

**INTERNET BANKING AND CUSTOMER SATISFACTION IN COMMERCIAL
BANKS IN UGANDA: A CASE STUDY OF TROPICAL BANK LIMITED, KANSANGA
BRANCH, KAMPALA, UGANDA.**

BY

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**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS AND
MANAGEMENT IN PARTIAL FULFILMENT FOR THE REQUIREMENTS OF THE
AWARD OF BACHELOR OF BUSINESS ADMINISTRATION OF KAMPALA
INTERNATIONAL UNIVERSITY**

JUNE, 2017

Declaration

I NakomoShaliwa, declare that this research report is original and was a result of my personal efforts and it is to the best of my knowledge and has never been submitted to any higher institution of learning for the award of any qualification

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Approval

This is to certify that this research report under the topic; internet banking and customer satisfaction of commercial banks in Uganda; a case study of Tropical Bank Limited, Kansanga Branch, Kampala, Uganda.

Signed.....

Dr. Mabong Eric

Date.....11th/09/2017

Dedication

I dedicate this research report to my dear parents AL hajjiYunusuTebandeke and Mrs. Najjuma Sophia who worked hard to support me up on this research report and my studies in general, may Allah bless them abundantly.

Acknowledgement

I thank the Almighty Allah for making it possible for me to complete this piece of work. Special thanks to Him for the knowledge, wisdom, courage and determination he has granted me.

I am particularly indebted to my supervisor Dr.Mabonga Eric for his timeless guidance and correction in the conduct of this research report. He really inspired, motivated and assisted me during the process of this work.

Further thanks to the management of Tropical Bank Ltd, Kansanga Branch, Kampala for their support in providing me with the data and to the authors whom I have used their references in coming up with this report. Also to respondents who sacrificed their time in giving me relevant information that backed my research.

I am greatly indebted to my friend such as NakakeetoNasifahfor her support, care and courage during my study. I am so grateful my dear parents. May Allah Bless them abundantly.

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List of Acronyms

ATMs Automatic Teller Machines

PIN Personal Identification Number

Ltd Limited

Abstract

The study was about *Internet Banking and Customer Satisfaction of Tropical Bank Limited, Kansanga Branch, Kampala, Uganda*. The study was based on the following three objectives; to examine the effect of ATMs on customer loyalty; To determine the effect of ATMs on customer retention and to establish the relationship between internet banking and customer satisfaction of Tropical bank limited, Kansanga branch, Kampala, Uganda. A sample of 80 respondents both female and male customers of the bank were used for the study. The study employed descriptive research and exploratory research design and methodology used was both qualitative and quantitative. Questionnaires and documentary review were the major tools of data collection.

It was found out that Automatic Teller Machine as a construct of internet banking was rated high and this was indicated by the average mean of 4.18, implying that customers of Tropical Bank Ltd, Kansanga Branch often use internet banking. It was revealed that customers often; check their account balance using ATM, withdraw money from their accounts using ATM any time they want, make saving to their accounts using ATM and get bank statement using ATM.

It was revealed that Automatic Teller Machine highly affects customer loyalty which was rated at average mean of 3.53, this was further revealed customers; intend to stay with the bank because of ATM services, are glad to recommend bank to their friends, make an effort to use bank for all their banking needs and will not keep on using the bank as long as it offers the best interest rates for them. Also ATMs as a construct of internet banking on average, moderately affects customer retention and this was indicated by average mean of 3.37, it was revealed that customers have no confidence that the bank provides the best internet banking services, customers find it necessary to be cautious in dealing with the bank, customers have little confidence of staying with the bank, bank can be relied upon to keep customers' promises, customers trust the bank and cannot leave it. The study revealed a perfect weak linear correlation whereby internet banking weakly affects customer satisfaction of Tropical bank limited, Kansanga branch, Kampala, Uganda. It was recommended that the management of the bank should acquire most recent sophisticated friendly ATM machine; enhance operational efficiency and quality of service to attain and retain customers; reduce charges on the users of ATM services so as to encourage the customer to continue patronize the ATM services.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

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

1.1 Background of the study

During the last years, the banking industry around the world has been undergoing a rapid transformation. The deepening of information technology has facilitated better tracking and fulfilment of commitments, multiple delivery channels for online customers and faster resolution of issues has developed noticeably. The financial services industry is altering rapid and visible. Previous ways of doing business are fading fast. Together with this fast transition is also the rising competition among banks. One of the greatest influences behind all of this is the growing development in information technology. Because of this, customers have not been familiar with the ways of electronic banking services and its systems.

Technological developments particularly in the area of telecommunications and information technology are revolutionizing the banking industry. With the development of this technology, electronic commerce is now holding a promise of new revolution. A number of studies have examined the development of electronic banking and its operations. It is widely believed that the impact of e-commerce enables banks to provide an inexpensive and direct way of exchanging information and to sell or buy products and services. Today, financial sector firms are competing to increase their profit share in the market. Among these firms, banks have radically shifted from traditional banking to branchless mode of banking through using Automated Teller Machines (ATMs). Adoption of latest technology has enabled banks to extend their customer base, where electronic banking has proved to be the chief advancement. Therefore, with globalization, commercial banks have no choice but to adopt electronic banking services of ATMs to enhance effective service delivery that transcends to customer satisfaction, if they really want to stay in the business race, to be profitable (Madureme, 2009).

According to Swaminathan and Ananth (2010) internet banking is the automated delivery of new and traditional banking products and services directly to the customer through the electronic communication like computers, ATMs and internet websites. It is the provision of retail and small value banking products and services through electronic channels especially ATMs. Pikkarainen, et al (2004) further define Internet banking as an “Internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments”. With the exception of cash withdrawals, Internet banking gives customers access to almost any type of banking transactions at the click of a mouse. Internet banking is a 24-hour access to cash through an Automated Teller Machine (ATM) with Personal Identification Number (PIN) for the purpose (Altun, 2012) or direct deposit of pay checks into checking or saving accounts. Internet banking includes the systems that enables financial institutions customers, individual or businesses access accounts, transact business or obtain information on financial products and service on public or private network including internet. Internet banking is the act of conducting financial intermediation through the internet. Many banks worldwide including developing countries like Uganda use computers and computerized equipment like ATMs which is the perfect example for such equipment whose purpose is to provide banking services to customers at their convenience and such banking services include cash withdraws, balance enquiries, mini bank statement and many others (Kateeba, 2001).

The use of the Internet as a new alternative channel e.g. ATM, for the distribution of financial services has become a competitive necessity instead of just a way to achieve competitive advantage with the advent of globalization and fierce competition (Flavián and Torres, 2012). There is little doubt that the proliferation of, and advancements in, Internet-based technologies have resulted in fundamental changes in how companies interact with their customers (Ibrahim et al, 2006; Bauer et al., 2005; Al-Tarawneh, 2012). However, Timothy (2012) explains that since the rise of the internet the way business interact with people and other businesses has changed and banks have benefited with the advantages associated with the electronic banking services. The benefits banks derive from electronic banking products and services delivery are improved efficiency and effectiveness of their operations so that more transactions can be processed faster and most conveniently, which will undoubtedly impact significantly on the overall performance of the banks (Padmalatha, 2011)

According to Edfy (2000) customer satisfaction is the process through which businesses ensure customer loyalty and non-defection of customers to the competitors. Customer satisfaction has business leader's attention, as it is the basis for ensuring sustainability in a business. Nigell Hill et al (2008) defines it as a measure of how products and services supplied by a company meet or surpass customer expectation and there for in a competitive market place where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. According to Heskett et al (2011) the concept that the customer is important in achieving business success dates back to about fifty years ago when business management studies recognized marketing as an essential discipline. But according to the recent research and reports customers are still un aware of these services and they have not taken time to look at them as a solution, that is why most of them are still crowding banks for withdraws, deposits and this make the researcher to wonder and try to find out the cause of this.

In Uganda the first clear type of internet banking was in the mid-1990s when Standard Chartered Bank installed Automated Teller Machines. ATMs have discharged banks from the trouble in time and geographical location (Mwesigwa&Nkundabanyanga, 2011) and has permitted banks to cut expenses on transactions, enhance their service delivery, and react better to the requests of the business sector (Chang, 2003; Sullivan and Wang, 2005). There has been an expansion of electronic banking systems throughout the years, particularly in developed countries where ATMs are driving economies closer to cashless society as they (ATMs) have taken away the requirement for physical money and physical payment systems and supplanted them with cards and internet.

Commercial banks in Uganda have valued the importance of internet banking particularly ATMs in improving their organization performance and profitability. According to Mutebile (2007) Ugandan bank customers have shown a low adoption rate to internet banking which means that they are dissatisfied with them. Most banks in Uganda have registered few customers using the service. Baraghani (2007) further says that, customers go through a process of knowledge, persuasion, decision, implementation and confirmation before they are ready to adopt a product or service and get used to the service.

Internet banking adoption common concerns include the performance and security of banking transactions as well as the confidentiality of personal account data and therefore these concerns increase the level of perceived risk which is further exacerbated by declining levels

of trust in banks thus leading to low levels of internet banking adoption. Rose (2013) asserted that Ugandan bank customers have adopted internet banking at a very slow rate. She identifies security concerns to increase the customer's risk leading to distrust of internet banking leading to customers not being satisfied and that's why customers prefer to use cash to electronic means of payment such as ATM because they don't find these electronic means to be important and not easy to use. In addition, Rose (2013) says that customers are not satisfied with the services provided ATMs of commercial banks in Uganda. She reveals that customers raise a number of complaints to include breakdown in the system, unavailability of conformation receipts for withdraw among others. It is based on these issues in the industry that the study will seek to empirically examine the impact of internet banking on customer satisfaction in the Ugandan banking industry.

1.2 Problem statement

Since internet banking service adoption through ATM by banks, customers seem not willing to adapt to these services and this is evident by increased queues in the banking halls, customers are still carrying large amount of cash, which points to their being dissatisfied with the services. In Uganda, banking customers have not adopted internet banking due to challenges such as lack of knowledge on how to use the internet, security issues such as theft and fraud and sometimes network and system errors (Rose, 2013). However, banks have tried to improve their systems by building more infrastructures with ATMs and new services easily provided by these ATMs to increase customer satisfaction but the problem has persisted. This is probably due to the increasing problems associated with internet banking systems. This is asserted by Bwonditi (2010) who observed that several complaints by customers about these services mostly the ATMs is that stopping a payment, reversing a transaction and refund is not possible and hardly do people talk about these services. Therefore, that is why the researcher is prompted to study on the impact of internet banking on customer satisfaction in commercial banks in Uganda.

1.3 Purpose of the study

The study examined the effect of internet banking on customer satisfaction of commercial banks in Uganda undertaking Tropical bank limited, Kansanga branch, Kampala, Uganda as the case study.

1.4 Research objectives

The study was guided by the following specific objectives.

- (i) To examine the effect of ATMs on customer loyalty in Tropical bank limited, Kansanga branch, Kampala, Uganda.
- (ii) To determine the effect of ATMs on customer retention in Tropical bank limited, Kansanga branch, Kampala, Uganda.
- (iii) To establish the relationship between internet banking and customer satisfaction of Tropical bank limited, Kansanga branch, Kampala, Uganda.

1.5 Research questions

- (i) What is the effect of ATMs on customer loyalty in Tropical bank limited, Kansanga branch, Kampala, Uganda?
- (ii) What is the effect of ATMs on customer retention in Tropical bank limited, Kansanga branch, Kampala, Uganda?
- (iii) What is the relationship between internet banking and customer satisfaction of Tropical bank limited, Kansanga branch, Kampala, Uganda?

1.6 Scope of the Study

1.6.1 Geographical scope

The study was carried out in Tropical Bank, Kansanga Branch.

1.6.2 Subject scope

The study focused on the effect of ATMs on customer loyalty in Tropical bank limited, Kansanga branch, Kampala, Uganda; the effect of ATMs on customer retention in Tropical bank limited, Kansanga branch, Kampala, Uganda and relationship between internet banking and customer satisfaction.

1.6.3 Time scope

The study considered activities of the bank for a period of 6 years 2012-2017. It also took place for a period of 3 months that is from March to June, 2017. This period was selected to

enable the researcher come up with coherent information from the respondents as enabled them (respondents) to give responses that were typical of their opinion from the observations made over this period.

1.7 Significance of the Study

The study was significant to the banks and financial institutions customers, stake holders and to the existing body of knowledge and literature related to e-banking in Uganda.

The study was helpful to the bank managers in understanding the effect of internet banking on customer satisfaction in order to deal with the factors that will not allow customers to adopt internet banking.

The study helped future researchers to make further studies in areas of internet banking.

The study was a guide to the government to understand the factors that hinder internet banking in trying to come up with the required rules and regulations about internet.

1.8 Conceptual framework

Independent Variable

Internet Banking

Automated Teller
Machines (ATMs)

Dependent Variable

Customer Satisfaction

Customer loyalty

Customer retention

Source: Qureshi et al. (2008)

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Under this chapter the researcher analyzed and gave critical views on issues that have been put forward by different scholars and academicians. Different subjects were reviewed under different headings.

2.1 Conceptual definitions

2.1.1 Internet banking

The concept of internet banking has been defined in many ways. Ahmad & Al-Zu'bi (2011), defines internet banking as the delivery of banks' information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as a Personal Computer (PC) and a mobile phone with browser or desktop software, telephone or digital television. Pikkarainen *et al.* (2004) define internet banking as an "internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments". With the exception of cash withdrawals, internet banking gives customers access to almost any type of banking transaction at the click of a mouse (De Young, 2001).

2.1.2 Customer satisfaction

Giese & Cote (2000) define customer satisfaction as a mental state which results from customers' comparison of expectations prior to a purchase with performance after a purchase. Halstead *et al* (1994) states that customer satisfaction is a transaction specific effective response from customers' comparison of product performance to some pre-purchase standard. ATM banking customers have expectations of their banks' ATM banking services against which each service encounter enhances comparison of ATM banking performance to the expectations. The comparison is conducted after the immediate usage of ATM banking services or over time of ATM banking usage.

Customer satisfaction with ATM banking is therefore the feeling developed from an evaluation of the ATM banking use experience whether the ATM banking performed relatively well or poorly against expectations. Fornell (1992) defines customer satisfaction as the overall post purchase or usage evaluation. Mwatsika (2016) look at customer satisfaction as a summation of satisfaction with various attributes of a product which alludes to the fact that satisfaction with ATM banking will come from the satisfaction with the performance of its attributes. The evaluative judgment about satisfaction with ATM banking is therefore conceived to fall somewhere on a bipolar continuum where at the lower end it signifies low levels of satisfaction (expectations exceed performance perceptions) and at the higher end it signifies a higher level of satisfaction (performance perceptions exceed expectations). This evaluative judgment occurs at a particular time based on usage experience of ATM banking which occurred at a particular time or on accumulated experience of ATM banking.

The concept of customer satisfaction has in general become of particular importance because various empirical researchers have shown that it is an antecedent of customer loyalty and retention (Newman, 2001) that increases market share (Fisher, 2001) the corporate image of the firm (Newman, 2001) and long term profitability (Mwatsika, 2016)). Banks would expect to retain and/or expand customer base of ATM banking, holding other factors constant, if the ATM banking performance meets customers' expectations or surpasses expectations.

2.2 Customer loyalty

Customer loyalty is an individual behaviour (Neal, 2000), but there are some general characteristics of loyal persons. A loyal person prefers stable long-term relations (Reichheld, 1993). This might have as a result that he or she puts on "blinkers" against both external pressure in the form of competitors' offers, as well as internal defects like for example technical problems. Loyalty can therefore, like commitment, be seen as a "resistance to change" (Laaksonen, 1993). In this meaning, loyalty is only revealed when pressure in the environment tries to change a person's behaviour (Mägi, 1999). When a customer is loyal, he or she will also become more indulgent towards flaws. The customer stays with a bank for a long time and uses its' services of ATM because of a personal need rather than because of a promotion campaign (Cappelli and Clancy, 1999). Furthermore, a loyal customer who has the bank's interests at heart complains if he or she finds something unpleasant with ATM. (Ibid) This provides management of the bank with valuable feedback about the bank's performance and direction. Un loyal customers generally don't voice complaints and objections, since they

simply don't care that much about the bank. Characteristic for the loyal customer is the expectation that someone will act or that something will happen that improves the situation. The expectation that the right steps after some time will compensate the flaws is what differentiates loyalty from concepts such as faith and trust. According to Jansson&Letmark (2005), all the things that can influence the interactions between the bank and the customer negatively, such as for example technology problems or too long answering time, will not have as great importance for the customer that is loyal as for the customer that is not.

According to Braum (2002) customers can't be bribed into loyalty. But there are things the bank can do to influence the customer towards loyalty. The bank should try to engage customers so they become passionate, not just about the internet banking services, but also about the whole business. This can be done by getting customers involved, making them feel that they are part of the service process as well as treating them with respect. The dialogue with the customer should be personalised.

2.3 Customer retention

Customer retention is the way in which firms focus their efforts on existing customers in an effort to continue doing business with them. Customer retention is an effort carried out by companies to ensure that its customers do not switch over to competitors' products and services. It is of paramount importance to retain highly profitable ones. A loyal customer base that persists for a long time is one of the best advertisements for a business, creating an image of high quality. This helps in attracting other customers who value long term relationship and high quality products and services. A number of studies have identified the benefits of retention to an organization (Colgate & Danaher, 2000; Reichheld& Sasser, 1990).

It has been suggested that the cost of customer retention activities is less than the cost of acquiring new customer (Rust &Zahorik, 1993). The costs of acquiring customers to "replace" those who have been lost are high because the expense of acquiring customers is incurred only in the beginning stages of the commercial relationship (Ouma et al., 2013). In addition, longer-term customers buy more and, if satisfied, may generate positive word-of-mouth promotion for the company and they also take less of the company's time and are less sensitive to price changes (Reichheld and Kennedy,1990). In addition, customer retention is very important because it has a bearing on costs and profitability over time (Ouma et al., 2013).

Dagne (2014) also explained that customer retention involves steps taken by a selling organization in order to reduce customer defection and successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. Also customer retention is important to most companies because the cost of acquiring a new customer is far greater than the cost of maintaining a relationship with a current customer. In a highly competitive business environment, while gaining new customers is good news, the flip side is the loss of customers through defection. All successful companies must learn how to retain customers even when the customer appears satisfied (Omotayo et al, 2008). According to Reichheld (1996), some unsatisfied customers may choose not to defect, because they do not expect to receive that better service delivery elsewhere and vice versa.

Retained customer is a function of a number of variables; choices, conveniences, price and income (Gan et al, 2006). Service providers should understand why customers choose to stay and should not assume that it is a positive conscious choice (Colgate et al, 1996). This is because, they may be lured away by attractive offers made by competitors when they experience dissatisfaction incidents (Jones and Farquher, 2003). There are strong arguments for management to carefully consider the range of factors that increase customer retention rate (Omotayo et al, 2008).

2.4 Relationship between ATM and customer satisfaction

According to Komal (2009) the study establishes that ATM services enhance operations and customer satisfaction in terms of flexibility of time, add value in terms of speedy handling of voluminous transactions which traditional services were unable to handle efficiently and expediently. The machine can enable customers to deposit and withdraw cash at more convenient time and places than during banking hours at branch (Muhammad, 2010). According to Lassaret *al.*, (2000) ATMs improve productivity, increased market share, enhanced customers' attraction and loyalty, improved staff morale, and sustained profitability

Stemper (1990) stresses the positive dimension of ATMs based on freedom of transaction. Effective service delivery in ATM system guarantees quality excellence and superior performance and provides autonomy to the customers (Lovelock, 2000). Yavas, Benkenstein and Stuhldreier (2004) argue that customer focused ATM delivery system that fulfils their

needs and maximize operational performance is an essential dimension for bank to achieve and sustain competitive advantage.

Davies, Moutinho and Curry (1996) examine the factors that influence customers' satisfaction about ATM service quality. These factors include costs involved in the use of ATM, and efficient functioning of ATM. Joseph and Stone (2003), through focus group study in the United States, found that easy access to location, user-friendly ATM and security, are important factors that influence majority of bank customers' perception of ATM service quality. In another study in Bangladesh, Shamsdouha, and Chowdhury (2005) found that 24 hours service, accuracy, and convenient locations are the main predictors of customer satisfaction. The study also indicates lack of privacy in executing the transaction, fear of safety and complexity of the machine as the major cause of concern for the customers. Moutinho (1992) examines the relationship between the dimension of usage rate and performance expectation with customers' prolonged satisfaction with ATM services. The results indicate that usage rate has a negative association with customers' perceived prolonged satisfaction whereas performance expectations are found to have positive and significant effects on customers' prolonged satisfaction.

Howcroft (1991) notes that dissatisfaction among customers is associated with frequent Interruption and breakdown of ATM. Intense competition and technology-based new services are shaping customers' loyalty. These have resulted into switching of banks by customers based on competitive services (Lewis & Bingham, 1994). Malik & Bansal (2015) found that location of ATMs, increasing number of ATMs, and diversified service offering are associated with switching of banks. ATM is one type of innovation that can mechanically accept deposits, issue withdrawals, transfer funds between accounts, and collect bills. It has highlighted the relationship between banks and their depositors, as well as the level of quality of banking services (Komal& Singh, 2009). Joseph and Stone (2003) conducted a research and find out that secure and convenient location, adequate number of ATM, user-friendly system and functionality of ATM play important role in customer satisfaction. Dilijonas, Kriksuiunnen, Sakalauskas and Simutis (2009) on the other hand mention that adequate numbers of ATMs, convenient and secure location, and user-friendly system, speed, minimum errors, high uptime, cash backup, cost and service coverage are essential service quality aspects of ATM service.

Literature offers significant evidence of the association between satisfaction of customers and superior financial performance, customer loyalty, and market share (Beerliet *al.*, 2004; Wood, 2008).

Researchers contend that service quality has a direct link with customer satisfaction (Parasuraman, Zeithanl and Ahasan, 1988). Strong evidence exists in the literature about customers' satisfaction from ATM services (Leblanc, 1990). A large number of studies are found in the literatures that highlight the satisfaction of customers with ATMs (Moutinho&Brownlie, 1989, Wan, Luk, Chow 2005; Komal& Singh, 2009; Mobarek, 2007). Some studies have also identified customers' dissatisfaction with ATM service quality dimensions. Large numbers of customers are resistant to this new mode of service delivery and prefer more personalized service (Hogarth, Kolodinsky& Gabor, 2008). The researchers note that customers do not like ATMs because of it impersonality, vision problem, fear of technology and reluctance to change and adoption of new mode of service delivery (Stemper, 1990).

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter described the procedures that were followed in conducting the study. These included research design, target population, sample size, sample techniques, data sources, data collection procedure, data presentation and analysis and ethical consideration.

3.1 Research design

The researcher used descriptive research design so as to collect qualitative data about the variable under study. The study also used cross sectional survey design using both qualitative and quantitative tools. The quantitative research technique basically used because of the desire to solicit and present data numerically.

3.2 Target population

The population of the study involved a total of 92 respondents who were customers of Tropical Bank Limited, Kansanga Branch, Kampala, Uganda.

3.3 Sample size

The researcher used Slovine's formula in determining the minimum sample size. According to this formula, the sample size was obtained using $n = \frac{N}{1+Ne^2}$

Where, N is the target population, n is the sample size and e is the level of statistical significance and in this study is 0.05.

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

$$n = \frac{92}{1 + 92(0.05)^2}$$

$$n = \frac{100}{1.23}$$

$$n = 75$$

Therefore, 75 respondents were selected for the study.

3.4. Sampling techniques

The researcher used purposive sampling to get the required information from the respondents. This was based on the researcher's judgment in as far as the purpose for which the information was sought.

3.5. Data sources

The researcher used both primary and secondary data sources for data collection.

3.5.1 Primary data

Primary data for this study was collected using questionnaires

3.5.2 Secondary data

Secondary data was gathered from secondary sources, internal or external. Secondary data sources are "books and articles in which other researchers report the results of their research based on (their) primary data or sources." This data was collected from existing literature of authors that have written about the variables. Secondary data for this study was from abstracts and journals of various scholars and archived reports.

3.6 Data collection instruments

3.6.1 Questionnaires

This research used self-administered questions that were both structured and semi structured. The researcher used self-administered questionnaires. These allowed respondents to choose from alternatives that were provided by the researcher.

3.7. Data analysis and presentation

3.7.1 Data editing

The collected data was edited for accuracy, completeness. Editing was done to find out how well the answered questionnaires were done in line with consideration paid to questions and responses from interview guide answered by the study respondents.

3.7.2 Data coding

The edited data was coded. Coding involved assigning numbers to similar questions from which answers were given unique looks to make the work easier. In this case computer packages were used to analyse the coded data.

3.7.3 Data analysis

Data collected from the field from the respondents was analyzed using a Statistical Package for Social Sciences (SPSS), which helped to show data in percentages. Qualitatively, data was analyzed and presented in themes of the research objectives using Microsoft Word and Excel computer packages to produce quantitative information in form of percentages and tables. This ensured completeness and correctness in achieving the set purpose and objectives.

3.7.4 Data presentation

After analysis, the results were tabulated in terms of frequency, percentages and cumulative percentages for interpretation.

3.8 Ethical consideration

Before commencing the research, an introductory letter from the Department of finance and accounting, Kampala International University was sought and the purpose of the study was explained to the authorities to avoid inconveniences and misunderstandings about the purpose. The information collected was kept highly confidential. Respondents were assured of confidentiality and never include their names on the questionnaire.

3.9 Limitations of the study

There were various limitations to this study that threatened the research validity. To address this, issue the researcher claimed an allowance of 5% margin of error at 0.05 level of significance. Measures were also indicated in order to minimize, if not to eradicate the threats to validity of the research findings of the study.

There was attrition/mortality in that not all questionnaires were returned completely answered and retrieved back due to circumstances on the part of the respondents such as travels, sickness, hospitalization and refusal/withdrawal to participate. In this case, the researcher received more respondents by exceeding the minimum sample size. The respondents were also reminded not to leave any item in the questionnaires unanswered and were closely followed up as to the date of retrieval.

The research instruments on the study were not standardized. Therefore, there was validity and reliability test done to produce a credible measurement of the research variables of the study.

During the administration of the questionnaires, there was inconsistency in terms of time of administration, understanding of the items in the questionnaires and explanations given to the respondents. Therefore, to minimize this threat, the research assistant was oriented and briefed on procedures to be done in data collection.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND ANALYSIS OF FINDINGS

4.0 Introduction

Under this chapter the researcher presented, interpreted and analysed the findings. The researcher followed the objectives of the study to help in making a thorough analysis. The researcher used tables to present and analyse the findings.

4.1 Biodata of respondents

The bio data of both female and male employees and customers of tropical bank were considered to be significant in terms of evaluating Internet Banking and Customer Satisfaction of Tropical Bank Limited, Kansanga branch, Kampala, Uganda. The bio data consisted of age, gender and highest educational level attained.

4.1.1 Age groups of respondents

Table 4.1: Age groups of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Under 20	10	13.3	13.3	13.3
21-30	23	30.7	30.7	44.0
31-40	20	26.7	26.7	70.7
Valid 41-50	15	20.0	20.0	90.7
51-60	6	8.0	8.0	98.7
61 and above	1	1.3	1.3	100.0
Total	75	100.0	100.0	

Source: Primary Data, 2017

During the field study, it was found out that the biggest percentage of respondents were in age bracket of 21–30 and 31–40 years as shown by 30.7%, 26.7% respectively. 20% were of age bracket of 41–50 years, 13.3% were of less than 20 years, 8% were of 51–60 years and 1.3% was of 61 and above years. This implies that respondents in age bracket of 21–30 and 31–40 years actively participated in the study. This implies that these groups have relevant ideas on answering the questionnaire presented to them well.

4.1.2 Gender of respondents

Table 4.2: Gender of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	45	60.0	60.0	60.0
Valid Female	30	40.0	40.0	100.0
Total	75	100.0	100.0	

Source: Primary Data, 2017

It was found out that the biggest percentage of respondents were males as shown by 60% whereas 40% were females, implying that males actively participated in the study.

4.1.3 Highest Level of education of respondents

Table 4.3: Highest Level of education of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Below Certificate	4	5.3	5.3	5.3
Certificate	6	8.0	8.0	13.3
Diploma	35	46.7	46.7	60.0
Valid Degree	28	37.3	37.3	97.3
Postgraduate	1	1.3	1.3	98.7
Others	1	1.3	1.3	100.0
Total	75	100.0	100.0	

Source: Primary Data, 2017

The biggest percentage of respondents were diploma holders as it was revealed by 46.7% of the respondents. This was followed by 37.3% of respondents who were degree holders, then 8% of the respondents were certificate holders, 5.3% of respondents were below certificate holders and 1.3% of respondents were post-graduate holders.

The next section, that is, the quantitative analysis of the data will provide greater insight into the responses to the questionnaires administered to respondents.

4.2 Automatic Teller Machine of Tropical Bank Ltd, Kansanga Branch, Kampala, Uganda

Table 4.2: Automatic Teller Machine of Tropical Bank LtdKansanga Branch, Kampala, Uganda

	N	Mean	Std. Deviation	Interpretation
I often check my account balance using ATM and it is convenient	75	4.27	1.082	Very high
I often withdraw money from my account using ATM any time I want	75	4.08	.850	High
I often make saving to my account using ATM	75	4.21	.576	Very high
I often get bank statement using ATM	75	4.17	.950	High
Average		4.18	0.8645	High

Source: Primary Data, 2017

Results in table 4.2 indicated that Automatic Teller Machine as a construct of internet banking was rated high and this was indicated by the average mean of 4.18, implying that customers of Tropical Bank Ltd, Kansanga Branch often use internet banking. With respect to customers often checking their account balance using ATM and is convenient was rated very high and this was indicated by average mean (mean = 4.27), implying that bank's customers often check their account balance using ATM and it is convenient to them. Results also indicated that customers often withdraw money from their account using ATM any time they want. This was rated high with an average mean (mean = 4.08), implying that bank's customers often withdraw money from their account using ATM any time they want. Furthermore, results indicated that customers often make saving to their account using ATM, and this was rated very high with an average mean (mean = 4.21). this implies that customers use internet banking while making saving to their account. Finally, results highly indicated that customers often get bank statement using ATM. This was rated high with an average mean (mean = 4.17), implying that bank's customers use internet banking to get bank statement.

4.3 Effect of ATMs on Customer Loyalty of Tropical Bank Limited, Kansanga branch, Kampala, Uganda

Table 4.3: Effect of ATMs on Customer Loyalty of Tropical Bank Limited, Kansanga branch, Kampala, Uganda

	N	Mean	Std. Deviation	Interpretation
I intend to stay with this bank because of ATM services	75	3.64	1.204	High
I am glad to recommend my bank to my friends	75	4.24	.803	Very high
I will continue to use the services of Tropical bank because am happy with the services	75	3.72	1.290	High
I make an effort to use my bank for all my banking needs	75	3.53	1.201	High
I will keep on using this bank as long as it offers the best interest rates for me	75	2.52	1.319	Low
Average		3.53	1.163	High

Source: Primary Data, 2017

Results in table 4.2 indicated that Automatic Teller Machine as a construct of internet banking affects customer loyalty. This was rated high and this was indicated by the overall average mean of 3.53, implying that Tropical Bank Ltd.'s internet banking affects customer's loyalty. With respect to customers' intention to stay with this bank because of ATM services, this was rated high and was indicated by average mean (mean = 3.64), implying that customers intend to stay with this bank because of ATM services. Also results indicated that customers are glad to recommend their friends to bank was rated very high with an average mean (mean = 4.24). This implies that customers recommend their friends to use internet banking of tropical bank. Results highly indicated that customers will continue to use the services of Tropical bank because they are happy with the services. This was indicated by an average mean (mean = 3.72), implying that bank's customers are happy with using internet banking services. In addition, results indicated that customers make an effort to use the bank for all their banking needs. This was rated high with an average mean (mean = 3.53), implying that customers make an effort to use the bank for all their banking needs. Finally, results indicated that customers will keep on using bank as long as it offers them best interest

rates. However, this was rated low with an average mean (mean = 2.52), implying that customers will keep on using bank as long as it offers them best interest rates.

4.4 Effect of ATMs on Customer Retention of Tropical Bank Limited, Kansanga branch, Kampala, Uganda

Table 4.4: Effect of ATMs on Customer Retention of Tropical Bank Limited, Kansanga branch, Kampala, Uganda

	N	Mean	Std. Deviation	Interpretation
I have confidence that my bank provides the best internet banking services	75	2.01	1.084	Low
I find it necessary to be cautious in dealing with my bank	75	3.76	1.314	High
My bank holds me in high regard as a customer	75	3.31	1.594	Moderate
My bank can be relied upon to keep their promises	75	3.63	1.112	High
I trust this bank and I cannot leave it	75	3.17	.991	Moderate
I am very committed to my relationship with my bank	75	4.35	1.072	Very high
Average		3.37	1.195	Moderate

Source: Primary Data, 2017

According to results in table 4.4 indicated that ATMs as a construct of internet banking on average, moderately affects customer retention. This was indicated by average mean of 3.37, implying that internet banking particularly ATM affect customer retention. With respect to customers having confidence that their bank provides the best internet banking services, was rated low and was indicated by average mean (mean = 2.01). This implies that customers don't have confidence that their bank provides the best internet banking services. Further results indicated that, customers find it necessary to be cautious in dealing with their bank, this was rated high with average mean (mean = 3.76), implying that customers find it necessary to be cautious in dealing with their bank. Results also indicated that bank holds customers in high regard as a customer, this was moderately rated with average mean (mean = 3.31), implying that customers have little confidence of staying with the bank. Results further indicated that the bank can be relied upon to keep customers promises. This rated high

with average mean of 3.63, implying that the bank's customers have high confidence to stay with the bank. Further, results moderately indicated that customers trust bank and cannot leave it. This was indicated with an average mean (mean = 3.17), implying that customers trust bank and cannot leave it. Finally, results indicated that customers are very committed to their relationship with my bank. This was rated very high with average mean (mean = 4.35), implying that have very high confidence of staying with the bank.

4.5 Relationship between internet banking and customer satisfaction of Tropical Bank Limited, Kansanga Branch, Kampala, Uganda

Table 4.5: Relationship between internet banking and customer satisfaction of Tropical Bank Limited, Kansanga Branch, Kampala, Uganda

Correlations

		Internet Banking	Customer Satisfaction
Internet Banking	Pearson Correlation	1	-.075
	Sig. (2-tailed)		.523
	N	75	75
Customer Satisfaction	Pearson Correlation	-.075	1
	Sig. (2-tailed)	.523	
	N	75	75

Seventy-five customers of Tropical Bank Limited, Kansanga Branch, Kampala, Uganda were surveyed about internet banking (Mean = 4.18 and SD = 0.8645) and customer satisfaction (Mean = 3.45 and SD = 1.179). A Pearson's r data analysis revealed a weak negative correlation, $r = -0.075$. This implies that customers of the bank are not satisfied with the use internet banking. Furthermore, the significance level value (0.523) is greater than $\alpha = 0.05$, and this implies that there is not enough evidence to show that correlation between internet banking and customer satisfaction exists in the bank.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

Under this chapter the researcher discussed and gave conclusion to the major findings of the study, in light of the objectives and research questions. The researcher also presented some recommendations for internet banking and customer satisfaction of Tropical Bank Limited, Kansanga branch, Kampala, Uganda. The recommendations will suggest some areas that need further study.

5.1 Summary of findings

5.1.1 Automatic Teller Machine of Tropical Bank Ltd, Kansanga Branch, Kampala, Uganda

It was revealed that customers often check their account balance using ATM and it is convenient. This was in agreement with the view of Altun (2012) who posited that internet banking includes the systems that enables financial institutions customers, individual or businesses access accounts, transact business or obtain information on financial balance using ATM.

It was revealed that customers often withdraw money from their accounts using ATM any time they want. This was contributed by the view of Muhammad (2010), who stated ATM can enable customers to deposit and withdraw cash at more convenient time and places than during banking hours at branch. It was revealed that customers often make saving to their accounts using ATM. This was supplemented by Altun (2012) who stated that internet banking enables financial institutions customers into making saving accounts. It was revealed that customers often get bank statement using ATM.

5.1.2 Effect of ATMs on Customer Loyalty of Tropical Bank Limited, Kansanga branch, Kampala, Uganda

It was revealed that customers intend to stay with the bank because of ATM services. This was in accordance with Cappelli and Clancy (1999), who stated that the customer stays with a

bank for a long time and uses its' services of ATM because of a personal need rather than because of a promotion campaign. It was revealed that customers are glad to recommend bank to their friends. This was supported by the view of Ouma et al., (2013) who posited that longer-term customers buy more and, if satisfied, may generate positive word-of-mouth promotion for the company. It was revealed that customers will continue to use the services of Tropical bank because they are happy with the services. Also it was revealed that customers make an effort to use bank for all their banking needs. It was revealed that customers will not keep on using the bank as long as it offers the best interest rates for them.

5.1.3 Effect of ATMs on Customer Retention of Tropical Bank Limited, Kansanga branch, Kampala, Uganda

Furthermore, it was revealed that customers have no confidence that the bank provides the best internet banking services. It was revealed that customers find it necessary to be cautious in dealing with the bank. Also it was revealed that customers have little confidence of staying with the bank. It was revealed that the bank can be relied upon to keep customers' promises. It was also revealed that customers trust the bank and cannot leave it. Further, it was revealed that customers are very committed to the relationship with their bank.

5.1.3 Relationship between internet banking and customer satisfaction of Tropical bank limited, Kansanga branch, Kampala, Uganda

It was revealed that there was perfect weak linear correlation whereby internet banking weakly affects customer satisfaction of Tropical bank limited, Kansanga branch, Kampala, Uganda. This was indicated by $r = -0.075$ of the variation in customer satisfaction times is explained by internet banking times. The correlation coefficient analysis revealed that internet banking had no insignificant relationship p-value of 0.523 is greater than 0.05.

5.2 Conclusions of the study

The main purpose of the research was to establish the relationship between internet banking and customer satisfaction of Tropical bank limited, Kansanga branch, Kampala, Uganda and the results showed that internet banking weakly influences directly on customer satisfaction of Tropical bank limited. In other words, ATM services enhance operations and customer satisfaction in terms of flexibility of time, add value in terms of speedy handling of voluminous transactions which traditional services were unable to handle efficiently and

expediently. ATM can enable customers to deposit and withdraw cash at more convenient time and places than during banking hours at branch. ATMs improve productivity, increased market share, enhanced customers' attraction and loyalty, improved staff morale and sustained profitability.

5.3 Recommendations

Internet banking is a tool that seems to provide new and exciting customer satisfaction of banks and is therefore recommended to consider the following;

The management of the bank should acquire most recent sophisticated friendly ATM machine that will improve perceive ease of use which will encourage customers to keep on using the bank not only when it offers the best interest rates for them but all the time.

Bank must enhance operational efficiency and quality of service to attain and retain customers thus ensuring that customers have confidence that the bank provides the best internet banking services.

Bank management should reduce charges on the users of ATM services so as to encourage the customer to continue patronize the ATM services

Bank should improve on mechanism that will ensure service security i.e. that will guarantee safety of information on individual accounts

The management of bank should ensure that officers in charge of ATMs should always make enough cash available so as to enable the machine dispense cash to customers whenever need arises.

The bank should proactively monitor customers' preferences with regard to the transaction fee; delivering of ATM card promptly and issue of new cards due to loss of original cards.

Further Bank can focus on important aspects of security and privacy as well as efficient operation of ATMs.

5.4 Areas for future research

This study has proven that internet banking influence moderately on customer satisfaction of banks. Future research should explore the ATM services in Public and private sector Banks. Service quality of the ATM services can be examined both in private and public sector banks.

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APPENDICES

APPENDIX A

SELF ADMINISTERED QUESTIONNAIRE

Dear Respondents;

I NakomoShaliwa, a student of Kampala international University of College of Economics and Management finalizing my Degree in Bachelors of Business Administration. As part of my requirement for the Degree award, I have to present a research report. The study is on Internet Banking and Customer Satisfaction of Commercial Banks in Uganda; A case study of tropical bank limited, Kansanga branch, Kampala, Uganda.

I will greatly appreciate if you would answer all questions in a fair and open manner. The information gathered from this questionnaire will be used purely for research purposes. Thank you for taking the time and effort to complete this questionnaire. Your cooperation is greatly appreciated.

NakomoShaliwa (*Candidate*)

SECTION A: BIO DATA

Please place a tick (✓) in the block that applies to you.

1. AGE

Under 20	<input type="checkbox"/>	21-30	<input type="checkbox"/>	31-40	<input type="checkbox"/>
41-50	<input type="checkbox"/>	51-60	<input type="checkbox"/>	61 and Above	<input type="checkbox"/>

2. GENDER

Male	<input type="checkbox"/>	Female	<input type="checkbox"/>
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3. HIGHEST EDUCATION LEVEL

Below Certificate	<input type="checkbox"/>	Certificate	<input type="checkbox"/>
Diploma	<input type="checkbox"/>	Degree	<input type="checkbox"/>
Post-Graduate Qualification	<input type="checkbox"/>		
Other (Specify).....			

Please indicate the extent to which you disagree or agree with each of the following statements. Please indicate your preference by marking with a tick (✓) in the appropriate block provided.

1	Strongly Disagree	SD
2	Disagree	D
3	Not Sure	N
4	Agree	A
5	Strongly Agree	SA

SECTION A: Automatic Teller Machine (ATM)

Nº	QUESTION	SD	D	NS	A	SA
1	I often check my account balance using ATM and it is convenient					
2	I often withdraw money from my account using ATM any time I want					
3	I often make saving to my account using ATM					
4	I often get bank statement using ATM					

SECTION B: Customer Satisfaction

Nº	Customer Loyalty	SD	D	NS	A	SA
1	I intend to stay with this bank because of ATM services					
2	I am glad to recommend my bank to my friends					
3	I will continue to use the services of Tropical bank because am happy with the services					
4	I make an effort to use my bank for all my banking needs					
5	I will keep on using this bank as long as it offers the best interest rates for me					
Nº	Customer Retention					
1	I have confidence that my bank provides the best internet banking services					
2	I find it necessary to be cautious in dealing with my bank					
3	My bank holds me in high regard as a customer					
4	My bank can be relied upon to keep their promises					

5	I trust this bank and I cannot leave it					
6	I am very committed to my relationship with my bank					

***“Thank you for taking the time and effort
to complete this questionnaire”***

APPENDIX B

TIME FRAME

Item/Time	March 2017	March 2017	April 2017	May 2017	June 2017
Data Collection					
Data Analysis					
Data Presentation					
Clear Report Writing/ Dissertation					

APPENDIX C

ACTUAL STUDY BUDGET

Item	Quality/Quantity	Unit Cost	Total Cost
Proposal Writing		UGX	UGX
Pens	1 box	3,000	3,000
Box file	2 files	5,000	10,000
Clip board	2 clip boards	5,000	7,000
Ruled paper	2 reams	10,000	20,000
Note book	2 books	5,000	10,000
Photocopying	58 pages	100	5,800
Typing	40 pages	500	20,000
Printing	40*3 pages	100	12,000
Spiral binding	3 copies	1,500	4,500
Sub Total			92,300
Data Collection			
Transport	5 days	20,000	100,000
Lunch	5 days	20,000	100,000
Sub Total			200,000
Data Analysis			
Coding	5 days	5,000	25,000
Data entry	8 days	5,000	40,000
Sub Total			65,000
Report Writing			
Typing	64 pages	500	32,000
Printing	3*64 pages	100	19,200
Photocopying	35 pages	100	3,500
Binding	3 books	9,000	27,000
Sub Total			81,700
Grand Total			439,000



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

JULY, 19th 2017

To whom it may concern

Dear Sir/Madam,

**RE: INTRODUCTORY LETTER FOR NAKOMO SHALIWA, REG NO.
BBA/43353/143/DU**

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: - INTERNET BANKING AND CUSTOMER SATISFACTION
IN COMMERCIAL BANKS IN UGAND.**

Case Study: - TROPICAL BANK LIMITED, KANSANGA BRANCH.

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. KIRABO KYEYUNE BOUNTY JOSEPH
HOD – ACCOUNTING & FINANCE
0772323344**

Date:

Our Ref: 25th July, 2017.....

TBL/KSG/006/2017

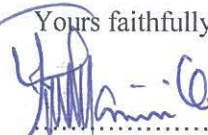
TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: ACCEPTANCE TO USE TROPICAL BANK KANSANGA BRANCH AS A CASE STUDY FOR RESEARCH

I hereby certify that we have availed information to Miss Nakomo Shalwa REG BBA/43353/143/DU, for her research on **'INTERNET BANKING AND CUSTOMER SATISFACTION IN COMMERCIAL BANKS IN UGANDA.'**

Yours faithfully,



.....
Tamale Yahaya Lukwago
BRANCH. MANAGER
KANSANGA BRANCH

The Uganda National,



