highly evident. The study indicated that the

utilization of modern ICT practices significantly improves the bank's reputation and eventually results to foster efficient and effective service delivery. Efficient and effective service delivery in the long run results in reduction in operating costs, attraction of new clientele and this has an impact on the general financial performance of a bank

1.1.2 Theoretical Perspective

The study is based on the Technology acceptance theory. This model is at times referred to as Technology Acceptance Theory (TAT) it addresses the adoption behavior of customers which is usually assessed by the aim to use a specified system which is predicated on the impression of its usefulness and the convenient usability of the system. Previous authors researched on the fundamental construct of TAMs validity in forecasting the acceptance of individual's and noted that TAMs fundamental construct does not wholly address the explicit effect of technology and the usability factors that actually influence the user's acceptance (Moon & Kim, 2001). Davis, 1989 contents that expected usefulness is usually termed as an individual belief to improve the degree job performance by the application of modern technology of information system. Perceived effortlessness of use shows how easy an individual learns the operations of the emerging technology and information system. The model emphasizes the positive impact of perceived simplicity of use on the impression of the system's usefulness

1.1.3 Conceptual Perspective

E-banking is also seen as a process by which bank transactions are provided electronically to customers without going to an institution housed in a building structure (Simpson, 2002). In this case, e-banking is defined from the state of a virtual banking signifying that with e-banking implementation physical locality in terms of delivery of banking services seems to be of little significance. In all the definitions of e-banking internet is perceived as a strategic channel for providing essential banking services at the same time efficient quality at reduced costs without physical boundary restrictions

Financial performance refers to any of the numerous subjective measures to appraise how a firm is using assets at its disposal to make profit. It refers to the status of a company's financial well-being over a definite time period. It serves as a key factor for contrasting companies in the same industry. Vital measures of financial performance include capital adequacy and ratios such as

profitability, liquidity, solvency and efficiency ratios (Julie, Bryn & Irene, 2010). Specific to banks' financial performance, measures such as profitability ratios, capital adequacy, and liquidity ratio and asset quality are used as vital indicators of performance

1.1.4 Contextual perspective

Uganda's banking industry operates within the stipulated guidelines provided by the Central Bank of Uganda Act, the Uganda's Banking Act, the Uganda's Companies Act, and any statutory requirements provided by the regulator Central Bank of Uganda. Several industries growth and development have been accelerated by technological advancement. In order for a firm to remain competitive it has to adopt focused strategies such as: improving product differentiation, changing prices raising or lowering prices to attain a temporary advantage, implementing innovation in the production process and in the actual product, improving features, formulating and implementing innovative methods in the distribution channels, and using appropriate distribution channels or vertical integration that is ideal to the industry. Okiro (2013) observed how positively the standards of service delivery in the financial sector institutions have been improved by technological advancement. This research therefore aimed to ascertain the effect of electronic banking on the financial performance of Kenya's commercial banks.

Although service quality is the life blood of organizations, not all organizations consider investing in it. For example, most financial institutions in Uganda have failed to strike a balance between customers' judgments of the quality of the provided E-banking services. For some customers the response and efficiency of the service providers would be of greatest importance, for others the security and privacy issues might be more important, and still for others what matters most may be the website design and ease of use. It is evident that most commercial banks exhibit weaknesses in communication where the major medium of communication/ provision of information and handling customers' queries are through the helpdesk attendants who are in most cases overwhelmed by the number of customers and hence compromise the services of the banks. This explains the delays in addressing customer complaints which has greatly hindered the effective flow of information between the management of the bank and the customers. The banks' embracement of e-banking and networking met that there was going to be efficient and effective service delivery, however, this has not been the case. For instance, all public servants' salaries are by law supposed to be paid through the Electronic Funds Transfer (EFT) which

credits peoples' accounts within a day or two. But this has not been the case ever since the implementation of the EFT salary payment system. There are delays at the EFT file verification stage by the Bank of Uganda and where the files are authorized by BOU and still contain problems with particular accounts, all the people to be paid have to wait until the problem is cleared which takes long.

1.2 Problem Statement

Despite the advancement of e-banking and networking in the commercial banking sector, there still remain questions on whether this advancement has helped improve service quality in terms of delivery time, reliability, security, conformance and efficiency. Long queues, congested-banking halls, and various complaints in newspapers about poor services from the banks reveal evidence that there is a gap somewhere (The daily monitor dated March 22nd 2007). Additionally, various complaints in the customer suggestion boxes at the banks show that e-banking and networking are integral parts of the whole service delivery of the banks so as to cause efficiency and effectiveness during service delivery

1.3 Purpose of the study

The purpose of the study is to investigate the effect of electronic banking on financial performance of commercial banks in Uganda

1.4 Objectives of the study

- i. To determine the extent of e-banking adoption by post bank Uganda
- ii. To determine the effect of adoption of e-banking and financial performance of post bank Uganda
- iii. To establish the challenges encountered by the banks in establishing electronic banking systems in the banks

1.5 Research questions

- i. What is the extent of e-banking adoption by post bank Uganda?
- ii. What is the relationship between e-banking and financial performance of post bank Uganda?
- iii. What are the challenges encountered by the banks in establishing electronic banking systems in the banks?

1.6.0 Scope of the Study

1.6.1 Subject Scope

The study was conducted to examine the relationship between e-banking and financial performance in commercial banks in Uganda. The focus will be on the establishing the e-banking adoption, establish effect of e-banking on financial performance and establishing challenges encountered in electronic banking.

1.6.2 Geographical Scope

The study was carried out in Post bank commercial bank in Mbale Uganda. The bank is chosen due to having a range of financial performance constraints in the operations for the last three years.

1.6.3 Time Scope

The study was covered between the periods of March 2018 to June 2018. The conducting of the study took into consideration the use of primary data and so time into consideration provided ample time for extracting the study requirements.

1.7 Significance of the study

The study will be beneficial to a diverse group. Foremost, it will assist the regulators to mould regulations in place to address the various aspects of bank operations through gaining a deeper understanding of the role of electronic banking.

Secondly, managers of commercial banks will obtain a wider and deeper insight into the effect of online banking on bank's financial performance as well as recommendations on areas they can improve on in electronic banking.

This study will act as a management guiding tool, to depict the significance of electronic banking and therefore assuring more focus in service provision and channeling adequate resources in the improvement of electronic banking.

The study will also encourage consumers in the industry to take advantage of the ever changing technology to advance their operations through improved efficiency and consequently maximize returns

1.8 Operational definition of key terms

E-banking is also seen as a process by which bank transactions are provided electronically to customers without going to an institution housed in a building structure (Simpson, 2002). it refers to online activities that support the process of bank operations.

Financial performance refers to any of the numerous subjective measures to appraise how a firm is using assets at its disposal to make profit. It refers to the status of a company's financial well-being over a definite time period. It serves as a key factor for contrasting companies in the same industry (Steven, 2002)

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, the researcher reviewed some work written by other writers relating to the impact of electronic banking on financial performance. The study will focus on the theoretical review and related literature review (reviewing of some of the works of different researchers on the relationship between the study variables).

2.1 Theoretical Review

This model is at times referred to as Technology Acceptance Theory (TAT) it addresses the adoption behavior of customers which is usually assessed by the aim to use a specified system which is predicated on the impression of its usefulness and the convenient usability of the system. Previous authors researched on the fundamental construct of TAMs validity in forecasting the acceptance of individual's and noted that TAMs fundamental construct does not wholly address the explicit effect of technology and the usability factors that actually influence the user's acceptance (Moon & Kim, 2001). Davis, 1989 contents that expected usefulness is usually termed as an individual belief to improve the degree job performance by the application of modern technology of information system. Perceived effortlessness of use shows how easy an individual learns the operations of the emerging technology and information system. The model emphasizes the positive impact of perceived simplicity of use on the impression of the system's usefulness (Gefen, Karahanna, & Straub, 2003).

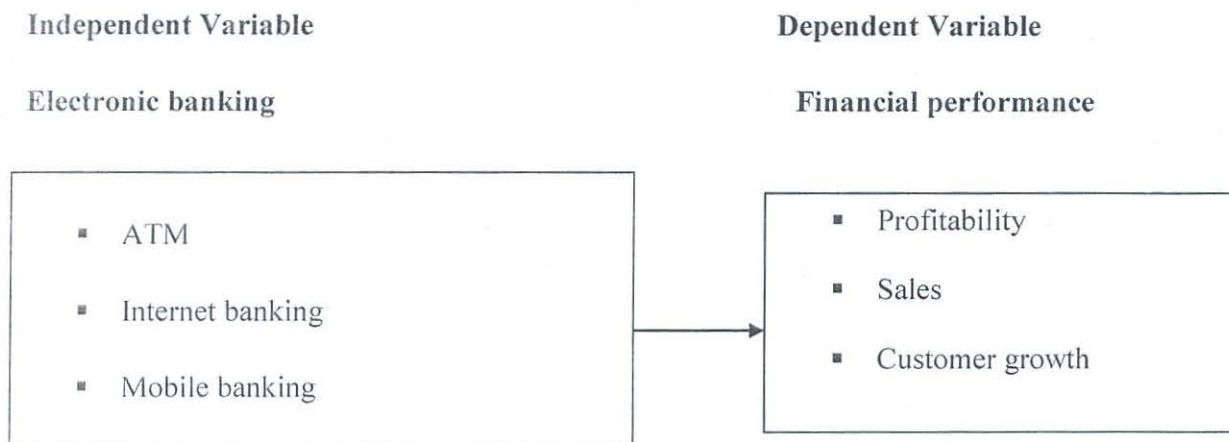
Pikkarainen, Pikkarainen, Karjaluoto and Pahnla (2004) carried out a survey in Finland to establish the actual impact of perceived usefulness and concluded that it endeared use of inventive, autonomous, self-service and user friendly technologies provided by banks for access of financial services to the users in the twenty first century. Gerrard and Cunningham (2003) noted that the perceived usefulness rested on the services provided by the bank. These services range from paying utility bills, checking account balances, loan applications, money transfer abroad, and getting pertinent mutual funds information.

Evidence points at the importance of perceived usefulness on adoption intention. Tan and Teo (2000) posit that adaptation of innovations is significantly determined by the perceived

usefulness. In conclusion, the likelihood of the adoption of e-banking is dependent on its perceived usefulness (Potaloglu & Ekin, 2001). The major drivers of e-banking acceptance are viewed as the TAM variables which include the aspects of perceived ease of use and perceived usefulness.

2.2 Conceptual Review

Figure 2.2: Shows the linkage between electronic banking and financial performance of the organizations



Source: Adopted from Nader (2011) and Okiro & Ndungu (2013)

The conceptual framework shows the linkage between electronic banking and financial performance of the organizations. The independent variable has electronic banking has ATM, internet banking and mobile banking while the dependent variable has financial performance which is conceptualized through profitability, sales and customer growth. The framework reveals that electronic banking has an influence financial performance.

2.3 Extent of e-banking adoption in commercial banks

According to Sumra et al. (2011) introduction of electronic banking has revolutionized and redefined the ways banks were operating and the number of banks that offer financial services over the internet is increasing rapidly. Technology is now considered as the main contribution for the organizations' success and as their core competencies. So the banks, be it domestic or foreign are investing more on providing on the customers with the new technologies through e-banking. PC banking, mobile banking, ATM, electronic funds transfer, account to account transfer, paying bills online, online statements and credit cards etc. are the services provided by

banks. By using transactional websites, customers can check account balances, transfer funds, pay (and perhaps receive) bills, apply for loans, and perform a variety of other financial transactions without leaving their home or place of business.

ATM banking is one of the earliest and widely adopted e-banking services in Kenya (Nyangosi et al. 2009). However, according to an annual report by Central Bank of Kenya, its adoption and usage has been surpassed by mobile banking in the last few years (CBK, 2012). Currently, there are about 8 million users of M-banking services compared. The tremendous increase in number of people adopting M-banking has been attributed to ease of use and high number of mobile phone users. This is consistent with the theory of consumer choice and demand as conceptualized in Au and Kauffman (2008) in relation to mobile payments. There is also a growing partnership in financial institution and non-financial service providers where consumers through use of e-banking and other e-commerce services such as M-banking can transact and clear utility bills through shared banks' platforms.

As Dabholkar, Bobbitt, & Lee (2003) indicated, the recent advances in technology have created a surge in technology-based self-service. Steven, (2002) defines electronic banking as the use of electronic and telecommunication networks to deliver a wide range of value added products and services to bank customers. It includes delivering banking services using palm pilots, ATM, debit cards, point of sale (POS) devices and cell phones (Waterfield, 2004). Both financial institutions and customers are seeking for products that are convenient in terms of accessibility and cost and e-banking offers some of these benefits. According to Epstein (2004), the phrase e-banking refers to the process by which a customer may perform banking transactions electronically without visiting a brick and mortar institution and its logistical systems. Several terminologies refer to one or another form of electronic banking: PC banking, online banking, internet or mobile banking. However it should be noted that the terms used to describe the various types of electronic banking are used interchangeably.

Electronic banking depends on providing customers, partners, and employees with access to information, in a way that is controlled and secure (Soludo, 2005). Technology must provide security to meet the challenges encountered by E-Banking. Virtually all software and hardware vendors claim to build secure products, but what assurance does an E-Banking have of a

product's security? E-Banking want a clear answer to the conflicting security claims they hear from vendors. How can you be confident about the security built into a product? Independent security evaluations against internationally-established security criteria provide assurance of vendors' security claims. Customer expectation, in terms of service delivery and other key factors have increased dramatically in recent years, as a result of the promise and delivery of the internet. Even after the "dot -com crash" these raised expectations linger.

Electronic banking is founded on the employment of innovative tools to provide various banking products to customers. Over the years technology has had a significant impact on how banks operate and formed bedrock upon which banks individuate their products from competitors. The products are provided through electronic intermediaries such as automated teller machines, cellular devices and the internet. Banks regularly depend on modern technology for customer service to satisfy their banking needs (Kolodinsky, Hogarth & Hilgert, 2004).

E-banking services comprise of internet transactions, ATM, funds transfers, and access to customer service without bank employees assistance. ATM banking has arguably been the banking industry's biggest innovation of the past twenty years. With the success of ATMs, banks had the impetus to develop new products and new delivery channels. Such development occasioned mobile banking surpassing the usage of ATMs (CBK annual report, 2015). The suggested reason for this is ease of accessibility and convenience. Mobile networks are available on a larger scale than ATMs. The familiarity of most people with the technology has also increased the trust they have in the mobile phone as a tool for effecting financial transactions.

Internet banking (e-banking) involves the execution of a wide range of banking related services over the web or network connected to the customer's bank (Steven, 2002). Online banking service is offered by virtually all banks today and enables customers to perform all routine transactions, such as money transfer, e-payment of bills, account balance inquiry and online loan applications. Customers gain access to their accounts at their convenience using a terminal connected to their banking institution. Online banking has significantly improved customer service delivery efficiency. The world over, the banking industry has emphasized on the importance of information systems for ensuring efficient customer services in step with technological advancements.

2.4 Review of related literature on e-banking and financial performance of banks

Kalakota and Winston (2009) arguably indicated that e-payment systems are becoming central to online business process innovation, as companies look for ways to serve customers faster and at lower cost. In line with this, Chhabra (2009) suggested that electronic payment systems are being used in air ticketing, insurance, banking, retail, health care, online markets and even governments in fact, everywhere money needs to change hands. There are many evident advantages of an electronic mode of transfer compared to the conventional clearing house, because banks are increasingly turning to technology for managing their payments (Kumar 2009). Some of the value attributes include secure payments, cost cutting, payment on due date and easier cash management compared to conventional systems. They have invested huge amounts of money, in implementing the self-banking services with the objective of improving the quality of customer service. The development of e-banking services is expected to decongest banking halls and reduce the incidences of long queues in banking halls.

E-banking is an improvement over traditional banking system because it has reduced the cost of transaction processing, improved the payment efficiency, financial services and the banker-customer relationship. The relationship between e-banking and service quality can be studied with the level of satisfaction. The customer satisfaction is the function of customer expectation level and service quality level provided by the organization. E-banking plays a pivotal role in giving satisfaction to the customers because e-banking fills the gap between the expected and perceived service quality. So in order to fill this gap, banks should find ways of making electronic services more accessible and by allowing the customer to verify the accuracy of the e-banking transactions. On the whole we can say that e-banking has become pre-imminent method of carrying the banking transaction and increase the customer satisfaction (Sathye, 1999).

Osage (2012) in his study on electronic banking adoption by Kenyan Commercial banks concluded that while adoption of electronic banking was beneficial, it was affected by factors such as availability of services 24/7, quickened transactions and customer convenience. Pikkarainen et al (2004) in their work on consumer acceptance of online banking found two \

Osage (2012) in his study on electronic banking adoption by Kenyan Commercial banks

concluded that while adoption of electronic banking was beneficial, it was affected by factors such as availability of services 24/7, quickened transactions and customer convenience.

The use of the electronic banking in MFIs is of profound importance impact due to the customer demographics that the MFIs serve. In this context, Atavachi (2013) notes that E-banking has the potential to revolutionize access to financial services and there is a growing consensus that e-banking offers a unique opportunity to address mainstream bank's two major barriers to serving the low income market. These barriers include the need for a branch infrastructure and managing high volumes of low value transactions. The services offered through the electronic banking include opening accounts, transferring funds to different accounts, online viewing of the accounts, online inquiries and requests, and online salaries payments (Kahinga, 2014). Others include clearing cheques status query, online loan application, online deposit of funds as well as loan repayment and instant alerts of account or transactions status.

Nader (2011) observed Saudi Arabia's commercial banks profit efficiency over the period of time ranging from 1998-2007. The survey study findings provide that accessibility of banking via the mobile phone, the ATMs and the various bank branches had significance on profitability and efficiency in Saudi Arabia's banks. Scrutiny by Malhotra and Singh (2009) on the effect of internet banking on performance of commercial banks in India found that there was insignificant relationship.

A study done by Hernando and Nieto (2005) on commercial banks numbering 72 in Spain over a period of 1994-2002 to establish their financial performance on the adoption of a transactional website found that there was a significant impact on profitability, which was the same as DeYoung, Lang and Nolle (2007) who observed that profitability is highly realized in internet banks than in non-internet banks in traditional analogue banks. De Young et al. (2007) identified the factors that affect bank's performance in the e-banking platform by undertaking a survey study of United States (US) community banks and did an appraisal on virtual click and mortar banks effect on firm's performance. The study confounded that bank's profits actually improved due to online banking by accelerating meaningful revenue.

A consumer acceptance of online banking study by Pikkarainen et al (2004) found that banks get noteworthy cost savings by offering online banking services and that it enables them to trim their

branches and reduce on the staff numbers which gives way to self-service channels (Karjaluo, Koivumäki, & Salo, 2003). Centeno(2004) notes that there are two categories of factors affecting e-banking adoption, these are; factors that relate to retail banking, and those that relate to the infrastructure and technology accessibility comprising of skills and competences on the part of customers in the usage of internet and other associated technologies, internet penetration rate, technological attitude, and internet security and privacy issues. It again involves aspects such as online banking culture, banking culture, mutual trust in banking institutions and push in internet banking.

A causal study by Kingoo (2011) evidently revealed bank performance is enhanced by e-banking adoption. In the happening of this, a recommendation emphasized that banks must focus their needs to achieve their goals by using the appropriate technology as opposed to using ICTs in electronic banking because the competition have positively embraced its use. They also recommended for Government participation to ensure reduction of costs of implementing e-commerce, banking sector regulation by the Central bank of Kenya to avoid it becoming a dumping ground for outdated technology as well as manpower development in ICT skills. Shuqair (2003) in his research study of Jordanian banks that have adopted the use of electronic banking found out that high costs in banking sector are incurred in the acquisition of electronic infrastructure and the training of employees. Therefore electronic banking service in the short run will negatively impact on the bank's profitability.

Siam (2006) stated that, banks are using the Internet as a strategic weapon, leveraging it as a distribution channel to offer complex products at the same quality they can provide from their physical branches, at a lower cost, to more potential customers, without boundaries. The online channel enables banks to offer low-cost, high value-added financial services and also benefit from the promotional opportunity to cross sell products such as credit cards and loans. In saving time and money for users, banks offer online banking as a less expensive alternative to branch banking. In addition, on-line banking enables banks to acquire information on consumer habits and preferences, for later marketing purposes. An expanding customer base and transaction cost savings are major benefits for banks (Siam, 2006).

Okiro and Ndungu (2013) indicated that electronic serves numerous purposes in the modern financial system. The first benefit for the banks offering e-banking services is better branding

and better responsiveness to the market. Those banks that offer such services would be apparently leaders in applying such technology. The main benefits of e-banking for customers are as follows: Reduced costs, convenience and speed. The main advantages of e-banking for corporate customers are reduced costs in accessing and using the banking services. The study identified critical issues that stood out as being inhibitors to e-banking adoption, among them being security, quality of ICT , awareness programs , slow adoption , customer intention drivers , customer attitude, ease of usage by customer, usefulness of e- service to customer, customer trust age of customer, level of education and gender.

2.5 Empirical review on challenge encountered in e-banking in banks

The development of an efficient monetary transfer system is associated with so many factors. These problems are infrastructural deficiency such as erratic power supply and communication link especially in developing countries. In this case it requires government or organizations to provide stable and efficient power supply and telecommunication system (Oleka, 2009).

Inadequate skilled managers and requisite tools on end users and client systems, here efforts should be done in provision of infrastructure and skilled man power, another problem is the large accumulation of cash in the economy and in this the government should compel legislation that would charge the dominance of cash usage to electronic payments. Also there is high charge or cost for the e-payment terminals (ATMs) so the banking legislation should set out standard charges for e-payment services (Littler, 2006). Non-provision of adequate security for fraud prevention, banks should endeavor to provide stand-by-camera in every ATMs machine for confirming identify of operators account and employ a good computer wizard in dictating and preventing frauds committed by computer hackers.

Power Failure and Communication Link: Constant electric failure leads to deficiencies in infrastructures such as ATMs computers etc which slows down the rate of electronic transactions and also failure links from Nitel lines which are often as a result of spikes and surges caused consistent electronic power supply (Akinuli, 1999).

Mabrouk and Mamoghli (2010) in their study on Dynamics of Financial Innovation and Performance of Banking Firms: Context of an Emerging Banking Industry, analyzed the

Challenges of the adoption of two types of financial innovations namely; product innovation (telephone banking and SMS banking and so on) and process innovation (Magnetic strip card (debit, ATM and credit card), Automatic cash dispenser; (Automatic teller machine; Electronic payment terminal and so on) on the performance of banks. Their analysis included two adoption behaviours, first mover in adoption of the financial innovation and imitator of the first movers. They found out that first mover initiative in product innovation improves profitability while process initiative has a negative effect on profitability and efficiency. Banks that imitate are less profitable and less efficient than first movers.

Lack of computer bank up: As a result of lack of computer backup when the bank system is corrupt there will be a loss of information about a customer, and this may lead to misappropriation of customers account, therefore the bank should have a manual backup (ledger) containing all data about the customers (Akinuli, 1999).

The impact of e-banking on banks performance is still misunderstood for two main reasons; first, there is a lack of understanding about the drivers of innovation and secondly innovation's impact on bank's performance remains untested. Previous researchers like Francesca and Claeys (2010), have produced mixed results regarding the impact of innovations on bank performance. Pooja and Singh (2009), in their studies they concluded that innovations had least impact on bank performance, while and Mwanja and Muganda (2011) concluded that financial innovation had significant contribution to bank performance. It is at the center of such mixed conclusions that creates and necessitates the need to carry out a study from a Kenyan context to establish the effect of E-Banking on commercial banks performance.

Lack of adequate investment capital: Funds that can be used to buy new information technologies and for modernizing existing systems is generally in short supply. While there are a number of modern banking applications in use, there is also integrated banking system, which continued to experience innovations in terms of product development specifically, and there has been tremendous improvement in the speed in which funds are transferred within and outside the domestic economy (international money transfer (James, 2009).

Reduces employment in the country: Electronic banking in the country today has reduced the rate of employments in the country whereby most works that should be done by human are done by machines thereby lead to minimum rate of employment and high rate of unemployment in the country (Oleka, 2009). High charges on machines: The rate of commission or charges imposed by banks is too high thereby discouraging customers from using the electronic machine for exchange of transactions example of such charges are charged on withdraw ATMs and online transfer from one bank branch to another (James, 2009).

Low public acceptance: Customers and public do not have trust in the machine in the sense that fraudulent personals uses the system in carryout fraudulent activities, even today banks uses the machine in looting customers money from their accounts. Some customer complains that sometimes when they go for withdraw with their ATM the machine will seize the card while their account will still be debited with un withdraw sum in course of ratification of this problem, the customer might be discouraged because it will take a longer time or end up unsolved (James, 2009).

Insecurities in banks: Most electronic machines today are not secure thereby making it easier for fraudulent personnel to carry out their fraudulent activities without been caught. Due to insecurity, banks cannot prevent stop or dictate any fraudulent activity. Computer hackers also use the system in stealing data or information by breaking of codes (Hodagho, 1996).

In addition, as e-banking operates in an electronically controlled and thoroughly monitored environment, it can discourage illegal and illegitimate practices associated with the banking industry like money laundering, fraud and embezzlement whose occurrence can have a huge negative impact on the institution's financial performance. Kegan et al. (2005), in their research on how community banks (Microfinance institutions) performed with and without e-banking noted that online banking improves the financial performance and encouraged community banks to adopt new information technologies and offer targeted online services. Cheruiyot, (2010) indicates that Internet banks are larger banks and have better operating efficiency ratios and profitability as compared to non-Internet banks since they rely more heavily on core deposits for

funding than non-internet banks do. With the falling costs of technology it is imperative that the DTMs consider e-banking as it has the ability to offer an enhanced range of services at low costs.

Encourages excessive withdrawal: Un-operational days like Saturdays when banks are not in operation customers can go and withdraw with their ATM cards, especially when there is a function like wedding ceremonies, customers with little or no money can rush to a nearby ATM machine to withdraw money for excessive spending, customers complained about this in an interview conducted by banks (James, 2009).

Gikandi and Bloor (2010) investigated adoption and effectiveness of electronic banking in Kenya. The results showed that there was a drastic shift in the importance attached to some e-banking drivers between years 2005 and 2009. In the 2005 survey, the number of other retail banks adopting e-banking was considered as a driver of medium importance by 70% of the banks. however, in the 2009 survey it was ranked among the extremely important drivers by a 100% of the banks. Similar observations were made in the case of competitive forces. Internet security was identified as the most important future challenge in e-banking while customer trust, privacy and awareness were recognized as challenges of great importance.

2.6 Research Gaps

The previous studies conducted on electronic banking and financial performance of the organizations. The findings on Chhabra (2009) suggested that electronic payment systems are being used in air ticketing, insurance, banking, retail, health care, online markets and even governments in fact, everywhere money needs to change hands. Even Osage (2012) in his study on electronic banking adoption by Kenyan Commercial banks concluded that while adoption of electronic banking was beneficial, it was affected by factors such as availability of services. Atavachi (2013) notes that E-banking has the potential to revolutionize access to financial services and there is a growing consensus that e-banking offers a unique opportunity to address mainstream bank's two major barriers to serving the low income market. Even Nader (2011) observed Saudi Arabia's commercial banks profit efficiency over the period of time ranging from 1998-2007. Hernando and Nieto (2005) on commercial banks numbering 72 in Spain over a period of 1994-2002 to establish their financial performance on the adoption of a transactional website found that there was a significant impact on profitability. Kingoo (2011) evidently

revealed bank performance is enhanced by e-banking adoption. In the happening of this, a recommendation emphasized that banks must focus their needs to achieve their goals by using the appropriate technology. The study review of the previous studies were entirely conducted in the environment outside Uganda while the period of the studies were before 2013 furthermore the concepts of the study were not actually those conducted in this study presenting geographical, theoretical and time gaps.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter discuss the methodology used in the study. This included research design, research population, sample population, sampling techniques, data sources, data collection methods, data processing and analysis, ethical consideration and anticipated limitations of the study.

3.1 Research design

The study adopted a case study design on both qualitative and quantitative aspects. This method is preferred because it is an ideal method that eases the collection of information from the respondents at both individual and group levels. The research design was descriptive in nature in that there was provision of detailed information e-procurement and financial performance of commercial banks. The research findings were displayed in table form which has figures in percentage form. The researcher went ahead to describe the findings from the tables

3.2 Study Population

A study population is a complete collection of all elements that are of interest to the researcher. It is therefore the totality of objects or individuals having one or more characteristics in common that are of interest to the researcher for the purposes of collecting information. The total research population is the employees of post bank who are estimated to be 32 people. This included Tellers (6), cashiers (7) back and front office staff 15 and administrators 4. This gives the total population of 32.

3.3.1 Sample Size

A sample of 30 respondents was chosen from the employee using the Slovene method of calculating the sample size. The sample is restricted to the information required and the purpose of the study a sample of 30 respondents were chosen for the purpose of the study using Slovene's Formula states that, given a population, the minimum Sample size is given by:

$$n = \frac{N}{1 + N\alpha^2}$$

Where; n = the sample size

N = total population of respondents, that is 30.

α = the level of significance, that is 0.05

$$n = \frac{N}{1 + N\alpha^2}$$

$$n = \frac{32}{1 + 32 (0.05)}$$

$$n = \frac{32}{1 + 32 * 0.0025}$$

$$n = \frac{32}{1.08}$$

$$N = 29.62$$

$$n = 30$$

A sample size of 30 respondents was selected to participate in the study.

3.3.2 Sampling techniques

The researcher used simple random sampling and stratified sampling to select the respondents. The researcher identified the different strata of people. Then using stratified sampling divide the population into different strata. This is being finally handled with simple random sampling. Simple random sampling was employed in form of rotary, without replacement till the number of respondents was got. Listing and sampling of the study population. The list of the primary sampling unit comprised of operational level employees from the district.

3.4 Sources of data

In this study two types of data was used by the researcher, in the secondary and primary data was used. In recognition to this, the researcher collected data that is relevant to the research problem.

3.4.1 Primary Data

Primary data is that data collected afresh and for the first time, have not been processed. While the secondary data is one which have been already collected by someone else for other purposes

and can be used to compile data or raw data. Questionnaires and interview was common research tools used to collect data. This is aimed at collecting primary data from the respondents of from the bank.

3.4.2 Secondary Data

The secondary data was obtained through notes, correspondences and minutes of meetings, project plan journals. In this study the researcher used documents and other records that are already published to access information on government policy and service delivery.

3.5 Data collection tools

3.5.1 Questionnaire

These are inter-related questions designed by the researcher and given to the respondents in order to fill in data/information. Here, self-administered questionnaires were employed containing both open and close-ended questions. This reduced costs of movement and also because the researcher is dealing with literate people who have the capacity of filling the forms.

3.6 Validity and Reliability

Park 2008 and Joppe (2000) defined reliability as the extent to which results are consistent over time and an accurate representation of the total population under the study. The research instrument is considered to be reliable. Kirk and Miller 1986 identified three types of reliability referred to in quantitative research which relates to the degree of consistency of results, stability over time and similarly within a given period time.

To establish the reliability of the instruments, the researcher used alternative form of reliability test by administrative two single instruments.

3.6 Data Processing

In this section the researcher ensured that responses and data collected is processed into logical, consistent and relevant information. The researcher classified answers to the questions into categories as a process which involves editing, copying and tabulating the research findings as presented in chapter four of this research study.

3.7 Data Presentation and analysis

Once the researcher had obtained the necessary data from the field, the researcher analyzed, and interpreted it in relation to the objectives of the study. The demographic information was analyzed using frequency and percentages. The study objective one and three including level of financial performance was measured based on mean and standard deviation. The second objective analyzed using simple linear correlation to determine the relationship between e-banking and financial performance. The decision rule for the data analysis was based on 0.05 level of significance.

The interpretations for the data for both the independent and dependent variables were be interpreted using the following mean ranges:

4.22- 5.00	Strongly Agree	Very Good
3.42 - 4.22	Agree	Good
2.62 – 3.41	Not Sure	Fair
1.81 - 2.61	Disagree	Poor
1.00 - 1.80	Strongly Disagree	Very poor

The hypothesis was tested based on the decision rule of 0.05 level of significance. The decision to test hypothesis was based on coefficients (significant values, all the values to be found below 0.05 level was deemed significant.

3.8 Ethical Considerations

The researcher chose a topic and supervisor at the University, upon approval of a research topic by the supervisor; the researcher attained permission from the university to conduct the data collection from Post bank. The researcher begun on data collection process. After data collection, data was analyzed using excel sheets to generate frequency and percentages. After computation, the researcher prepared the final reports for submission to the faculty.

3.9 Limitations and Solutions

Lack of co-operation by some respondents was a possible constraint to this study. In Uganda it is common that researchers are viewed in a negative way, usually staff thinks it is a problem of finding exercise that rendered most of the jobless at the end of the exercise. This study was

however emphasize to the respondents that the study is purely for academic purposes also were people feel redundant to participate in spite of the assurance the study resorted to willing and available respondents.

The cost of the research was very high in regard to the already incurred cost of accessing relevant stationary, printing and the yet to be incurred cost of photocopying, binding, transport, and telephone charges. The financial constraints were solved by asking my friends and family to raise some money for my research work.

The problem of insufficient time was solved by making sure that the researcher is given enough/ sufficient time and maximum concentration.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

4.0 Introduction

This chapter presents the findings from the study topic; Electronic banking and financial performance of banks in Uganda: a case study of post bank Mbale branch. The study solicited response for these research questions. The study was on three objectives; to determine the extent of e-banking adoption by post bank Uganda, to determine the relationship between adoption of e-banking and financial performance of post bank Uganda and to establish the challenges encountered by the banks in establishing electronic banking systems in the banks. This chapter is organized based on the demographic traits of respondents, following by the analysis as per the research objectives presented objective by objective. The data was presented, analyzed and interpreted as shown in the sub-chapters below.

4.1.1 Demographic traits of respondents

This was based on the gender of respondents, Education, age, Position held, Time of work. This was intended to attain a detailed understanding of the respondent's key characteristics influences the result of the study. The general information has an implication on the study variables. The responses were analyzed and presented in the respective tables as shown below.

4.1.1 Gender of respondents

Table 4.1: Gender of respondents

Gender	Frequency	Percent
Male	22	73.3
Female	8	26.6
Total	30	100.0

Source: Primary Data, 2018

The study findings on the gender of the respondents concealed that majority of the respondents were male with 22(73.3%), the females were 8(26.6). The results critically show that male dominated the study however female were also considered during data so as to enable the researcher attain unbiased information.

4.1.2 Education of respondents

Table 4.2: Shows the level of education of respondents

Education		
Certificate and Diploma	4	13.3
Degree	13	43.3
Masters	8	26.6
others	5	16.6
Total	30	100.0

Source: Primary Data, 2018

Results in table 4.2 on the education level of respondents, the majority respondents were bachelors degree holders 13 representing 43.3% of the respondents while Certificate and Diploma had 4 representing 13.3% of the respondents, respondents with Masters were 8 representing 26.6% of the respondents while respondents with others qualifications had 5 representing 16.6% of the respondents. These findings clearly shows that most of the respondents were educated hence had the capacity interpreting the questionnaire and gave appropriate response.

4.1.3 Age of respondents

Table 4.3: Shows the age bracket of the respondents

Age	Frequency	Percentage
20 - 29	6	20
30 - 39	14	46.6
40 - 49	7	23.3
50+	3	10
Total	30	100.0

Source: Primary Data, 2018

According to the findings on the age of respondents the majority respondents were 30 – 39 years bracket with 14 respondents representing 46.6% of the respondents, 40 – 49 years had 7 representing 23.3% of the respondents, 20 – 29 years had 6 representing 20% of the respondents, and finally followed by 50+ had 3 representing 10% of the respondents. The implies most of the respondents were mature and thus had the necessary information needed by the researcher.

4.1.4 Service time of respondents

Table 4.4: Shows time of service of respondents

Time of work	Frequency	Percentage
Less than 1 year	2	6.6
Below 1-3 years	15	50
Between 3-5 years	10	33.3
6 years and above	3	10
Total	30	100.0

Source: Primary Data, 2018

According to the findings on time of service the respondents, the findings were that majority of the respondents had worked in the organization Below 1-3 years with 15 represented by 50%, Between 3-5 years had 10 respondents represented by 33.3%, 6 years and above had 3 respondents represented by 10% and finally followed by Less than 1 year with 2 respondents represented by 6.6%. The findings indicate that most of the respondents had worked in the organization for a good period of time and therefore had the information needed by the researcher.

4.1.5 Position held by the respondents

Table 4.5: shows position held by the respondents.

Position held		
Administrator	7	23.3
Human resource	2	6.6
Customer consultant	3	10
Staff	18	60
Total	30	100.0

Source: Primary Data, 2018

Considering the findings on position held by the respondents, most of the respondents were staff represented by 18 with 60%, Administrator had 7 representing 23.3% of the total respondents, 3(10) was presented for represented for respondents with Customer consultant and finally followed by the Human resource with 2 represented shown with 6.6%. This clearly all

respondents who were contacted had the right information since they were workers in the organization.

4.2 E-banking adoption by post bank Uganda

The first research objective which constitute the independent variable in this study was electronic banking and was sub divided into three parts namely; ATMS, mobile banking and internet banking (with 5 questions respectively). Each of these questions was presented on the four point Likert scale where by respondents were asked to rate the bureaucracy by indicating the extent to which they agree or disagree with each question and their responses were analyzed using SPSS and summarized using means and rank as indicated in table 4.6;

Table 4.6: E-banking adoption by post bank Uganda

Items on Electronic Banking	Mean	Std	Interpretation	Rank
ATM				
The ATMs supporting the customers savings in the bank	3.98	1.19	High	1
The ATMs provide information to customers on their accounts	3.77	1.13	High	2
The ATMs provide cash issuance to customers in the bank	3.62	1.36	High	3
The ATMs are used for provision of balances to customers	3.61	1.46	High	4
Customers use ATMs for convenience purposes to the bank	2.93	1.36	Moderate High	5
Average mean	3.37	1.33	Moderate high	
Mobile banking				
There is a mobile banking through our agents located in different localities	3.54	1.52	High	1
The bank use the vans to move to rural areas to provide banking services	3.42	1.51	High	2
There are savings services to the banks through mobile telecommunication	3.09	1.61	Moderate high	3
There is cash withdraw services from the bank through mobile platforms	2.96	1.36	Moderate high	4
The customers make balance inquiries through their mobile telecommunications	2.88	1.36	Moderate high	5

Average mean	3.17	1.47	Moderate high	
Internet banking				
We have an internet app of banking for our bank	3.44	1.45	High	1
The customers use internet for their money transfers	3.42	1.46	High	2
The internet banking is available for cash deposits by the customers	3.09	1.46	Moderate high	3
There is internet banking services for savings in the bank	2.86	1.37	Moderate high	4
The internet provide inquiry services to the customers of the bank	2.83	1.34	Moderate high	5
Average mean	3.12	1.41	Moderate high	
Overall mean	3.22	1.40	Moderate high	

Source: Primary data, 2018

Results in table 4.6 revealed that the E-banking was presented and rated as moderate high and this was indicated by the overall mean of 3.22 and standard deviation of 1.40, and this absolutely implies that E-banking adoption by post bank Uganda is improved accordingly.

Considering the findings on ATMS, this variable was measured by 5 items and respondents were asked to give in their views whether they agreed with the statements under investigation which included; The ATMs supporting the customers savings in the bank the mean of 3.98 and standard deviation of 1.19 and it was interpreted as high, The ATMs provide information to customers on their accounts had the mean of 3.77 with standard deviation of 1.13 interpreted as high, The ATMs provide cash issuance to customers in the bank was presented with the mean of 3.62 and standard deviation of 1.36 and according to the scale, it had an interpretation as high, 3.61 was presented as the mean of the ATMs are used for provision of balances to customers and had standard deviation of 1.46 and was interpreted as high, Customers use ATMs for convenience purposes to the bank had the mean of 2.93 and standard deviation of 1.36 and was interpreted as moderate high, Responses revealed that ATMS were rated as moderate high with (mean= 3.37), implying that there is need to improve the electronic banking services.

From the table; findings on mobile banking had five items which were presented to respondents for their views and respondents and they also were asked whether they agreed with the statements. There is a mobile banking through our agents located in different localities had the mean of 3.54 and standard deviation of 1.52 and it was interpreted as high, The bank use the

vans to move to rural areas to provide banking services had the mean of 3.42 with standard deviation of 1.51 interpreted as high, There are savings services to the banks through mobile telecommunication had the mean of 3.09 and standard deviation of 1.61 and it was interpreted as moderate high, There is cash withdraw services from the bank through mobile platforms had the mean of 2.96 and had standard deviation of 1.36 and was interpreted as moderate high, The customers make balance inquiries through their mobile telecommunications was presented with the mean of 2.88 and standard deviation of 1.36 and was interpreted as moderate high. Responses indicated that procedures were rated as moderate high (average mean=3.17, standard deviation=1.47), implying that the mobile banking has made the system of banking easy.

Internet banking had five items which were set in form of questions and given to respondents for their views and respondents were requested to rate the statements following the scale designed by the researcher. We have an internet app of banking for our bank had the mean of 3.44 and standard deviation of 1.45 and it was interpreted as high, The customers use internet for their money transfers had the mean of 3.42 with standard deviation of 1.46 and was interpreted as high, The internet banking is available for cash deposits by the customers had the mean of 3.09 and standard deviation of 1.46 and interpreted as moderate high, There is internet banking services for savings in the bank had the mean of 2.86 with standard deviation of 1.37 and was interpreted as moderate high, The internet provide inquiry services to the customers of the bank had the mean of 2.83 and standard deviation of 1.34 and was interpreted as moderate high. According to the responses it was indicated that internet banking was rated as moderate high and was represented by the average mean of 3.12, implying that internet banking has contributed much to performance of the organization.

4.3 Relationship between adoption of e-banking and financial performance of post bank Uganda

The second objective was the dependent variable in this study and referred to as financial performance, this variable was broken into three constructs (profitability with 3 questions, sales growth with 3 questions and finally market share with 4 questions for which respondents were required to ascertain the extent to which they agree or disagree with the items or statements by indicating the number which best describes their perceptions. This variable was measured using questions with response rate ranging between 4=strongly agree, 3=agree, 2=Disagree and

I=strongly disagree. The responses were analyzed and described using means as summarized below in table 4.7;

4.3.1 Financial performance of post bank Uganda

Table 4.7: Financial performance of post bank Uganda

Items on financial performance	Mean	Std	Interpretation	Rank
Profitability				
Our profitability has improved over time as a result of our Operational risk management system	2.65	1.32	Moderate high	1
The bank registered high profits over the sales in the previous years	2.59	1.32	Low	2
The operational risk management system has enabled us reduce the number of fraud cases	2.45	1.43	Low	3
Average mean	2.47	1.33	Low	
Sales Growth				
The sales capacity of the business is steadily growing	3.18	1.57	Moderate high	1
There is effective marketing accounting to sales growth	2.49	1.40	Low	2
The customer loyalty has increased the sales of the business	2.19	1.27	Low	3
Average mean	2.42	1.3	Low	
Market share				
The customer base has increased over the last year	2.67	1.40	Moderate high	
Our market has grown n over time as a result of operational risk management systems improvement	2.66	1.44	Moderate high	
Our organizational capacity is expanding in operations	2.62	1.42	Moderate high	
There is a steadily moving sales growth in the operations	2.22	1.42	Low	
Average mean	2.54	1.42	Low	
Overall mean	2.47	1.35	Low	

Source: Primary data, 2018

Results in Table 4.7 revealed that adoption of e-banking and financial performance of post bank Uganda is generally low (overall mean=2.47) and standard deviation of 1.35 hence implying that e-banking has contributed less to financial performance of post bank Uganda and hence the management should lay strategies on how to solve this.

Profitability, this variable was measured by 3 items and respondents were asked whether they agreed or disagreed with the statements under investigation. Responses revealed that profitability was rated as low with the (average mean=2.47) and standard deviation of 1.33, implying that the financial performance of the bank is still poor since the rate at which the profits come in is poor.

Our profitability has improved over time as a result of our Operational risk management system had the mean of 2.65 and standard deviation of 1.32 and it was interpreted as moderate high, The bank registered high profits over the sales in the previous years had the mean of 2.59 with standard deviation of 1.32 and was interpreted as low, The operational risk management system has enabled us reduce the number of fraud cases had the mean of 2.45 and standard deviation of 1.43 and interpreted as high. Responses imply that profitability level of the bank is still poor and needs improvement.

Sales growth; 3 items measured this construct and respondents were asked whether they agreed with the statements therein and their responses indicated that sales growth was rated as low with the (average mean=2.42) and standard deviation of 1.32. The responses imply that sales growth still need serious attention from the administration.

The sales capacity of the business is steadily growing had the mean of 3.18 and standard deviation of 1.57 and it was interpreted as moderate high, There is effective marketing accounting to sales growth had the mean of 2.49 with standard deviation of 1.40 was interpreted as low, The customer loyalty has increased the sales of the business had the mean of 2.19 and standard deviation of 1.27 and interpreted as low, According to the responses, it is implied that sales grow is poor.

Market share, this variable was measured by 4 items and respondents were asked whether they agreed or disagreed with the statements under investigation. Responses revealed that time of Service delivery was rated as low with the (average mean=2.47) and standard deviation of 1.33,

implying that the bank holds a small market share and it should aim at increasing the number of customers so as to add on the existing customers.

The customer base has increased over the last year had the mean of 2.67 and standard deviation of 1.40 and it was interpreted as moderate high, Our market has grown n over time as a result of operational risk management systems improvement had the mean of 2.66 with standard deviation of 1.44 and was interpreted as moderate high, Our organizational capacity is expanding in operations had the mean of 2.62 and standard deviation of 1.42 and interpreted as low, There is a steadily moving sales growth in the operations had the mean of 2.22 and had standard deviation of 1.42 and was interpreted as low responses imply that market share is still not promising.

4.3.2 Correlation between electronic banking and financial performance

In order to establish the relationship between adoption of e-banking and financial performance of post bank Uganda, the researcher used Pearson correlation to determine the relationship between the variables. To attain this researcher correlated the means of e-banking adoption and financial performance.

Table 4.8: Adoption of electronic banking and financial performance

		Financial Performance
Electronic banking	Pearson Correlation	0.756**
	Sig. (2-tailed)	0.000
	N	81

**Correlation is significant at the 0.01 level (2-tailed).

Table 4.8 shows the study finding on the relationship between adoption of e-banking and financial performance of post bank Uganda and to what extent the relationship exists. The results from the Pearson Correlation table above indicates that there is a positive and strong relationship between adoption of e-banking and financial performance of post bank Uganda at a correlation coefficient $r = 0.756$. This implies that electronic banking adoption plays a vital role in determining financial performance of post bank. When it comes to the extent to which this relationship exists, this can be observed by manual calculation from the Pearson correlation table

where $(0.756)^2 = 0.571 \times 100 = 57.1$. This means that electronic banking contributes 57% to financial performance. This may mean that there are other factors which should interrelate with electronic banking such that the financial performance can be increased.

4.4 Challenges encountered by the banks in establishing electronic banking systems in the banks.

The third objective in this study was to establish the challenges encountered by the banks in establishing electronic banking systems in the banks. This objective had 6 questions namely: The low internet connectivity hinders e-banking usage, The low level of knowledge on e-banking limit its usage, The high cost of internet hinders e-banking for customers, The trust issues due to risks limit e-banking for customers, Low level of computerization and technology development frustrates e-banking, Customer confidence levels and fear for virtual transactions limits e-banking, The data was analyzed using mean and standard deviation and presented in a table below.

Table 4.9: Showing responses on challenges encountered by the banks in establishing electronic banking systems in the banks

Items on challenges	Mean	Std	Interpretation	Rank
The low internet connectivity hinders e-banking usage	3.57	1.43	Moderate high	1
The low level of knowledge on e-banking limit its usage	3.48	1.40	Moderate high	2
The high cost of internet hinders e-banking for customers	3.40	1.53	Moderate high	3
The trust issues due to risks limit e-banking for customers	3.37	1.44	Moderate high	4
Low level of computerization and technology development frustrates e-banking	3.27	1.48	Moderate high	5
Customer confidence levels and fear for virtual transactions limits e-banking	3.11	1.5	Moderate high	6
Average mean	3.26	1.47	Moderate high	

Source: Primary data 2018

The low internet connectivity hinders e-banking usage had the mean of 3.57 and standard deviation of 1.43 and it was interpreted as moderate high, The low level of knowledge on e-banking limit its usage had the mean of 3.48 with standard deviation of 1.40 and was interpreted as moderate high, The high cost of internet hinders e-banking for customers had the mean of 3.40 and standard deviation of 1.53 and interpreted as moderate high,

The trust issues due to risks limit e-banking for customers had the mean of 3.37 and had standard deviation of 1.44 and was interpreted as moderate high, Low level of computerization and technology development frustrates e-banking had the mean of 3.27 and standard deviation of 1.48 and it was interpreted as moderate high, Customer confidence levels and fear for virtual transactions limits e-banking had the mean of 3.11 with standard deviation of 1.50 and was interpreted as moderate high.

According to the findings; challenges encountered by the banks in establishing electronic banking systems in the banks was presented with average mean of 3.26 and standard deviation 1.47 was interpreted as moderate high. This implies that there are challenges still hindering the establishment of electronic banking systems

CHAPTER FIVE

DISCUSSIONS, CONCLUSION, RECOMMENDATIONS AND AREAS OF FURTHER STUDY

5.0 Introduction

The study was carried out with the view to assess the impact of electronic banking on financial performance. This chapter is concerned with discussion of findings, conclusion, recommendations and areas of further study.

5.1 Discussion of the findings

5.1.1 Extent of e-banking adoption by post bank Uganda

The study findings indicate that internet banking was rated as moderate high and was represented by the average mean of 3.12, implying that internet banking has contributed much to performance of the organization. The results are in agreement with Soludo (2005) who argued that electronic banking depends on providing customers, partners, and employees with access to information, in a way that is controlled and secure Technology must provide security to meet the challenges encountered by E-Banking. Virtually all software and hardware vendors claim to build secure products, but what assurance does an E-Banking have of a product's security. Even the findings are in agreement with Kolodinsky, Hogarth & Hilgert, (2004) argued electronic banking is founded on the employment of innovative tools to provide various banking products to customers. Over the years technology has had a significant impact on how banks operate and formed bedrock upon which banks individuate their products from competitors. The results are further in agreement with those of Steven, (2002) who argued that online banking service is offered by virtually all banks today and enables customers to perform all routine transactions, such as money transfer, e-payment of bills, account balance inquiry and online loan applications. Customers gain access to their accounts at their convenience using a terminal connected to their banking institution.

5.1.2 Relationship between adoption of e-banking and financial performance of post bank Uganda

The study finding on the relationship between adoption of e-banking and financial performance of post bank Uganda and to what extent the relationship exists. The results from the Pearson Correlation table above indicates that there is a positive and strong relationship between adoption of e-banking and financial performance of post bank Uganda at a correlation coefficient $r =$

0.756. The results are in agreement with those of Osage (2012) in his study on electronic banking adoption by Kenyan Commercial banks concluded that while adoption of electronic banking was beneficial, it was affected by factors such as availability of services 24/7, quickened transactions and customer convenience. The findings are in agreement with those of Pikkarainen et al (2004) in their work on consumer acceptance of online banking found two \ Osage (2012) in his study on electronic banking adoption by Kenyan Commercial banks concluded that while adoption of electronic banking was beneficial, it was affected by factors such as availability of services 24/7, quickened transactions and customer convenience. The results are in agreement with those of Kingoo (2011) evidently revealed bank performance is enhanced by e-banking adoption. In the happening of this, a recommendation emphasized that banks must focus their needs to achieve their goals by using the appropriate technology as opposed to using ICTs in electronic banking because the competition have positively embraced its use. Even Okiro and Ndungu (2013) indicated that electronic serves numerous purposes in the modern financial system. The first benefit for the banks offering e-banking services is better branding and better responsiveness to the market. Those banks that offer such services would be apparently leaders in applying such technology. The main benefits of e-banking for customers are as follows:

5.1.3 Challenges encountered by the banks in establishing electronic banking systems in the banks

The study results on the challenges encountered by banks in electronic banking are low internet connectivity hinders e-banking usage, low level of knowledge on e-banking limit its usage, high cost of internet hinders e-banking for customers, the trust issues due to risks limit e-banking for customers, low level of computerization and technology development frustrates e-banking and customer confidence levels and fear for virtual transactions limits e-banking. The study results are in agreement with previous authors who argued that Littler (2006). Non-provision of adequate security for fraud prevention, banks should endeavor to provide stand-by-camera in every ATMs machine for confirming identify of operators account and employ a good computer wizard in dictating and preventing frauds committed by computer hackers. Even Mabrouk and Mamoghli (2010) in their study on Dynamics of Financial Innovation and Performance of Banking Firms: Context of an Emerging Banking Industry, analyzed the Challenges of the adoption of two types of financial innovations namely; product innovation (telephone banking and SMS banking and so on) and process innovation.

Akinuli (1999) contend that lack of computer bank up: As a result of lack of computer backup when the bank system is corrupt there will be a loss of information about a customer, and this may lead to misappropriation of customers account, therefore the bank should have a manual backup (ledger) containing all data about the customers.

5.2 Conclusions

The purpose of the study was to investigate the effect of electronic banking on financial performance of commercial banks in Uganda. The study was to determine the extent of e-banking adoption by post bank Uganda, to determine the relationship between adoption of e-banking and financial performance and to establish the challenges encountered by the banks in establishing electronic banking systems in the banks. The study concludes that e-banking adoption in the bank was moderately high meaning that the state of the e-banking adoption is coupled with weaknesses in the management of the electronic system. The study conclude that electronic banking facilitate financial performance of the bank hence conclude that improving the state of bank can be improved through e-banking adoptions in the bank. There are several challenges faced in the banking industry with the use of electronic banking hence the need to provide the means for the determination of the need for financial performance, security risks and trust provide an avenue for reducing work efficiency in the performance.

5.3 Recommendations

The study on the first objective recommends that;- The bank management should establish country wide training and training for clients on usage of various e business applications for efficient performance of the bank. For example training on ATM and VISA usage, internet banking, and mobile banking and so on. Also ATMs should be put in different locations easily accessible by customers, so that quick service and convenience is maintained hence improving bank operations. At the same time constantly serviced should be ensured in order to provide reliability of the services.

The second objective, the study recommends that banks should subscribe to reliable internet providers for effective and efficient service delivery. The bank should employ skilled personnel with more experience on network management in order to ensure the reliability of network.

On the third objective, the bank should keep on upgrading their e banking technology in order to have an up to date system for effective service delivery. There is need for constant power back up should be ensured on order to solve the problems of power interruptions and fluctuations. The study recommends to the management of banks which are slow in innovation adoption, to move in and adopt various innovations in their operations in order to shore up their profitability. This recommendation is well supported by the fact that in Uganda the leading banks in terms of profitability are mostly the fast movers in adoption of new technologies.

5.4 Areas for Further Research

The study reveals that there is evidence that e-banking increases the bank performance. This study was done only on the commercial banks in Uganda. The study can also be extended to other financial markets such as capital and insurance companies in order to understand the implication of E-banking on the overall financial markets in Uganda.

Similar the studies can be done for other bank industry in other countries. This study was confined to commercial banks yet the current banking innovation such as electronic money is targeted to include the rural marginalized mostly served by micro finance institutions in the banking net. However, the success of this drive is not yet known. Therefore, another study can be carried to evaluate whether e-banking has helped to bring banking services close to people especially in rural areas.

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Appendix i: Research Questionnaire

Dear respondent,

I am Kainza Aisha student of Kampala International University Uganda pursuing master's degree of business administration- Accounting and Finance. As part of my study at Kampala International University, I am conducting a study on "Electronic banking and financial performance of banks in Uganda: a case study of post bank Mbale branch. Please spare some time and answer the questions that follow. Your response will be kept strictly confidential and will only be accessed by the research team. The information provided will only be used for academic purposes in this study.

Thank you very much for your time and cooperation.

Yours Cordially,

.....

Researcher

Section A: Demographics of respondents (Pick the appropriate response)

1. Gender

1) Male ☐

2) Female ☐

2. Highest level of qualification

1) Certificate and Diploma ☐

2) Degree ☐

3) Masters ☐

4) others ☐

3. Age

a) 20 - 29 ☐

b) 30 – 39 ☐

c) 40 – 49 ☐

d) 50+ ☐

4. How long have you worked in this organization

- 1) Less than 1 year ☐
 2) Below 1-3 years ☐
 3) Between 3-5 years ☐
 4) 6 years and above ☐

5. Position held in the organization

- 1) Administrator ☐
 2) Human resource ☐
 3) Customer consultant ☐
 4) Staff ☐

The use of Likert scale were 1= Strongly disagree, 2= Disagree, 3= Not sure 4= Agree, 5= Strongly Agree.

Direction: please tick the column corresponding rating that best describes your response using the guide below

Score	Mode of response	Description
5	Strongly agree	you agree with no doubt
4	Agree	you agree with some doubt
3	Not Sure	You are doubtful
2	Disagree	you disagree with some doubt
1	Strongly disagree	you disagree with no doubt

SECTION B: Electronic Banking

		Rankings				
	ATM	1	2	3	4	5
1.	The ATMs supporting the customers savings in the bank					
2.	The ATMs provide information to customers on their accounts					
3.	The ATMs provide cash issuance to customers in the bank					
4.	The ATMs are used for provision of balances to customers					
5.	Customers use ATMs for convenience purposes to the bank					
	Mobile banking					
1.	There is a mobile banking through our agents located in different localities					
2.	The bank use the vans to move to rural areas to provide banking					

	services					
3.	There are savings services to the banks through mobile telecommunication					
4.	There is cash withdraw services from the bank through mobile platforms					
5	The customers make balance inquiries through their mobile telecommunications					
	Internet banking					
1.	We have an internet app of banking for our bank					
2.	The customers use internet for their money transfers					
3.	The internet banking is available for cash deposits by the customers					
4.	There is internet banking services for savings in the bank					
5.	The internet provide inquiry services to the customers of the bank					

Section C: Financial Performance of the banks

		RANKING				
	Response	1	2	3	4	5
	Profitability					
P ₁	Our profitability has improved over time as a result of our Operational risk management system					
P ₂	The bank registered high profits over the sales in the previous years					
P ₃	The operational risk management system has enabled us reduce the number of fraud cases					
	Sales Growth					
P ₄	The sales capacity of the business is steadily growing					
P ₅	There is effective marketing accounting to sales growth					

P ₆	The customer loyalty has increased the sales of the business					
	Market share					
P ₇	The customer base has increased over the last year					
P ₈	Our market has grown n over time as a result of operational risk management systems improvement					
P ₉	Our organizational capacity is expanding in operations					
P ₁₀	There is a steadily moving sales growth in the operations					

Section D: Challenges for implementation of e-banking

		RANKING				
	Response	1	2	3	4	5
C ₁	The low internet connectivity hinders e-banking usage					
C ₂	The low level of knowledge on e-banking limit its usage					
C ₃	The high cost of internet hinders e-banking for customers					
C ₄	The trust issues due to risks limit e-banking for customers					
C ₅	Low level of computerization and technology development frustrates e-banking					
C ₆	Customer confidence levels and fear for virtual transactions limits e-banking					

Appendix ii: Time frame for the study

ACTIVITIES	DURATION (months)				
	March 2018	April 2018	May 2018	June- July 2018	August 2018
Pilot study					
Study analysis					
proposal design					
proposal development					
Proposal writing					
Data collection					
Final report writing and submission					

Appendix iii: Research Budget

ITEM	QUANTITY	UNIT COST	AMOUNT
Stationary			
Papers	4 Reams	15,000/=	60,000/=
Sub total		15,000/=	60,000/=
Equipments			
Umbrella	1	10000/=	10000/=
Sub total			10,000
Facilities			
Transport		100,000/=	100,000/=
Meals	10 times	10,000/=	100,000/=
Drinks	20 bottles	1000/=	20,000/=
Sub total		111,000/=	220,000/=
Printers			
Stationery		130,000/=	130,000/=
Miscellaneous			90,500
Total			510,500



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**COLLEGE OF ECONOMICS AND MANAGEMENT
DEPARTMENT OF ACCOUNTING AND FINANCE**

September, 26th 2018

To whom it may concern

Dear Sir/Madam,

RE: INTRODUCTORY LETTER FOR KAINZA ASHA REG NO 1153-05014-03297

This is to introduce to you the above named student, who is a bonafide student of Kampala International University pursuing a Bachelor's Degree in Business Administration, Third year Second semester.

The purpose of this letter is to request you avail her with all the necessary assistance regarding her research.

**Topic: - ELECTRONIC BANKING AND FINANCIAL
PERFORMANCE OF BANKS IN UGANDA**

CASE STUDY: - POST BANK MBALE BRANCH UGANDA

Any information shared with her from your organization shall be treated with utmost confidentiality.

We shall be grateful for your positive response.

Yours truly,


DR. JOSEPH B.K. KIRABO
HOD - ACCOUNTING AND FINANCE
0772323344