

**THE CONTRIBUTION OF ELECTRONIC BANKING TO THE PERFORMANCE OF
STANBIC BANK: A CASE STUDY OF STANBIC BANK, KAMPALA BRANCH**

BY

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**A RESEACH REPORT SUBMITTED TO THE DEPARTMENT OF BUSINESS
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THE KAMPALA INTERNATIONAL
UNIVERSITY**

MAY, 2015

DECLARATION

I declare to the best of my knowledge that this Research is original and it has not been presented in any higher institution for any academic award.

Signature.....



Date.....

03/07/2015

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APPROVAL

This is to certify that this research was carried out by Mohammed Mohammed Bomo under my research supervision. It is now ready to be submitted to the department of Business administrations studies, faculty of management studies with approval of my university supervisor in partial fulfilment for the award of Bachelors of Business administrations studies

Signature.....

Date.....

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DEDICATION

I dedicate this research to my beloved parent; my father ALhaji Mohammed Bomo (Baraden of Fika) my mother Hauwa Ibrahim Chroma and my brother Ibrahim Muhammad Bomo for having enabled me reach this level that I'm in now through the grace of Almighty Allah, I will also like to dedicate it to my beloved Uncle Amadu Bomai for having contribution to my tuition and health wise. May the Almighty Allah bless them all and continue to give them along and healthy life so that they live to see my success.

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ABSTRACT

The purpose of this study is the contribution of e-banking to the performance of stanbic Bank Kampala branch. The reason of this study is to examine the various services provided through e-banking at Stanbic bank, to determine the contribution of e-banking to the profitability of Stanbic bank Limited Kampala Branch, to establish the relationship between e-banking and financial performance of Stanbic Bank.

In this study qualitative and quantitative descriptive research design and correlation survey was used in analysing and acquiring clear information which was later used to grade the variables of the study. The researcher sampled 84 respondents which comprised of both male and female of which assistant manager, low level manager, middle level manager and the majority where customers answered questions. For the purpose of gathering all the necessary data the researcher used interviews, questionnaires, literature analysis to obtain the data.

The study findings indicate that stanbic bank Kampala branch provide various e-banking services but should make improvements in the mobile banking facility to achieve more success in e-banking. In the determining it's contribution (e-banking) to financial performance, electronic banking is highly effective but there should be increased customer access to it because it's still low, and finally the relationship between e-banking and financial performance is revealed that there is a strong positive relationship.

The researcher therefore recommends that, policy makers should consider e-banking in the formulation of policies governing the banking institution because of the technological development and the expected switch from physical branch network. E-banking is being used to improve financial operations in commercial Banks and stanbic bank should continue using and adopting new modes of e-banking in their operations.

LIST OF ABBREVIATION

ATM	:	Automatic Teller Machine
EFT	:	Electronic Fund Transfer
ICT	:	Information Communication Technology
LAN	:	Local Area Network
MAN	:	Metropolitan Area Network
WAN	:	Wider Area Network
ISACA	:	Information Systems Audit and Control Association
USE	:	Uganda Securities Exchange
SPSS	:	Statistical Package for Social Science

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter will present the background of the study, statement of the problem, purpose and objectives of the study, scope and significance of the study, the conceptual framework and the operational definition of terms.

1.1 Background to the Study

The banking system in developing countries is significantly different from that in developed countries such as the United State of America and Britain. Sometime in 1980s, banking and finance organizations in Europe and United States started suggestive researches and programming experiments on the concept of 'home banking'. Initially in the 80's when computers and Internet were not so well-developed, 'home banking' basically made use of fax machines and telephones to facilitate their customers. The widespread of Internet and programming facilities created further opportunities for development of home banking.

In 1983, the Nottingham Building Society, commonly abbreviated and referred to as the NBS, launched the first Internet banking service in United Kingdom. This service formed the basis for most of the Internet banking facilities that followed. This facility was not very well-developed and restricted the number of transactions and functions that account holders could execute. The facility introduced by Nottingham Building Society is said to have been derived from a system known as Prestel that is deployed by the postal service department of United Kingdom.

The first online banking service in United States was introduced, in October 1994. The service was developed by Stanford Federal Credit Union, which is a financial institution. The online banking services are becoming more and more prevalent due to the well-developed systems. Though there are pros and cons of electronic cash, it has become a revolution that is enhancing the banking sector.

Business via the internet or electronic commerce is providing a competitive advantage for banks by lowering operational cost and providing best satisfaction of customer needs. A strong banking industry is important in every country and can have a significant effect in supporting economic development through efficient financial services. In Ghana the role of the banking industry needs to change to keep up with the globalization movement. This

change will include moving from traditional distribution channel banking to electronic distribution channel banking. Given the almost complete adoption of e-banking in developed countries, the reason 2 valuable source to deal with funding because it provides convenience to access account 24/7 (Applegate *et al.*, 1996). Customers can use these services anywhere that is homes, offices and so on and anytime without visiting the banks. The banks can use the electronic commerce technology for meeting the competitive advantage and gaining the best level of profitability while providing best services to its customers.

According to Bauman (2007) banks in Ghana will need to reinvest themselves in this new conducive but challenging environment. This is important because electronic transactions will continue to grow and only countries that make a move towards embracing electronic business will participate in this revenue generation (Akon, 2001).

Harold and Jeff (1995) contend that financial service providers should modify their traditional operating practices to remain viable in the 1990s and the decades that follow. Where (2000) also claimed that only banks that overhaul the whole of their payment and delivery systems and apply ICT to their operations are likely to survive and prosper in the new millennium. He advises banks to re-examine their service and delivery systems in order to properly position them within the framework of the dictates of the dynamism of Information and Communication Technology.

Many commercial banks in Uganda have valued the importance of electronic banking in improving the profitability and the overall efficiency of their business, (Abase, 2007). They have similarly allocated substantial resources for internet banking adoption and begun to build infrastructures to support a more reliable and quicker transfer of information to reach their customers (Straub, 2005; Daniel, 1999; Thornton and White, 2001). The evolution of internet banking has altered the nature of personal-customer banking relationships and has enabled electronic channels to perform many banking functions that would traditionally be carried out over the counter (Giannakoudi, 1999; We mesa, 2010). The information technology revolution in the banking industry distribution channels began in the early 1970s, with the introduction of the credit card, the Automatic Teller Machine (ATM) and the ATM networks (Pang, 1995). This was followed by telephone banking, cable television banking in the 1980s, and the progress of Personal Computer (PC) banking in the late 1980s and in the early 1990s (Giannakoudi, 1999).

In Uganda, internet banking began in 1997 when Standard Chartered Bank introduced the first ATMs in Uganda and thereafter other banks followed (Daily Monitor 16th August,

2004). There was a growing optimism in the banking industry that VISA credit cards would ease clients' access to cash from their accounts, (Kakemono, 2001). In 2004, Bunyumu a local electronic financial transaction Services Company in Uganda introduced the use of ICT in which mobilephones could also be used to transact business, (Kanyegirire, 2004). In July 2007, Bank of Uganda introduced an electronic fund transfer (EFT) in a bid to improve the payment system and reduce cash transactions. Although the proficiency of using internet is relatively low and electronic banking is still in its infancy (AC Nielsen Consult, 2002), with the advantages of being convenient, safe, efficient and economical, Ugandan domestic banks seem to be confident that electronic banking benefits might outweigh traditional banking services in the future (Daily Monitor 25th, February, 2010).

The introduction of Universal banking practice and the adoption of electronic banking by Deposit Money banks have offered increased services to customers with attendant increase in customer risk exposure. The changing environment of bank management in Uganda has impacted much on the number of services and risk which Ugandan banks face. Electronic banking is the conduct of banking business electronically which involves the use of information communication technology to drive banking business for immediate and future goals. Daniel (1999) describes e-banking as the provision of banking services to customers through internet technology. According to Basel Committee on banking supervision 3232-, electronic banking is defined to include the provision of retail and small value banking products and services through electronic channels as well as a large value electronic payment and other wholesale banking services delivered electronically. Though, Alameda and Allowable

Expressed that the definition of electronic banking varies among researchers partially because electronic banking refers to several types of services through which bank customers can request information and carry out banking services.

However, the revolution in the banking industry in Uganda started with the advent of electronic devices to assist in the discharge of quality services to bank customers. The introduction of these electronic devices has increased competition in the industry which has gone a long way to reducing customers' waiting time for banking transactions. This innovation is brought in by the use of computers and other networking gadgets. In Uganda, the networking started with the LAN (Local Area Network) MAN (Metropolitan Area Network) and subsequently the WAN (Wider Area Network). Generally, the automation

of banks makes transaction and data processing very easily accessible for quick management decision making. This led to another level of benefit which ushered in what is today referred to as electronic banking. Electronic banking helps the banks to speed up their retail and wholesale banking services. The banking industry believes that by adopting the new technology – e-banking, the banks will be able to improve customer service level and tie their customers closer to the bank. According to Simpson, what actually motivates the investment in electronic banking is largely the prospects of minimizing operating costs and maximizing operating revenue.

Nevertheless, the adoption of electronic banking (e-banking) has brought major challenges to the banking industry in terms of risk exposure. The volume of deposits has increased as well as the fraudulent practices experienced by Ugandan banks since its adoption in the economy. This is the reason why Via posits that Uganda's banking scene has witnessed phenomenal changes, especially in the mid 1980s and these have manifested in the enormous volume and complexity in product or service delivery, financial liberalization and business process re-engineering. The effectiveness of deploying information Technology in banks therefore cannot be put to doubt. The fact remains that the reality of using IT in banks is necessitated by the huge amount of information being handled by these banks on a daily basis. On the customers' side, cash is withdrawn or deposited, cheques are deposited or cleared, statements of accounts are provided, money transfers etc. At the same time, banks need up-to-date information on accounts, credit facilities and recovery, interest, deposits, charges, income, profitability indices and other control of financial information. However, researchers have not given much attention to this revolution occasioned by electronic banking with regard to profitability performance of banks. The revolution in the banking industry in Uganda occasioned by the adoption of electronic banking has compelled Ugandan banks to invest more in assets to meet up with competitive positioning. Since much earnings have been retained to meet up this obligation, shareholders have been denied dividend with the expectation that future dividend will be fatter. The banking software is usually improved on short term basis causing huge financial costs to the banks. To the capital providers, they expect that there would be tremendous returns accruing from the project if information driven technology (e-banking) is adopted.

Stanbic Bank (Uganda) Limited (SBU) is a commercial bank in Uganda. It is one of the commercial banks licensed by Bank of Uganda, the national banking regulator. The bank is

the largest commercial bank in the country, by assets, with an estimated asset valuation of over US\$1.3 billion (UGX: 3.24 trillion), accounting for approximately 20.5% of the total bank assets in Uganda, as of December 2013. At that time shareholders' equity was valued at approximately US\$163 million (UGX: 405.3 billion). At that time, SBU also had the largest branch network in the country, accounting for about 18% of the bank branches in Uganda. Stanbic Bank (Uganda) Limited is subsidiary of the Standard Bank Group, an International bank with headquarters in Johannesburg, South Africa with branches in 18 African countries and affiliates in 21 other countries outside Africa. Stanbic Bank (Uganda) Limited is listed on the Uganda Securities Exchange (USE), where it trades under the symbol SBU. As of February 2009, it is one of the few Ugandan commercial banks with Internet banking availability.

Financial performance refers to the subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. There are many different ways to measure financial performance, but all measures should be taken in aggregation. Items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any existing debts.

Banks mobilize, allocate, and invest much of society's savings and therefore bank performance has substantive repercussions on investments, firm growth, industrial expansion and economic development.

As of October 2010, there were (22) licensed commercial banks in Uganda with nearly four hundred (400) bank branches and a total of almost six hundred (600) ATM's. As of December 2009, total commercial bank's assets in Uganda were estimated at UGX 8.73 trillion and the number of bank accounts at over 5 million which represents a 16% penetration given Uganda's population of 32,000,000 ([www.wikipedia.org/wiki/banking in Uganda](http://www.wikipedia.org/wiki/banking_in_Uganda)) Sanin (2009), In Uganda and other African countries workers view introduction of modern technology as an attempt to replace them and they believe that where computers are installed work will require less human effort to perform the usual operations and that it will result in their loss of jobs.

1.2 Statement of the problem

An electronic banking is helped businesses to improve in their overall financial positions by promoting transparency, accountability and efficiency through faster capturing, processing and communication of information. However it is evident that there still exists some performance lags in terms of profits whereby as at 1st Jan 2008 profits for Stanbic Bank were at 49,632,837 billion, 46,866,402 billion in 2009 and 44,775,566 billion by the beginning of 2010 which signified a 4% decrease in profits from the previous year. Also, the return on average equity declined from 46.45 to 37.6% from 2011 to 2012, while the return on average investments declined from 4.8% 4.5% for the same period (Stanbic Bank Annual Financial Report, 2011/2012). Whereas the introduction of e- banking is expected to strength the profitability and other performance indices of the bank .If the bank situation invest heavily in e- banking without corresponding improvement in profitability, the overall survival and competitiveness of the bank right be put in jeopardy. The declining performance level might be partly due to e-banking expenditure and performance. It was against this background that the researcher recognized the need to investigate the reasons behind the reduction in profits for these periods despite the high level of e-banking by the bank and how they could be overcome in order to be able to effectively meet their financial objectives and maximize profits.

1.3 Objectives of the Study

1.3.1 General Objectives

The purpose of this study is to establish the contribution of e-banking to the performance of Stanbic Bank Limited, Kampala Branch.

1.3.2 Specific Objectives

- i. To examine the various services provided through e-banking at Stanbic bank.
- ii. To determine the contribution of e-banking to the profitability of Stanbic bank Limited, Kampala Branch.
- iii. To establish the relationship between e-banking and financial performance of Stanbic Bank.

to establish either a virtual, branchless or Internet only bank. The computer server or bank database that lies at the heart of a virtual bank may be housed in an office that serves as the legal address of such a bank or at some other location. Virtual banks provide customers with the ability to make deposits and withdrawals via automated teller machines (ATMs) or through other remote delivery channels owned by other institutions (www.isaca.org). Thalami et al (2009), Yuban (2003) and Denis (1998) identify three functional types of Internet Banking that are currently employed in the market place i.e. Informational, Communicative and Transactional.

Informational: This is the basic level of Internet Banking. Typically, the bank has marketing information about the bank's products and services on a standalone server.

Communicative: This type of Internet Banking system allows some interaction between the bank's systems and the customer. The interaction may be limited to electronic mail, account inquiry, loan applications or static file updates (name and address changes).

Transactional: This level of Internet Banking allows customers to directly execute transactions with financial implications. The basic transactional site only allows a transfer of funds between the accounts of one customer and the bank. The advanced transactional site provides a means for generating payments directly to third parties outside of the bank. This can take the form of bill payments via a bank official check or electronic funds transfer/automated clearing house entries. Internet Banking has been regarded as the most important way to reduce cost and maintain or enhance services for consumers (Hua, 2009). By offering Internet Banking services, traditional financial institutions seek to lower operational costs, improve consumer banking services, retain consumers and expand share of customer. Internet is the cheapest delivery channel for banking products as it allows the entity to reduce their branch networks and downsize the number of service staff. The navigability of the website is a very important part of Internet Banking because it can become one of the biggest competitive advantages of a financial entity (Ortega et al., 2007).

Internet Banking is a process of innovation whereby customers handle their own banking transactions without visiting bank tellers (Qureshi et al., 2008). Recent evidence suggests that an Internet-based consumer banking strategy may be effective, with reports of more profitable, loyal and committed consumers compared with traditional banking consumers (ABA, 2004; Fox, 2005). Thus, contemporary banks now regard the Internet channel as equally important

to traditional channels of branches, automated teller machines (ATM), telephone banking and call centres (Gartner,2003). In the new banking environment, Internet Banking is increasingly managed as an operational activity and an important element of a multichannel strategy (Black et al., 2008).

2.1 E-Banking Methods

Mobile Banking:

Mobile banking is a financial transaction conducted by logging on the bank website by using a mobile phone or Personal Digital Assistant (PDA) to view balance account transaction, balance checks, payments etc. Today the mobile banking service is performed mainly via SMS or the internet

Electronic bill presentment and payment (EBPP)

This service facilitates payment such as electricity, telephone, insurance premium and many others by permitting customers to electronically settle payments of goods and services. Customers of bank and billing companies can make use of the phone or the internet to easily remit payment as well as accessing to their billing information. EBPP can provide considerable savings to traditional print and mail billing and payment remittance and causes significant reduction in the use of paper.

Electronic fund transfer (EFT)

It refers to the transfer of money from one account to another either with the same financial institution or across multiple institutions. Customer can transfer fund in any bank in Mauritius but also abroad. It provides greater security since there is no tangible cash involved and also offer continuous connection with the bank.

Loan application and transaction

Today there is need for customer to wait in long queues to fill in a loan application as it can be obtained online. Customers only need to sign in to have access bank website and enter the sum of money they want to obtain as loan. The customer is either notified by mail or by telephone.

Automatic Teller Machine (ATM)

As its name suggests an Automatic Teller Machine acts as a teller in a bank by giving and taking money over the counter. More precisely, it is an electronic device that allows customers to have access to a financial institution in a public place. ATM is run through identity such as card and password which help to identify customer. They have only to enter their PIN to have access to the bank account in order to make withdrawal, deposits or check account balance.

2.2 E-Banking and bank profitability

According to a survey of KPMG (1999) the evolution of Internet-banking can be analyzed within a five-stage conceptual framework, where the extent of services provided through Internet start from a promotional stage and extend to transaction-enabled business innovation stage in which institutions redesign their value-chain and offer highly personalized products and services. Analyzing the consumer side, Birch and Young (1997) show that consumers seek convenience, transactional efficiency, a choice of core banking products and non-core products, and access to competitive returns and prices. On the other hand, Wright (2002) mentions that Internet-banking has lifted the branch network as an entry barrier to the retail banking while introducing price transparency as customers can now easily compare prices online. Price transparency also brings faster commoditization of basic services and products. Wright also suggests that traditional retail banks have to develop new strategies to compete with Internet-only banks. Internet-only banks are pure-plays with no physical “bricks and mortar” branches. However, they lack services like cash management services and accordingly they are unexpected to dominate the retail banking sector in the long term.

Simpson (2002) suggests that e-banking is driven largely by the prospects of operating costs minimization and operating revenues maximization. A comparison of online banking in developed and emerging markets reveal that in developed markets lower costs and higher revenues are more noticeable. While Sullivan (2000) finds no systematic evidence of a benefit of internet banking in US click and mortar banks, First et al. (2002) find that federally chartered US banks had higher ROE by using the click-and-mortar business model. First et al (2002) also examine the determinants of internet banking adoption and observe that more profitable banks adopt internet banking after 1998 but yet they are not the first movers. Jayewardene and Foley (2000) show that internet banking results in cost and efficiency gains for banks yet very few banks are using it and only a little more than half a million customers are online in U.K.

DE Young (2005) analyse the performance of Internet-only banks versus the brick and mortars in the US market and find strong evidence of general experience effects available to all start-ups. Yet there is little evidence that technology-based learning accelerates the financial performance of Internet-only start-ups. He finds that bank profitability is lower for pure-play (internet-only) banks in the US market. However in a later study DE Young et al (2007) analyse the US community banks market to investigate the effect of internet banking on bank performance. They compare the brick and mortar banks performance to click and mortar banks which do have transactional websites over a three year period. Their findings suggest that internet banking improved bank profitability, via increase in revenues from deposit service charges. Movements of deposits from checking accounts to money market deposit accounts, increased use of brokered deposits, and higher average wage rates for bank employees were also observed for click and mortar banks. While no change in loan portfolio mix was found, their findings confirm Hernando and Nieto (2007) that internet banking is seen as a complementary channel.

Centeno (2004) classify Internet banking adoption factors in two categories (1) access technology and infrastructure related factors and (2) sector specific retail banking factors. The first class include internet penetration rates, skill of consumers in using internet and related technologies, attitude towards technology, security and privacy concerns. The second class involves trust in banking institution, banking culture, e-banking culture and Internet banking push. Analyzing the Acceding and Candidate countries' (ACCs) adoption of Internet banking, Centeno (2004) shows that lack of PC and internet penetration is still an entry barrier for internet banking development both in EU15 and ACCs. The cost of access services is a main issue for the PC and Internet penetration especially in Central and Eastern Europe countries. On the other hand, there has been a lack of confidence in the banking sector in ACCs due to past turbulent periods. These concerns are further aggravated with privacy concerns. Degree of banking service usage and e-banking culture are also weaker in ACCs compared to EU-15.

Gurau (2002) arrive similar conclusions to Centeno that successful implementation and development of online banking is upon many inter-related factors. Retail banks in Romania have moved towards a multi-channel distribution strategy and this process was motivated by entry of foreign banks. Online banking have been the major penetration tool for foreign banks as it decreases the branch network establishment cost, which had been a very high entry barrier. It was also observed that banks preferred a gradual strategy from electronic finance to

Internet banking services. Romero-Avila (2007) shows that harmonisation of banking laws in the EU-15 in fact result in higher economic growth through greater efficiency in financial intermediation. His findings imply that real convergence between new member states and the EU-15 could be enhanced through adoption of EU-15 banking laws which aim for a Single European Banking Market. Goddard et al (2007) in their survey of European banking also emphasize the transition process the European Banking is in towards the Single European Banking Market. They mention the importance of technological change especially ATMs, EFTs and internet banking on the banks' performance and profitability.

Altoona's et al (1999) and Case et al (2004) also provide evidence respectively for cost reduction and productivity gains as a result of technological change for European Union banks. Polatoglu and Elkin (2001) show that Internet-banking lowers operational costs while increasing customer satisfaction and retention in the Turkish retail banking sector. Hernando and Nieto (2007) analyse the Spanish commercial banks over the period 1994-2002 to measure the effect of adoption of a transactional website on financial performance. Their findings suggest that with a lag of one and a half years the increase in banking profitability can be significantly observed via decreases in overhead expenses with respect to staff, marketing and IT. They also mention that internet banking is seen as a complementary delivery channel rather than a substitute to brick and mortar branches.

The greater use of Internet in retail banking however brings additional risk components to overall risk profile of the banks. The Basel committee has recognized these related risks and has issued Risk Management Principles for Electronic Banking (July 2003). It aims to promote safety and soundness of e-banking activities while preserving the necessary flexibility in implementation due to speed of change in technology.

2.3 Relationship between ebanking and bank's profitability

Onayetal (2008) in their research on Turkish banks concluded that e-banking has a positive Impact on the profits of banks. According to their study, "Internet has changed the dimensions of competition in the retail banking sector. It has also provided opportunities for emerging countries to build up their financial intermediation infrastructure. Investment in e-banking is a gradual process. The internet banking variable has had a positive effect on the performance of the banking system in Turkey." Also, Siam (2006) examined the impact of e-banking on Jordanian banks and concluded that majority of the banks are providing services on internet through their websites and his findings show that the attention is more to

achieving e-banking as satisfying and fulfilling customers' needs. He also concluded that there should be a well-articulated strategy to achieve success and profits in the long run.

In their research, De Young et al (2007) analysed the effect of e-banking on the performance of banks by studying US community banks markets and compared the performance of virtual click and mortar banks with brick and mortar banks. Their findings concluded that e-banking improved the profitability of banks hence increasing their revenues. Also, E-banking is largely driven by the factors of minimizing the operating costs and maximizing operating profit, suggests Simpson (2002). According to Centeno (2004), the e-banking adoption factors are divided into two categories: 1). Factors relating to the infrastructure and accessing technology, 2). Factors that are related to retail banking factors. The prior factors include skills on the part of consumers in using internet and other related technologies, attitudes towards technologies, internet penetration rate, privacy and security concerns. Later involves factors like banking culture, e-banking culture, trust in banking institutions and internet banking push. However, lacks of PC and internet penetrations serve as barriers for development of e-banking. Also, in their study conducted in Turkish retail banking sector Polatoglu and eking (2001) concluded that e-banking decreases operational costs and it amplifies customers' satisfaction and retention.

The usage of e-banking induces many risk factors to firms' overall risk profile. The Basel committee has issued Risk Management Principles for Electronic Banking in July 2003, it has recognized the related risk factors and its purpose is to enhance and promote safety of services offered by e-banking while maintaining flexibility keeping in regard the changing technologies due to dynamic environment.

2.4 Other related studies

Dannenberg and Keller (1998), in their study, overviewed the opportunities for effective utilization of the Internet with regard to the banking industry. The authors evaluated that appropriate application of today's cutting edge technology could ensure the success of banks in the competitive market. They evaluated the services of banks via internet as websites provide sophisticated line of products and services at low price. The authors analysed that transactions via internet reduce the risk of data loss to customers. chance to cut down expenses, higher flexibility for bank employees, reshaping the banks' image into an

innovative and technologically leading institutes, etc. The researchers found that banks could move one step further by entering into a strategic alliance with internet service provider. So, the bank of tomorrow stands to be feasible with today's technology. Daniel (1999), in his research paper described ebanking as the newest delivery channel offered by the retail banks in many developing countries. The objective of the study was to analyse the current provision of electronic services of major retail banking organizations in the UK. The researcher through a questionnaire found that 25% banks in the UK were those already providing ebanking services, 50% banks were testing or developing such services while 25% were not providing any ebanking services. Electronic channels, PC, digital TV and all these provide greater accessibility and services at lower price. To make services more adaptable, customers should be provided maximum choice and convenience. Restriction and limitation within organization to operate the services and its market share or strength were viewed as important to decide and operate the ebanking services.

Sather (1999), in his research paper, explored the factors affecting the adoption of internet banking by Australian customers. The author stated that internet and other virtual banking had significantly lower the cost structure than traditional delivery channels. So, the banks should encourage customers to use internet for banking transactions. The author also emphasized that for adoption of internet banking, it was necessary that the banks offering this service made the consumers aware about the availability of such a product and explain how it adds value to the other products. The analysis of the study showed that security concerns and lack of awareness stand out as the reasons for no adoption of internet banking by Australian customers. However, internet should be considered as a part of overall customers' service and distribution strategy. These measures could help in rapid migration of customers to internet banking resulting in considerable saving of operating costs of banks.

Taiwan (1999) examined the IT Revolution in banking sector which had not only provided improved service to the customer, but also reduced the operational cost. The author brought out that computerization of banks, introduction of Real Time Gross Settlement System, setting up of Infinite, Electronic Payment Products (such as Electronic Clearing Service) had ensured better resource management, systematic efficiency and substantially reduced interbranch reconciliation entries. However fear of hacking, tampering of data, secrecy maintenance were certain issues which pose threats on usage of electronic banking. The challenges in banking sector were manifold but still the constitution of National Payment Council by RBI

and development of the integrated payment and settlement system was a step in this direction to remove the obstacles coming in the way of using electronic banking. Wenninger (2000) evaluated the emerging role of electronic commerce in banks. Ecommerce had created new form of competition and compelled banks to make choices about the services they offer, the size of their branch network and extent of their support to interbank payments network. The main objective of the study was to understand the changes that had taken place with the introduction of electronic commerce. Development of ebanking products such as electronic billing, establishing internet portals, electronic checks, ATM, etc. had provided additional services to customers'. The author also emphasized upon the strategic and operational risks which arise in banking sector. These could be minimized with a cost efficient electronic process.

Kamara (2001) studied the changes that took place in the Indian banking industry which emphasized on technological advancements and profitability in banks. Technology has helped in centralized data storage with decentralized processing which has helped in reduction of costs and NPAs. Further, emergence of services such as electronic data interchange (EDI), usage of smart cards, RTGS, ecommerce; all resulted in increasing the level of profitability and productivity of banks. The author concluded that in order to reduce crimes, security audit should be done which will be helpful in improving customer service, increase systematic efficiency and thus increased productivity and profitability.

Unwinthan (2001) described the impact of ebanking adaptation on Australian and Indian banking sectors with the help of qualitative and quantitative analysis. The researcher found that Australia had a strong platform for ebanking growth with 37.7 per cent of population willing to engage in ebanking mostly in urban areas due to literate young working population with discretionary income. However, India by comparison was played by weak infrastructure, low PC penetration and consumer reluctance in rural sector. But the professionals are compelling the government and bureaucracy in the country to support and develop new initiatives at a faster speed of internet banking. However, in both the countries, ebanking was a successful strategic weapon for banks to remain profitable in a volatile and competitive market place.

Yachted (2001) evaluated the services provided through internet and website. The researcher explored the major services of Swedish banks provided via internet. The objective of the

study K8 was to see whether internet banking services were complimentary or competitive to brick and mortar bank branches. The results of the study indicated that although internet banking provided more safe, convenient and efficient services to the customers, yet as far as personal contact and direct information was concerned, brick and mortar was more preferable than internet. Internet has reduced number of branches of banks, added value to the customers, attracted new customers and developed more customized services but at the same time it also requires huge investment, infrastructure and trained employees of bank. So, internet was not a substitute rather complimentary of brick and mortar concept.

Aki (2002) highlighted the impact of technology in banking sector. New technologies cannot replace the branch network but these can support old methods of delivering the services. The author evaluated the structural change in Finnish banking sector from the period 1993 to 2002 which showed that 42 per cent of households have internet connection with banks and 90 per cent have mobile banking services. ICT has had both intersectoral and intrasectoral impact. The author concluded that main goals of management of technology were to improve customer satisfaction, reduce cost and develop new methods to collect and analyse the customer information.

Alum et al. (2002) reviewed that information technology was rapidly changing the banking industry. The study evaluated the impact of IT on the banking industry in Nigeria. The analysis was done through a structured questionnaire and out of 260 respondents, 86 per cent agreed that IT was really helping the banks, 83.1 per cent agreed that IT had a great positive impact on services rendered by the banks and 66.5 per cent disagreed that IT had an effect on services rendered by the banks. The study revealed that IT had appreciable effect on banks' productivity, cashier's work, banking transactions, bank patronage, bank service delivery and customers' services. This affects the growth of banking industry because now customers can withdraw money from any branch of their bank. The study also revealed that telephones, computer systems, LANs were available and being used by all the banks, while WANs, EFT and wireless phones were available in some of the banks. To make an effective use of ebanking, there should be adequate supply of power and that's the major deterrent of ebanking technique used in Nigeria.

Gurau (2002) analysed the situation of online banking in USA and Europe. The author described that there were more than 1500 websites of banks all over the world. Most of banks

in USA had internet presence, while in Europe, most of banking websites were from UK, Germany, Spain, Italy and France. The author also found that in 2005, distribution channels used by banks included 10 percent internet banking, 65 per cent multichannel, 10 per cent telephone banking and 15 per cent through bank branches, whereas in 1998, it was only 15 per cent direct banking and 85 per cent in branch banking. The author concluded that successful introduction of ebanking services proved to be a complex operation which requires the harmonization of all interacting elements of economic and financial system.

Harris and Spence (2002), in their paper, explored the ethics of business to business electronic commerce with focus on banking sector. The researchers had chosen a case study of online foreign exchange developments at an investment bank. The important areas include freedom of choice, trust and transparency of business to business transaction and limits to responsibility with regard to facilitation of fraud. The authors found that ebanking had forced the banking sector to recognize, restructure and reconsider its institutional arrangements. The challenges of ebanking services would be successful for banks only if fraudulent activities could be controlled, transparency in transaction could be maintained, ethical rules and regulation to be followed so that ebanking could be widely acceptable among customers.

Durkin and Howcroft (2003) evaluated that the banker customer relationship was improved through mobile, phone and internet banking. The authors found that new technology has made the banks very competitive and profitable and internet has played a key role in it. Perception of bankers and customers regarding the use of internet was examined. They pointed out that as consumer usage of remote bank delivery channels increases, relationship management will become more important. Further, the combination of traditional and new delivery channels, if followed, can help to improve their productivity and profitability.

Joseph and Stone (2003), in their paper, explored that customer friendly technology such as ATM, internet banking and telephone banking has been used by the banks to reduce the cost of providing services, and to increase the customer loyalty and market share. Technology plays a vital role in delivery of banking service. The study highlighted that access, location, security and ease of use of ATM machines appears to be the most important component for banking customers for the adoption of ebanking. However, banks should emphasize more on providing speedy and efficient service to the customers. Further, bank managers should

conduct periodic marketing studies to understand the level of technological services by the customers so that adequate service could be delivered at the right time.

Rustic (2003) analysed the main criteria for successful interbank strategy and brought out benefits of ebanking from the viewpoint of banks, their clients and the economy in general. The author explained that banks in Estonia had achieved significant success in the implementation of electronic banking. The findings of the paper were helpful to understand the main reasons and factors responsible for the rapid growth of electronic banking. The author further revealed that making payment via ebanking creates overall economy savings to the amount of 0.93 per cent of GDP. Electronic banking was not a small application to computer fans and innovative adopters, and a profound research was needed to map its customer base for the enhancement of value creation process.

Mantilla et al. (2003) evaluated the electronic banking adoption in Finland. The study showed that the proportion of people in Finland, who have adopted online banking, was higher than anywhere else in the world. All the Finnish banks offered a full range of internet banking services. The researchers also found that different people have different attitude towards new technology. Some were innovators, who were interested in new technology and positive towards it. Some were early adopters and some were late adopters who have negative attitude towards it. Laggards had extremely negative attitude towards it. The study also found that matured customers were late adopters of internet banking. However, expensive start up, security and lack of personal service were main hindrances in the use of electronic banking. The study brought out that most customers found insufficient or non-existent training as the main reasons in the use of new technology, and also found web pages confusing and difficult to understand.

Suresh hander and Rajendran (2003), in their paper, focused on investigating the important factors of customers' perceived quality in banks of developing economy like India. The authors had taken 15 public sector banks, 14 private banks and 14 foreign banks for the period under study. The researchers found that there seems to be a great variation in respect of services offered by three groups of banks. They used core services such as human element, systemization of services, tangibility of services and social responsibility as critical factors. They analysed that three groups of banks in India seem to vary significantly in terms of

service quality factors but from the customer perception of service quality, it could be acceptable only if customers' need could be satisfied at the right time in a right manner.

Yu and Boon (2003), in their study, examined the implications of technological advances in the banking sector in Malaysia. An empirical study was made through a structured questionnaire. The results highlighted that electronic channels provide alternatives for faster delivery of banking services to the customers. They described that prior to adoption of electronic channels like ATMs, kiosks, internet banking; investment costs must be identified to ensure a more cost effective and efficient execution of channel services. The authors analysed the commercial banks in Malaysia via frequency analysis and factor analysis. The results of the study indicated that banks' operation management was the main factor affecting the success of ATMs, PC and branch banking, while product innovation and knowledge development factors were found to have most significant effect on the success of banking kiosks and phone banking respectively.

Lustik (2004), in his study, tried to assess the profitability of electronic banking services for the banks. In order to analyse the cost structure for traditional and electronic channel transactions, the author explored the implementation techniques of activity based costing (ABC). The results of the study indicated that electronic channels provide cost saving for banks and their clients. The study revealed that with help of ABC technique, banks can reduce and regulate some costs. It was also found that the decrease in transaction costs after introduction of electronic channels was slower than expected as existing traditional channels could not be closed at the same speed as the new electronic channels were introduced.

Limpers and Chanitakir (2004) evaluated the implication of ebanking adoption through a survey of the branch employees' perception. The researchers framed a questionnaire of 527 branch employees and analysed the existence of four distinct factors which were hard advantages, soft advantages, market effects and risks. The authors selected 17 commercial banks for the study. They highlighted the advantages which influence the employees feel easy to adopt ebanking, i.e., cost alienation, customers' service and foreign competition. They focused that branch employees' perception toward ebanking depends upon their position in branch hierarchy, qualification, employers' size and type of ownership. So, in order to facilitate the promotion of ebanking services, bank managers should make systematic

efforts in exploiting internet marketing processes such as continuous education, flawless information and an attempt to minimize negative perception.

Suleiman et al. (2005) studied the impact of Embanking on Malaysian banking sector. The study aimed at providing an overview of Embanking adoption in Malaysia. Out of 53.9 per cent, who used embanking, 85 per cent used it for savings bank facility, 55.8 per cent for current account facility, 37 per cent for bill payment, 35.3 per cent for visa /master card and 30.8 per cent used for third party transfer. The researchers analysed websites of the banks in order to know the impact of embanking. Evaluation of websites contained 32 elements, and a survey was conducted to obtain customers' perspective of embanking. The researchers overviewed that results of the study cannot be generalized to the general population. Nevertheless, the results provide a fair indication of what services embanking users find useful and which group of customers were likely to use the services more.

Hang Michael et al. (2006) analysed the impact of embanking on brick and mortar banks through innovation model. The researchers analysed 8 core capabilities to assist the banks migrated to embanking environment. Their capabilities fall into two groups relating to configuration of existing business model. They suggested that banks need to develop uniquely innovative services and products on the one hand and innovative business model that changes the way banks operate on the other. They concluded that eight core capabilities (technical dynamic capabilities and business dynamic capabilities) provided a blue print for sustaining a bank's ability to exploit embanking.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter deals with collection of data (the various sources of data for the study), analysis and presentation of data. It outline the methodology to be used in the study and it include; research design to be employed, the survey population, sampling design, sampling size, data collection methods, instruments that were used in the data processing and analysis and the possible limitation of the study.

3.1 Research design

The research will make use of a descriptive and correlational survey involving an ex post facto design. The study will employ the use of both quantitative and qualitative methods of data collection with the use of interviews and questionnaires to be distributed to various employees of Stanbic Bank, Kampala

According to Meyer 1999 this kind of survey (descriptive survey) is appropriate when a study is collecting first hand data using either interviews or questionnaires and from respondents.

3.2 Study population

The target population of the study include all the 30 employees of Stanbic Bank, KampalaBranch and 120 staff at Head Office making a total population of 150. This will include the branch manager, IT staff, account staff, and other operations staff.

3.3 Sample size

A total of 84 employees will be selected for the study as shown in the table below:

Table 3.1: Distribution of respondents according to their department

Category of Respondents	Population size	No of Respondents
Branch Manager	1	1
IT department staff	8	8
Accounts department	12	10
Other department	9	9
Head office staff	120	56
Total	150	84

Source; prima data(YR)

3.4 Sampling technique

The purposive method of sampling will be used for the study. This was dedicated by the nature of the study which aimed at getting specific information from specific persons or individuals.

According to the *American statistical Association (1999)* Purposive sampling is used to select only those respondents considered to be key and resourceful in providing required data. The purposive method of sampling will be used to get members of staff from selected departments for interview. The convenience method of sampling was also used for talking to staff that were readily available.

3.4 Data collection methods and instrument

3.4.1 Data source

The study will use both primary and secondary data.

Primary data source; questionnaires and interview will be the main source of data. These questionnaires will be distributed to staff of Stanbic Bank in Kampala. Primary data is regarded as the first hand information collected from respondents.

Secondary data source; this will be obtained from the banks records, financial reports, and auditors' letters to the management, previous research reports, journals, newspapers, newsletters and internet.

3.4.2 Collection methods and instrument

In order to exhaustively obtain and compile the collected data, it was necessary to combine questionnaires and interview methods.

Questionnaire; one set of questionnaire will be used both with closed and open-ended questions for staff of Stanbic Bank, Kampala. The closed questions will be used to assist the researcher to check whether the information given was correct and consistent.

According to *Kenyon (1999)*, it eases data collection from respondents who are literate enough to read and write.

Interview; this will involve a face to face discussion with specific respondents such as the branch manager and technical staff in a relaxed and conversational atmosphere.

According to *Troche (1996)* the method of interview permits collection of first hand detailed information about the themes of the study. In addition it gives respondents a chance to answer questions unlimitedly and flexibly and therefore is appropriate method to use to collect data from key informants.

Documentary analysis; this method will be used to help retrieve data from the secondary sources which include archives of records containing financial reports and auditors' letters to the management.

3.5 Data collection instruments

A structured interviews schedule will be used in accordance with the main themes of the study. *(1996) troche* observed that structured interviews schedules gives respondents chance to answer all or some questions in an unlimited manner. Therefore a structured interviews schedule will be developed in accordance with the main themes of the study.

Semi- structure questionnaires is preferred because as *Kenyon (1999)* argued, it can permit either open or close ended or both types of questions, thereby giving respondents freedom to answer all or some questions in details. It can also be designed according to the main themes of the study.

3.6 Data collection procedure

The researcher himself will distribute the questionnaires to various respondents during the study and he (researcher) will make analysis during the interviews and collect all questionnaires.

3.7 Data processing and analysis

After collecting the data from the field, the researcher will edit the data to ensure that the questions have been properly, correctly answered and consistent. Tables and figures will be used in presenting the findings. The frequency distribution tables will be used to tabulate data to show percentages calculated. The Pearson's coefficient will be used to establish the relationship between the variables (using the SPSS and Excel program).

3.8 Validity and Reliability of Instruments

The researcher will ensure validity of the research using content validity where by various variables will be examined in the questionnaire. The questionnaire will be designed in such a way that the test items adequately sample the domains of possible items and cover all variables. The questionnaire will be determined by experts given by the supervisor and advisors. To make sure that it covered the content and all sub-areas in right proportion. This will ensure consistency, adequacy and accuracy. The content Validity Index (CIV) will be used to calculate the validity of research instruments using the formula;

$$CVI = \frac{R}{R + IR + N} = \frac{\text{Total number of Relevant items}}{\text{Total number of items}}$$

Where; R -Relevant items

IR -Irrelevant items

N- Neutral items, which will be determined by the experts.

A pre-test will be made on 10 respondents from Stanbic Bank, Kampala to calculate the content validity and reliability.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

The purpose of this chapter is to present, analyze and interpret the data collected

4.1 Bio-Data and Other Information about Respondents

4.1.1 Gender

Table below table 4.1 is a representative of gender of respondents.

Table 4.1: Gender of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	54	64.3	64.3	64.3
	FEMALE	30	35.7	35.7	100.0
	Total	84	100.0	100.0	

Source: Primary Data (YR')

The findings show that male respondents constitute 64.3% of the population and female respondents constitute 30.% of the population. Therefore this implies that the bank employed more males than females.

4.1.2: Age.

The table below table 4.1.2 is showing age of the respondents.

Table 4.2: Age of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	6	7.1	7.1	7.1
	31-40	33	39.3	39.3	46.4
	41-50	36	42.9	42.9	89.3
	ABOVE 50	9	10.7	10.7	100.0
	Total	84	100.0	100.0	

Source: Primary Data (YR)

The findings revealed that 7.1% lie between the ages of 20-30, 39.3% make it up to the age of 31-40, 42.9% make it up to the age of 41-50, 10.7% 50 and above. The indicates that the

majority of the respondents were mature and the knowledge obtained from them was considered relevant.

4.1.3 Level of education.

Table below table 4.3 is representative of levels of education of the respondents

Table 4.3: Level of education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	DIPLOMA	27	32.1	32.1	32.1
	DEGREE	38	45.2	45.2	77.4
	MASTERS	19	22.6	22.6	100.0
	Total	84	100.0	100.0	

Source: Primary Data (YR)

The finding shows that 32.1%, 45.2%, and 22.6%, correspond to diploma, Degree, post graduate and other respectively. This indicates that all people employed by the stanbic bank and have attained certain level of skills and knowledge.

4.1.4: Working experience

The table below table 4.4 is a representative of **working experience of the respondents**

Table 4.4: working experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	BELOW 5 YEARS	48	57.1	57.1	57.1
	6-10 YEARS	30	35.7	35.7	92.9
	ABOVE 10 YEARS	6	7.1	7.1	100.0
	Total	84	100.0	100.0	

Source: Primary Data (YR)

The findings show that 57.1%, 35.7%, 7.1% correspond to working experience of the respondents from Below 5years, 6-10 years, and above 10 years respectively. This shows that majority of the respondents have working experience of above 10 years. Therefore they are knowledgeable about Bank and Embanking of Stanbic bank due to long stay in the field.

4.1.5 Position of respondents.

The table below table 4.5 is a representative of position of respondents. -

Table 4.5: Position held by respondents

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	ASSISTANT MANAGER	3	9.9	9.9	42.9
	LOW LEVEL MANAGER	33	43.3	43.3	82.1
	MIDDLE LEVEL MANAGER	48	47.9	47.9	100.0
	Total	84	100.0	100.0	

Source: Primary Data (YR)

The findings show that 9.9%, 43.3%, 47.9% correspond to Assistant manager, Low level manager, and middle level managers respectively. This indicates that majority of the respondents were bankers

4.2 Analysis of major findings

4.2.1OBJECTIVE ONE: VARIOUS SERVICES PROVIDED USING E-BANKING

Table below table 4.6 is showing the views of the respondents on the various services provided using e-banking

Table 4.6: Views of respondents on the various service provided using e-banking

	N	Minimum	Maximum	Mean	Std. Deviation
mobile banking services any time 24 hours	84	1	3	2.75	.512
deposit or withdraw money using electronic funds transfer	84	2	5	3.75	.876
Internet banking is available	84	2	5	3.71	1.036
ATM machines are widely available and accessible	84	2	5	3.86	.794
Payment of bills can be made through e- banking	84	2	5	3.54	.828
Loan requests can be made electronically	84	2	5	3.71	.926
Valid N (leastwise)	84				

Source: Primary Data (YR)

The above result reveals clearly that all the e-banking services are available and used effectively (mean above 3.5) with the exception of 24 hours of mobile banking facility with mean below 3.0. The bank will need to improve their mobile banking facility to achieve overall success in e-banking.

However, the bank can as well improve the overall e-banking services as there are no outstanding means above 4.0. More could still be done to improve customer satisfaction, patronage, retention and ultimately customer loyalty.

4.3. Objective Two: Determining the Contribution of E-Banking to Financial Performance

Table below table 4.3.7 is a representative of respondents on the contribution of e-banking to the profitability of Stanbic bank.

Table 4.7: Showing Contribution of e-banking to the profitability of Stanbic bank

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
improves customer satisfaction and retention	84	2	5	3.46	.911
one way of coping with the ever changing customer expectations	84	2	5	3.79	.983
introduced to gain competitive advantage	84	2	5	3.86	.880
increase customer access to the banking services	84	4	5	4.71	.454
improves the level of revenue derived	84	4	5	4.71	.454
increase the bank's overall profitability and return on investments	84	3	5	3.64	.670
Valid N (list wise)	84				

Source: Primary Data (YR)

All the contributing factors of electronic banking are highly effective given a mean of above 3.5 in all factors identified with the exception of customer satisfaction and retention (having a mean of 3.46). However, e-banking appear to contribute mostly to increase in customer access to banking services and improvement of revenue with both having means above 4.5. The bank will have to encourage most customers to use e-banking as a way of improving their level of satisfaction retention and loyalty.

4.3. Objective Three: Establishing the Relationship between E-Banking and Financial Performance

Table below table 4.3.1 is a representative of respondents on the relationship between e banking and financial performance of stanbic bank.

Table 4.8: showing the relationship between e banking and financial performance of stanbic bank

Correlations			
		ELECTRONIC BANKING	FINANCIAL PERFORMANCE
ELECTRONIC BANKING	Pearson Correlation	1	.676**
	Sig. (2-tailed)		.000
	d)		
	N	84	84
FINANCIAL PERFORMANCE	Pearson Correlation	.676**	1
	Sig. (2-tailed)	.000	
	N	84	84
**. Correlation is significant at the 0.01 level (2-tailed).			

The Pearson's correlation analysis reveals a coefficient of correlation of 0.676 which is a strong positive relationship between e-banking and financial performance. This implies that the more available and efficient the e-banking services are, the better the financial performance of the bank.

With a p-value of .000 which is below the alpha of .01, we can also conclude that there is a significant relationship between e-banking and financial performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presented the summary of key data findings, conclusions drawn from the findings highlighted and policy recommendations that were made. The conclusions and recommendations drawn were in quest of addressing research objectives of establishing the contribution of electronic banking on the financial performance of Stanbic Bank, Kampala Branch.

5.00 Summary

Financial institutions in Uganda have adopted e-banking services to provide crucial banking services to customers in Uganda. The results show that as the monthly value moved through e-banking increases, the profitability of the commercial banks increase. The research shows that e-banking to a larger extent impacts the financial performance of Stanbic Bank in that it helps reduce unnecessary cost, increase efficiency and improves on service delivery to customers. However, for the period under study, this relationship seems not to hold strongly. Although there is a relationship between e-banking and financial performance of Stanbic Bank, the relationship is not very strong. This was well explained by the Pearson's correlation coefficient of 0.676. Although the relationship is found to be significant with a p-value of .000 which is below the alpha value of .001.

The results also reveals clearly that all the e-banking services are available and used effectively (mean above 3.5) with the exception of 24 hours of mobile banking facility with mean below 3.0. The bank will need to improve their mobile banking facility to achieve overall success in e-banking.

All the contributing factors of electronic banking are highly effective given a mean of above 3.5 in all factors identified with the exception of customer satisfaction and retention (having a mean of 3.46). However, e-banking appear to contribute mostly to increase in customer access to banking services and improvement of revenue with both having means above 4.5.

However, the study concludes that electronic banking is being used to improve financial operations. The banks have put in place measures to become more competitive by keeping pace with the technological developments. It can also be noted from the findings on the number of users that the numbers keep increasing from one year to another. This shows that customers are appreciating and embracing mobile banking. This could be attributed to the advantages offered by electronic banking which include convenience and flexibility.

5.3 Conclusions

From the research findings presented in chapter four and above summary of findings, the study concludes that there is a positive relationship between electronic banking and financial performance of Stanbic Bank. This could be attributed to the trends recorded in the two variables where the number of users and monthly transfers maintained a positive growth rate while financial performance of commercial banks was affected by many variables which have major impacts compared to the adoption of e-banking. Financial performance of Stanbic Bank was majorly affected by macro-economic variables like, interest rates, inflation and foreign exchange rates fluctuations among other macro-economic variables which were outside the scope of this study.

5.4 Policy Recommendations

From the above conclusion, the study recommends that policy makers consider electronic banking in their formulation of policies because of the technological developments and the expected switch from physical branch networks to technologically supported banking services. This is because despite not very strong relationship between electronic banking and financial performance of Stanbic Bank, the impact could be pronounced if much change is recorded in technological developments and more customers adopt electronic banking services. This is because the relationship may not be direct but an indirect one resulting from the convenience that the electronic banking services offers to commercial banks.

Electronic banking is being used to improve financial operations in commercial banks. The banks have put in place measures to become more competitive by training its staff, investing in research and development of technology. In the long run, electronic banking is

likely to have major impacts on the profitability of commercial banks as it smoothestbusiness operations.

The study further recommends that Stanbic bankshouldkeep adopting and using e-banking in their operations because the number of people with access to the internet including a mobile handset is increasing every day. In addition, the convergence of mobile phones andcommercial banks has revolutionized the banking operations.

The bank will also have to encourage most customers to use e-banking as a way of improving their level of satisfaction, retention and loyalty.

5.5 Suggestions for Further Studies

The study suggests that further research be conducted on the relationship between Mobilebanking and financial performance in other countries within the East AfricanCommunity. This study only concentrated on Stanbic Bank, Uganda yet electronic banking has bendopted in all members of the East African Community.

The study further recommends that another study be conducted in Uganda on therelationship between electronic banking and economic growth to establish the contributions of electronic banking on the growth of the economy.

The study further suggests that another study be conducted on the impact of Mobilebanking on financial deepening in Uganda. The Central Bank statistics show that as a result of mobile banking, there is an increase in the level of financial deepening in Uganda of up to about 65%. A study needs to be carried out to ascertain the effectiveness ofmobile banking in financial deepening.

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APPENDIX 1:

RESEARCH QUESTIONNAIRE TO STAFF AND CUSTOMERS OF STANBIC BANK KAMPALA BRANCH

Dear Participants.

I am a student of Islamic University in Uganda carrying out a research on “*e-banking and its effect on financial performance*”. The individual responses will be treated with utmost confidentiality and will be for academic purpose only in fulfilment of my research project. I humbly request to take some of your time to fill this questionnaire. Your assistance will be of great value in the success of this research study. Thank you in advance.

SECTION A

Background information (*Please use a tick in the space provided*)

☒

1. Gender

Female ☐

Male ☐

2. Age Bracket (in years)

18-30 ☐

31-50 ☐

51-60 ☐

Above 60 ☐

3 Marital Status

Married ☐

Single ☐

Widowed ☐

Divorced ☐

4. Level of Education you have attained

Masters and above ☐

Degree ☐

Diploma ☐

Certificate ☐

K25 For how long have you been working in Stanbic Bank?

Less than 1 year ☐

1-2 years ☐

3-4 year ☐

More than 4 years ☐

6 Position Held (department)

SECTION B E-BANKING SERVICES IN STANBIC BANK

(Please use a tick in the space provided)



The following statements are intended to evaluate the usage of e banking in Stanbic Bank

	Questions	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
1.	One can access mobile banking services any time 24 hours					
2.	One can deposit or withdraw money using electronic funds transfer					
3.	Internet banking is available and used by most customers for regular transactions					
4.	ATM machines are widely available and accessible both in the branches and other locations					
5.	Payment of bills can be made through e-banking technology					
6.	Loan requests can be made electronically and processed online for approval					

SECTION C

The following statements are intended to examine the contribution of e-banking to the financial performance of Stanbic Bank

	Question	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
1	E-banking improves customer satisfaction and retention					
2	E-banking is one way of coping with the ever changing customer expectations					
3	E-banking was introduced to gain competitive advantage					
4	E-banking increase customer access to the banking services as well as convenience					
5	E-banking improves the level of revenue derived from customers transactions					
6	E-banking increase the bank's overall profitability and return on investments					

7. Do you use bank's e-banking services?

Yes ☐ No ☐ Uncertain ☐

9. If you were not working in Stanbic Bank, would you consider using its e-banking services?

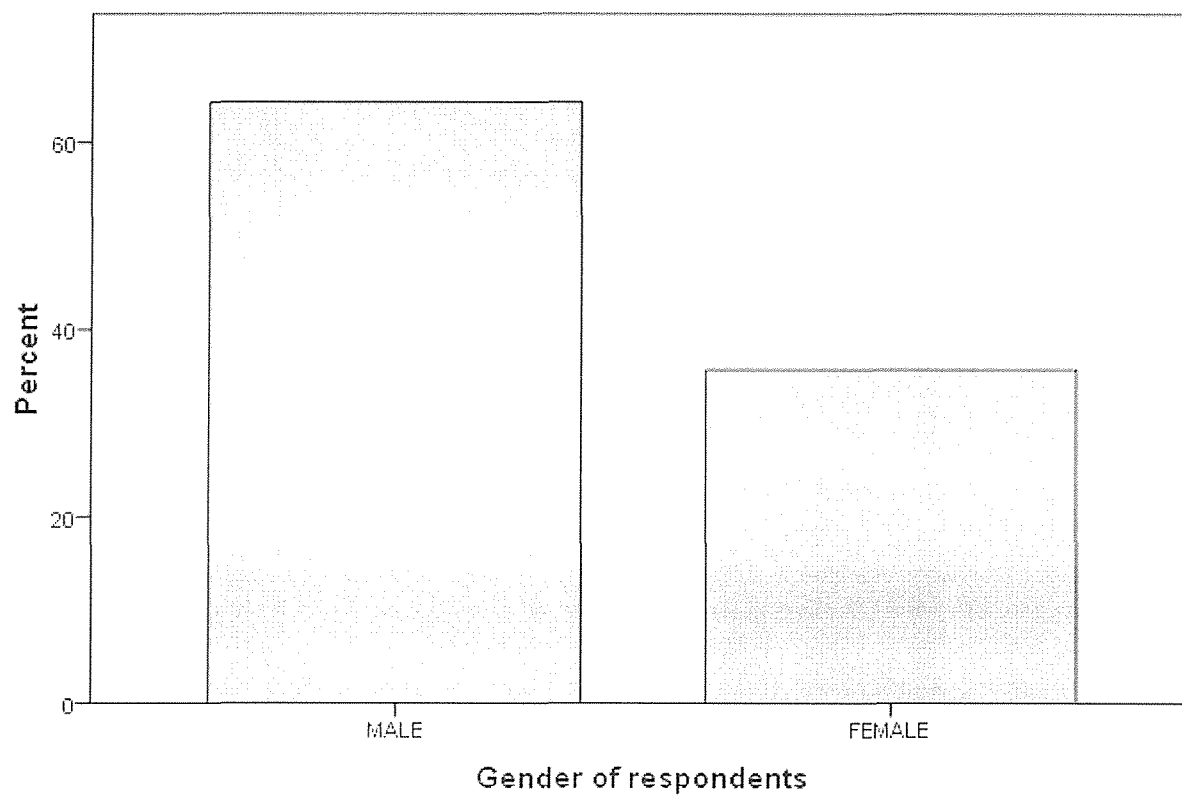
Yes ☐ No ☐ Uncertain ☐

SECTION D

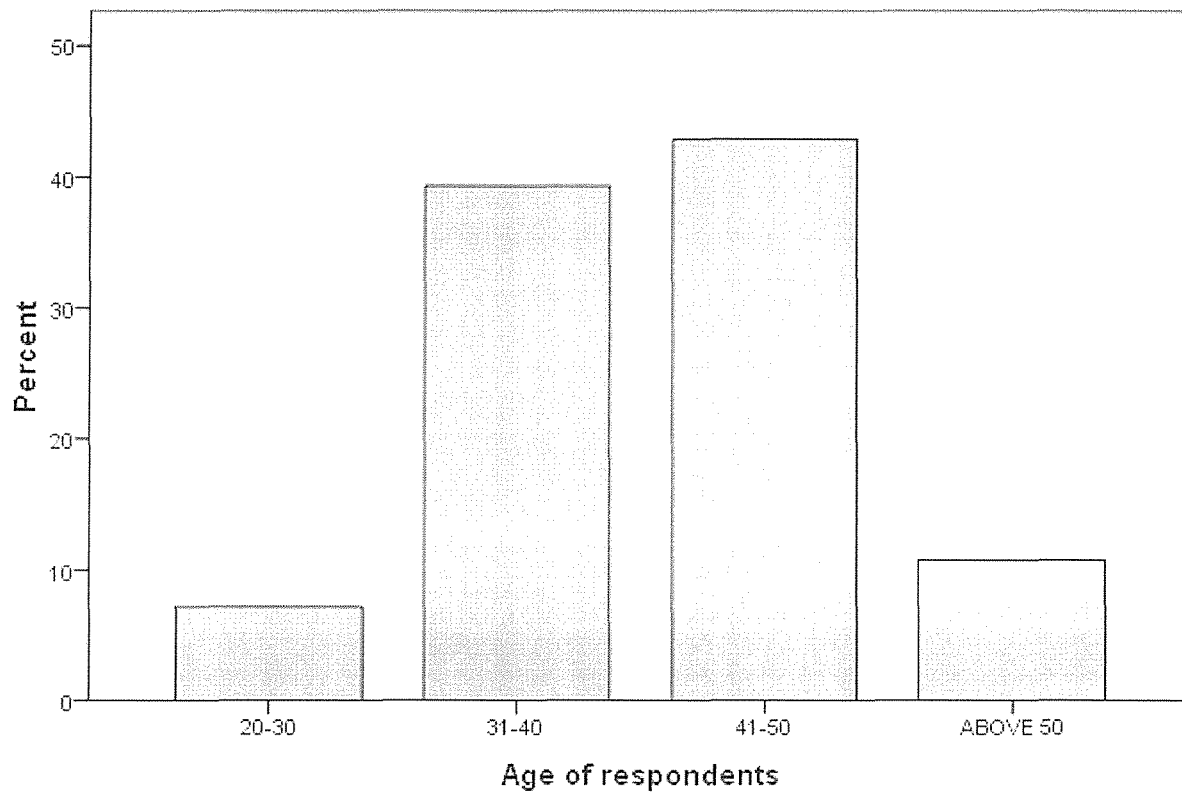
E- BANKING AND FINANCIAL PERFORMANCE

		Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
1	E-banking enables the bank to provide better quality services at less cost					
2	E-banking and improved the level of customer loyalty and patronage					
3k2	Mobile banking has led to increase in bank revenue from various services provided					
4	E-banking has improved the bank's image and level of confidence by customers					
5	Loss from fraud and other financial anomalies has been reduced by e-banking technologies					
6	The bank's level of efficiency and effectiveness in service provision has been improved by e-banking					
7	The bank has been able to save a lot from advertising cost due to e-banking as customers and potential customers are well informed about bank services					
8	The return on investment on e-banking technologies is high					

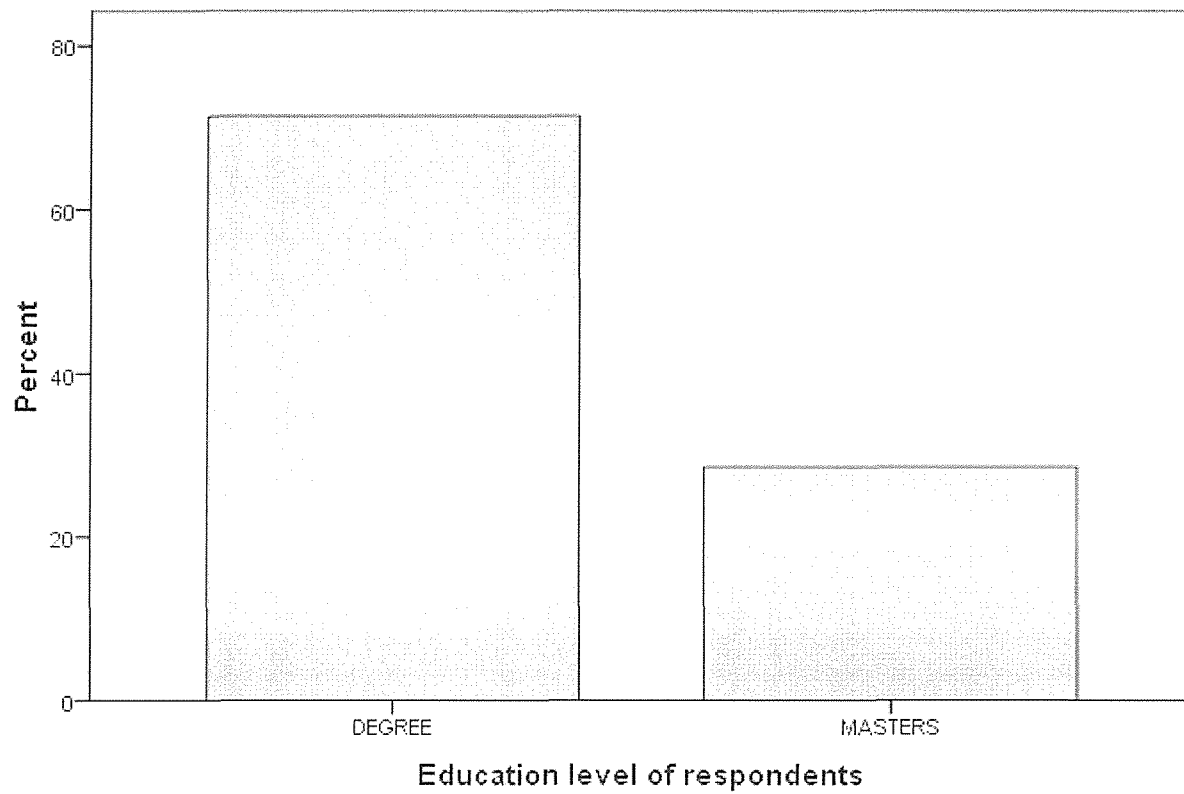
Gender of respondents



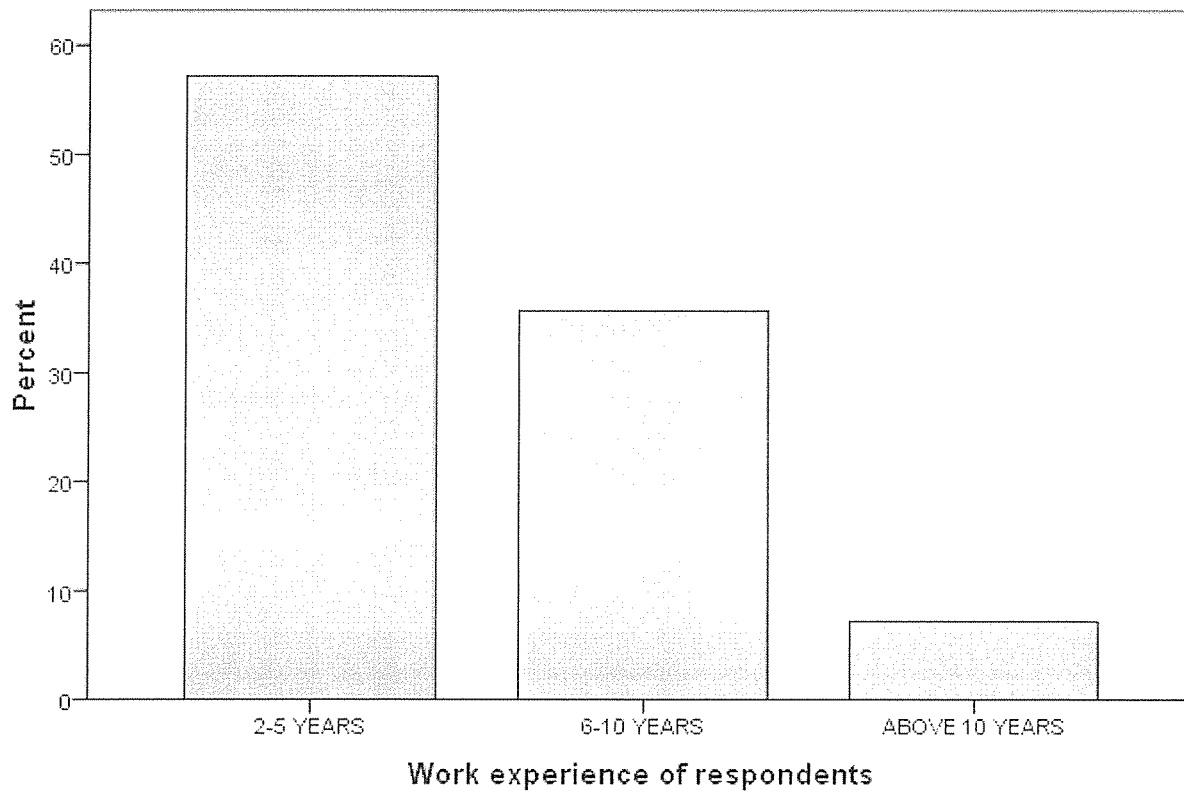
Age of respondents



Education level of respondents



Work experience of respondents



Grade Level of respondents

