MOBILE BANKING AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN UGANDA: CASE STUDY UNITED BANK OF AFRICA KANSANGA BRANCH

BY

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MAY 2018
DECLARATION

I Bazibu Ali Mukama, hereby declare that the work presented in this report is original and has never been submitted in this university or any other institution of higher learning unless otherwise stated.

Signed: ..................................................

Date: .................................................. 24/05/2018

BAZIBU ALI MUKAMA
APPROVAL

This research report is prepared under my guidance and is now ready for presentation to the School of Business Administration of Kampala International University.

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

DR. AWOLUSI OLLA DELLE
Date: 28th May, 2018

Supervisor Kampala International University
DEDICATION

I dedicate this piece of work to my parents Mr. Luwuliza Aggrey and Mrs Alitubeera Martha for their tireless support to make me what I am today and Mr. Muwewesi Elias and Mrs Nakandah Zulaikah for their support and colleagues in my struggle at Kampala International University.
MAY GOD BLESS YOU FOR THE ACCREDITED WORK DONE IN ME
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- Mr. Bamulesewa Sudhi and family
- Nabweyo sub-county Management and staff
ACRONYMS

M-banking - Mobile Banking

BOU - Bank of Uganda

MTN - Mobile Telephone Network

Stanchart Uganda - Standard Chartered Bank (Uganda) Limited

E-banking - Electronic Banking

M-transactions - Mobile Transactions

ICT - Information Communication Technology

PDA - Personal Digital Assistant

ATM - Automatic Teller Machine or Automated Teller Machine

E-commerce - Electronic Commerce

E-funds transfer - Electronic Funds Transfer

SMS - Short Message Services

CAMELS (Capital adequacy, Asset quality, Management, Earning, Liquidity and Sensitivity analysis)

US$ - United States of America Dollar

UGX - Ugandan Shilling

NWSC - National Water and Sewage Corporation

UBA - United Bank of Africa

UK - United Kingdom.
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CHAPTER ONE
INTRODUCTION

1.0 Introduction
This chapter covers the background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study (Conceptual scope and Geographical scope) and the significance

1.1 Background of the Study
According to (Fisher, 2013) Mobile banking (m-banking) involves the use of a mobile phone or another mobile device to undertake financial transaction linked to a client account. According to Owen m-banking refers to provision and availing of banking and financial service with the help of mobile telecommunication device. Services include performing balance checks, account transactions, payments, credit applications and other banking transactions through a mobile device such as a mobile phone which is most used in developing countries or Personal Digital Assistant (PDA).

Financial performance refers to the financial soundness where depositors' funds are safe in a stable banking system. The financial soundness of a financial institution may be strong or unsatisfactory varying from one bank to another. External factors such as deregulation: lack of information among bank customers, homogeneity of the bank business do cause bank failure. The activities undertaken in m-banking contribute to the financial soundness of the commercial banks in Uganda. Some useful measures of financial performance are coined into what is refer to as CAMELS which guide the banking sector (Katzenbach, 2015).

The technology innovations have influenced the banking sector in one way or another. Kassim2005 explains that the technological revolution has produced new development in the banking industry. According to (Ash Amin, 2017) the first ATM in Uganda was brought by SCI for United Bank of Africa in 1949 and SCI has been an active catalyst in the rapid growth and development of electronic banking in the country hence the introduction of m-banking few years
ago and this explains why United Bank of Africa is ranked as one of the performing banks in Uganda. Mobile banking has transformed the way people in the developing world transfer money and now it is poised to offer more sophisticated banking services which could make a real difference to people’s lives. This type of banking can offer a wide variety of services ranging from account information, which has to do with alerting the customers on the updates and transactions on their account through their mobile phones. People receive short messages on their phones informing them of their immediate transactions in their bank accounts. Also, they help in payments (utility bills), deposits, withdrawals, transfers, purchase airtime, request bank statements and perform 13 other crucial banking tasks, all in real time over their mobile phones.

Banks including United Bank of Africa (Uganda) (Buyer and lenders, 2017) have largely implemented service delivery technology as a way of augmenting the services traditionally provided by personnel, howcraft, (Bitner, 2013).

According to (Donald,s 2017). Equity bank pioneered the first m-banking technology in the world to reach out to the unbanked, and for championed the empowerment of ordinary people through inclusive finance. The m-banking technology is similar to that of MTN (mobile money) Africell Money, Airtel money, Safaricom's MPESA (in Kenya), among others that has made banks uncomfortable given the shift of most transactions from banks to mobile phone kiosks.

In the banking sector in our world today, mobile banking is a fast growing issue. This has come to improve the level of banking system and can be described as the provision of banking or financial services with the aid of mobile telecommunication devices. M-banking has come to stay, providing its customers with an expedient way of banking. This is not however without challenges, but they are minimal and can be handled without much stress.

1.1.0 Historical perspective

UBA-Uganda commenced operations in May 2008, starting with the opening of the main branch on the Kampala-Jinja Highway in Kampala, Uganda’s capital and largest city. Within the first six months, the bank established four branches within Kampala and its suburbs. During the following six months, UBA-Uganda added two upcountry branches, one in Jinja, about 86
kilometres (53 mi) east of Kampala, and the other in Mbale, a city located about 200 kilometres (120 mi), by road, north-east of the capital (Newvision, 2011).

**United Bank for Africa (Uganda)** (UBA-Uganda) is a commercial bank in Uganda. It is one of the commercial banks licensed by the Bank of Uganda, the central bank and national banking regulator.

UBA-Uganda is a commercial bank that focuses on the individual customer, small and medium enterprises (SMEs), and large corporations. The Nigeria-based parent company, United Bank for Africa, started operations in Uganda with a capital base of US$12 million. The bank's entry into the Ugandan market along with other regional heavyweights, including Kenya Commercial Bank and Ecobank Transnational, energized the country's financial sector and increased competition, resulting in improved customer service across the board. (Kabuubi Ronald, 2016).

1.1.1 Conceptual perspective

Mobile banking is a system that allows customers of a financial institution to conduct a number of financial transactions through a mobile device such as a mobile phone or tablet (Darrat, 1999). Porteous, 2006 classified m-banking into two, firstly, transformational m-banking, which is the provision of banking services using mobile phones to reach unbanked population. Secondly, additive M-Banking, in which mobile phone is simply an additional channel that is used to improve banking services to the already banked.

Mobile banking offers millions of people a potential solution in emerging markets that have access to a cell phone, yet remain excluded from the financial mainstream. It can make basic financial services more accessible by minimizing time and distance to the nearest retail bank branches (CGAP, 2006) as well as reducing the bank's own overheads and transaction-related costs. Mobile banking presents an opportunity for financial institutions to extend banking services to new customers thereby increasing their market (Lee, & Kim, 2007).

1.1.2 Theoretical perspective

Innovation Diffusion Theory (IDT) This theory was officially introduced by Bradley and
Stewart in the year 2013 and it affirms that firms engage in the diffusion of innovation in order to gain competitive advantage, reduce costs and protect their strategic positions. The innovation diffusion theory put forward by Rogers in 1962 is a well-known theory that explains how an innovation is diffused among users over time (Liu, 2016). It also helps to understand customers' behavior in the adoption or non-adoption of an innovation (Vaugh, 2010; Lee and others, 2003). The theory depicts that the adopters of any innovation follow a bell-shaped distribution curve which may be divided into five parts to categorize users in terms of innovativeness (Liu, 2018). Rogers classified users as innovators, early adopters, early majority, late majority and laggards (Liu, 2017).

The adoption and use of mobile banking has the potential to extend the limited nature and reach of the formal financial sector to the poor and rural population in Africa. Most of the existing literature is from the developmental/practitioners' arena with a few scholarly studies emerging (Mas and Morawczynski, 2015).

Although most of the studies from the practitioners are not peer reviewed, they provide valuable information on actual usage and contextual information on the development and use of the phenomenal. For example, Ivatury and Pickens (2016) provided valuable insight into the characteristics of the early adopters of WIZZIT, one of the first major initiatives dedicated to offering mobile banking to the poor in South Africa. Also significant are the ethnographic work of Morawczynski during 18 months stay in Kenya (Morawczynski, 2014).

1.1.3 Contextual perspective
The banking sector is considered to be an important source of financing for most businesses. The common assumption, which underpins much of the financial performance research and discussion, is that increasing financial performance will lead to improved functions and activities of the organizations. The subject of financial performance and e-banking into its measurement is well advanced within finance and management fields. It can be argued that there are three principal factors to improve financial performance for financial institutions; the institution size, its asset management, and the operational efficiency [mobile -banking]. To date, there have been
little published studies to explore the impact of these factors on the financial performance, especially the commercial banks (Central Bank of Oman, 2015).

According to Janice (2013) issues related to customers, development choices and potential channel conflict need special attention. A critical assessment of these issues can enable a bank to formulate the objectives of entering mobile banking services, make strategic decisions on the services to be provided and the appropriate delivery channels to deploy and manage these services efficiently.

1.2 PROBLEM STATEMENT

Mobile banking was established to serve people’s demand to soften the financial conditions and boost economic growth. However, gaps are still in existing in the banking sector of Uganda like long queues, Manual Applications Forms and physical presence verification. This led the researcher to carry out the study on the effects of mobile banking on financial performance of commercial banks in Uganda. According to Nasikye 2014 the mobile and wireless market has been one of the fastest growing market in Uganda and is still growing at a rapid pace following the addition of few telecommunication players who have attracted dynamic number of subscriber, this is feared as a threat by banking industry (competition) and also increased level of fraud for example MTN a telecom company Lost Sh14b in Mobile Money Fraud Uganda News May 23, 2012. Commercial banks have tried to come up with their m-banking services and also to partner with telecom companies (MTN Telecom Company and Post Bank Uganda Ltd) MTN Press Box 8/12/2010 and others like Standard Bank has bought the MTN Banking business from MTN Mobile Money South Africa but still telecom mobile companies seem to be dominating in the m-banking services. The commercial banks are now coming up with innovation which is the answer to reduce costs and solve the tension between sustainability and reaching to the very poor (Drucker, 2011), Hence forcing banks to link with mobile telecom companies to provide better quality services given that the low income earners can now own mobile phone.
1.3 Purpose of the study

The main purpose of the study is to Assess the effect of mobile banking on financial performance of commercial banks in Uganda.

1.4 Specific Objectives of the study

i. To examine effect of mobile banking on performance of commercial banks in Uganda.

ii. To assess relationship between mobile banking and commercial banks in Uganda.

iii. To find out mitigations to the hindrance of mobile banking among commercial banks.

1.5 Research Questions

a) What is effect of mobile banking on performance of commercial banks in Uganda?

b) What is the relationship between m-banking and financial performance of United Bank of Africa (Uganda)?

c) What are the mitigations to the hindrances of mobile banking among commercial banks?

1.6 Hypothesis

1.1 There is no significance effect of mobile banking on financial performance of commercial banks in Uganda.

1.2 There is no significance on the relationship between mobile banking and financial performance of commercial banks.

1.3 There is no significance on the mitigations to the hindrances of mobile banking among commercial banks.

1.7 Scope of the study

1.7.1 Conceptual scope

The study will concentrate on establishing the influence m-banking and its effects on financial performance of United Bank of Africa (Uganda). The study focuses on the m-banking which is the independent variable with several indicators considered.
Effects on financial statement is the dependent variable having the following measures; Capital adequacy, Asset quality, Management, Earnings, Liquidity and sensitivity.

1.7.2 Geographical scope

The study will be conducted in United Bank of Africa Kansanga Branch, Ggaba road in the accounts department since the place will be convenient in terms of; time, cost and information required which will be readily available since respondents (staff members) are accessible.

1.7.3 Time scope

The study will be conducted within the period of one month starting from April 2018 up to May 2018 and the references from the previous years.

1.8 Significance

i. The findings of the research/study will assist United Bank of Africa (Uganda) to know which m-banking service is urgent and need strategic observation.

ii. The study will improve not only researcher’s scope of understanding m-banking but also entire public hence gain exposure to the m-banking technology.

iii. The dissertation will be used as reference material by future researchers interested in further research on m-banking and its effects on financial performance of commercial bank. It’s also a requirement for award of bachelors of commerce at Kampala International University.

1.9 Definition of terms.

1.1 Mobile Banking;

Is a system that allows customers of a financial institution to conduct a number of financial transactions through a mobile device such as a mobile phone or tablet.

1.1 Financial Performance;

Is a formal record of the financial activities and position of a business, person, or other entity?
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter presents a comparison of the current exiting knowledge from literature on Mobile banking and its effects on the performance of commercial banks in Uganda. The literature includes a review of detailed and related literature based on, Nature of banking sector in Uganda, United Bank of Africa (Uganda), M-banking, various service of m-banking, benefits of M-banking, Challenges of M-banking and financial performance.

2.2 Theoretical Review

2.2.1 Agency Theory

Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals such as shareholders and agents of the principals for example, company executives. The two problems that agency theory addresses are: the problems that arise when the desires or goals of the principal and agent are in conflict, and the principal is unable to verify what the agent is actually doing and the problems that arise when the principal and agent have different attitudes towards risk. Because of different risk tolerances, the principal and agent may each be inclined to take different actions.

According to (Bitner, 2013) in his article stated that agency theory can provide for richer and more meaningful research in the M. banking. Agency theory contends that M. banking in common with other intervention mechanisms like financial reporting and international accounting standards helps to maintain cost-efficient contracting between owners and managers. Agency theory may not only help to explain the existence of m-banking in financial institutions but can also help explain some of the characteristics of M- banking, for example, its size, and the scope of its activities, such as m-banking versus Financial performance. Agency theory can be employed to test empirically whether cross-sectional variations between m-banking services reflect the different contracting relationships emanating from differences in organizational form.
2.2.2 Financial Intermediation Theory

According to Gurley and Shaw 1960 established the financial intermediation theory which they based on the theory of informational asymmetry and the agency theory. In principle, the existence of financial intermediaries is explained by the existence of the following categories of factors: high cost of transaction, lack of complete information in useful time assumptions there is perfect market where no one participant can influence the prices; the placement/borrowing conditions are identical for all participants; there are no discriminatory fees; the lack of competitive advantages at the level of participants; all financial securities are homogeneous, divisible and transactional; there are no transaction costs for obtaining information or of insolvency; all participants have immediate access to the complete information regarding the factors and elements that can influence the current or future value of the financial instruments.

The financial intermediation theory highlights the role of financial intermediaries in economy; most of the studies performed highlight their role in achieving a durable economic growth, and the impact of regulations on financial intermediation, accentuating the role of the central bank in the regulation, supervision and control of financial intermediaries. This theory assisted in analyzing the transactions behavior of commercial banks, and how it affects their financial performance.

2.3.1 EMPERICAL REVIEW

2.3.2 Bill payments on the financial performance of United Bank of Africa.

The use of technology in settling utility bills is taking root, saving consumers time and money. In Uganda the latest application is the partnership between utility operator, the National Water and Sewerage Corporation (NWSC) and MTN in which consumers directly pays for their bills using M-Sente, mobile money platform or instruct their banks to remit money to the NWSC accounts. (New Vision Reported by David Mugabe Feb 20, 2013) NWSC is phasing out cash offices, opting for mobile money, m-banking and over the counter payments with partnering banks.

According to (Soderberg, 2017) m-banking is the term we use to describe financial services delivered via mobile networks using mobile phones. Normally, such services include depositing,
withdrawing, sending and saving money, as well as making payments. According to Owen mobile banking refers to provision and availing of banking and financial service with the help of mobile telecommunication devices as a mobile phone which is most used in developing countries or Personal Digital Assistant (PDA).

2.3 The contribution of Mobile SMS banking on the financial performance of United Bank of Africa (Uganda).

Currently in Uganda the SMS banking service is being used and it offers clients the ability to access inquiry services like bank balance and mini statements using their mobile phones Abunyang, (2013).

With the use of m-banking in United Bank of Africa (Uganda) you can do all this on your mobile phone: Make a balance inquiry, Request a mini statement of last 3 transactions, Transfer funds across your accounts and other pre-nominated accounts in Standard Chartered, Pay utility bills for UMEME and National Water and Sewerage Corporation, Request a cheque book and get alerts for withdrawals on your account. The scope of offered service may include facilities to conduct banking transaction, to administer accounts and to access customized information.

According to ( Soderberg, 2017) these services may or may not be defined as banking services by the regulator, depending on the legislation of the country in question, as well as on which services are offered. Hence, we may refer to an initiative as M-banking service even though it would not fall into the banking definitions under that particular country’s regulatory regime.

M-banking is by (Tabar, 2014). separated into two categories; additive, where the model uses M-banking as an extra access channel for existing clients and transformational is where it is categorized by a new type of services that could attract users from rural areas and poorer segments of the market, and hence can have a transformational effect. This is commonly used among retail banks.
2.4 The contributions of Electronic funds transfers on the financial performance of United bank of Africa

Retail banks; by the term retail banks, we refer to conventional banks that offer services to individuals from the public (Karjaluoto, 2015). In this way customers are able to withdraw and deposit cash easily, funds are transferred electronically using ATMs to provide retail banking services allowing 24 hours a day cash withdrawal, balance verification and bill payment at branches and remote locations away from branches M-transactions; transactions such as remittances and payments delivered via mobile networks and are performed on a mobile phone.

A number of enabling technologies are being used in the delivery of m-banking service applications. According to Coker, (2013), they include Interactive Voice Response (IVR), Short Messaging Service (SMS), wireless Access Protocol (WAP) and standalone Mobile Application Clients (MAC).

SMS banking uses text messaging and works in either a push or a pull mode. In pull mode, the bank sends a one-way text message to alert a mobile subscriber of a certain account situation or to promote a new bank service. In push mode, the mobile subscriber sends a text message with a predefined request code to specific number. The bank then responds with a reply SMS containing the specific information. (Lennart, 2016).

said that appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives. (Logan, 2013). contends that performance is measured by either subjective or objective criteria, arguments for subjective measures include difficulties with collecting qualitative performance data from small firms and with reliability of such data arising from differences in accounting methods used by firms.

found out that objective performance measures include indicators such as profit growth, revenue growth, return on capital employed. Financial consultants Stern Stewart and Co. created Market Value Added (MVA), a measure of the excess value a company has provided to its shareholders over the total amount of their investments (John, 2013).
From the consumers' point of view, electronic payment of bills is cheaper, faster, and more convenient than writing, posting and reconciling cheques. In addition, though limitations exist, a wider range of bank accounts or credit cards can be used for the electronic payment of bills. Using electronic bill presentment and payment enables businesses to fast-track customer payments and get access to funds faster, which in turn results in cash flow improvement. For banks the advantages of electronic bill payments are a reduction in processing costs minimizing paperwork and an increase in customer loyalty. (Kshetri, 2014).

2.4 Summary of the above chapter.

Mobile Technology which has contributed to m-banking has seen an unprecedented development and growth during the last few years and it is becoming a major catalyst for economic and social development in many countries Uganda inclusive. Hundreds of mobile applications ranging from mobile health to mobile banking have been developed and mobile communication is becoming increasingly affordable for the poorer segment of the population worldwide.

The introduction of m-banking draws upon the successful marriage of two fundamentally different technological platforms; banking and mobile telephone. Financial Institutions such as Crane Bank (Uganda) are entering into partnership with companies that provide utility service, mobile service operators in the aim of proving M-banking. However, the daunting task of overcoming technological challenges will not constitute the major barrier in the future for fast diffusion.
2.5 CONCEPTUAL REVIEW

The conceptual review explain independent variables such as Funds transfer, Bill payments, Share trade, Cheque orders, Account balance inquiry, Check status inquiry, and Transaction history that motivate mobile banking to spear leading finance performance of commercial banks. These affect Financial performance, a dependent variable which is measured by, Financial performance, Deposits and withdraws, Loan Acquisitions, etc. However, there are also intervening factors like, People's attitude towards saving, Changes in bank rates, Political instabilities in some areas.

Figure 1: Conceptual Framework

Independent variables, Dependent variables

Mobile Banking
- Funds transfer
- Bill payments
- Share trade
- Cheque orders
- Account balance inquiry
- Check status inquiry
- Transaction history

Financial performance
- Deposits
- Withdraws
- Loan Acquisitions
- Saving

Intervening Variables
- People's attitude towards saving
- Changes in bank rates
- Political instabilities in some areas

Source: Developed by the researcher from the literature review
CHAPTER THREE
METHODOLOGY

3.0 Introduction
This chapter deals with collection of data analysis and presentation of data. It outline the methodology 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 study will be both quantitative and qualitative research design for the purpose of making valid conclusion. Quantitative design which is classified in two broad categories, that is; experimental and general survey design will analyze impact of mobile banking on the financial performance of commercial banks in Uganda.

3.2 Study population
The research population will include the employees of United Bank of Africa Kansanga branch and the total population is 70 respondents. 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 was 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.

Convenience sampling was also used to get information from respondents around Kampala. According to the American statistical Association (1999), convenience sampling is used to select respondents that are easily approached and are readily available. This technique was therefore used to select external users of financial statements that are conveniently reachable.
3.3 Sampling design

The purposive method of sampling will be used for the study. This will be dedicated by the nature of the study which aimed at getting specific information from specific persons or individuals. Purposive sampling technique also allows the researcher to use respondents that had the required information with respect to the study objectives.

3.4 Sample size

From United Bank of Africa Kansanga branch, 70 respondents will be interviewed and will be categorized in different departments. The research will obtain after employing solven’s formula

where:

- $n$ = the sample size
- $\epsilon$ = the level of significance, that is 0.05
- $N$ is total population of respondent that is 70
- $a$ = the level of significance that 0.05

\[
\begin{align*}
    n &= \frac{n}{1 + n(\epsilon)^2} \\
    &= \frac{70}{1 + 70(0.05)^2} \\
    &= \frac{70}{1 + 70(0.0025)} \\
    &= \frac{70}{1.175} \\
    &= 59.57 \\
    N &= 59.57 \\
    n &= 60
\end{align*}
\]

Sampling size is 60.
Table 3: Distribution of respondents according to their department

<table>
<thead>
<tr>
<th>Category of Respondents</th>
<th>No of Respondents</th>
<th>Sample population</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT department staff</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>Accounts department</td>
<td>24</td>
<td>22</td>
</tr>
<tr>
<td>Other department</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>60</td>
</tr>
</tbody>
</table>

Source; primary data

3.4 Sampling procedure
The researcher will use stratified random and from purposive sampling techniques to collect data from various categories of the survey population, stratified random sampling techniques was adopted because it enables the researcher to achieve the desired representation from various sub groups in the population. Purposive sampling technique also allows the researcher to use respondents that had the required information with respect to the study objectives.

3.5 Research Instruments
3.5.1. Questionnaire
This research will use the self-administered questions that are structured and semi structured and the questionnaires will be in two forms, namely:

The open ended questionnaire in which the responses by the participants are free according to their understanding.

The close ended questionnaire in which the response are provided by the researcher and the participants choose one of them accordingly, for example strongly agree, agree or strongly disagree.

The researcher left out questionnaires to mainly the literate group. These mainly included the staff members. The researcher also allowed / gave four days to respondents to study and fill the questionnaire.
3.5.2 Validity and Reliability

In order to ensure and maintain a high level of validity and reliability in this study, the researcher did the following: face validity, researcher a tested view of mobile banking to 60 employees of UBA bank. Test and retest reliability to test consistency the reliability of a test measured over time. In other words, give the same test twice to the same people at different times to see if the scores are the same.

3.5.3 Data collection methods

Data collected from both primary data and secondary sources. Secondary data was got by extracting information regarding mobile banking and finance performance in UBA bank by reading newspapers, journals, text books plus the already existing information on internet magazines. Primary data was got from the field. Whereas primary data was got through interviewing employees of UBA.

3.5.4 During the data gathering

The nature of the work and busy schedule of some prospected respondents, the researcher through research assistants scheduled appointments for respondents. The researcher availed himself to give necessary explanation on some questions where need be.

3.5.5 After data gathering

Weeks, primary data will be collected through questionnaires which respondent returned back to the researcher to allow him to go ahead to analyze the data. Completed questionnaires were coded, edited, categorized and entered in to the computer for data processing and analysis.

3.6 Data Analysis

Analysis will be done in accordance with the principles of data management. Data analysis frame work was created by the researcher and data manipulations were done in excel. The analysis was by descriptive tables, graphs and pie charts. That involved editing, coding and tabulation. The hypothesis where test using solven formula

3.7 Ethical Considerations

The researcher chose a topic and supervisor at the University, upon approval of a research v the supervisor; the researcher will attain a letter of Introduction from Kampala international University College of Economics and management science. The researcher then on data collection process. The researcher made the questionnaires commensurate to member of
respondents, and then personally deliver the questionnaires and distribute to respondents. The researcher ensured honesty and confidentiality in data collection include respecting the rights of the respondents, thus free will and not compulsion. After all responses were back, the researcher then organized the work by summarizing responses. Data was fed into the computer using Microsoft Excel. After computation, the researcher then prepared the final reports for submission to the business administration at Kampala International University.

3.8 Informed consent
Where by prospective research participants were fully informed about the procedures and involved in research.

3.8.0 Confidentiality
The researcher made sure that information obtained from the respondents is kept secret even guaranteed by not even allowing them to show their identity for instance on filled questionnaires.

3.9 Limitation of the study
- Confidentiality of information, the selected respondents are likely to be selective with their answers due to fear of realizing important information to competitors.

- Most of the respondents are likely to use a lot of technical terminologies language which may be a bit hard for the researcher to understand, thus the researcher requires additional time to study and understand the language.

- The researcher is likely to face a problem of scarce resources especially finance in terms of transport and printing costs.

- Time; the respondent may be busy with routine work so they may not answer the questionnaires in the required time. The research will also be carried out during the study period hence the time will be against the researcher.

- Bureaucracy of the administration in the institution will make it hard for the researcher to reach the sample target in time.

- Some of the questionnaires distributed by researcher may not be returned in time which will delay the process of the research.
CHAPTER FOUR
PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents findings of the study on the relationship between mobile banking and the financial performance of United Bank of Africa-Uganda. Charts, table, graphs, figures (frequency) and percentages have been used in the analysis, discussion and presentation of the finding which is done in accordance with the objective of the study;

4.1 Characteristics of the respondents

The researcher focuses on gender of respondent, age Bracket (in years), marital Status, and level of education attained, department and work experience of the respondent.

Table 1: the table below shows the sex /gender of the respondent.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>35</td>
<td>58%</td>
</tr>
<tr>
<td>Female</td>
<td>25</td>
<td>42%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary data

The above table 3 shows that 58% of the respondents were male while the female respondents were 42%. This shows that there is no gender discrimination on the employees of the bank.
The above figure shows that 58% of the respondents were male while the female respondents were 42%. This shows that there is no gender discrimination on the employees of the bank.

The above graph shows that 53% of the respondents were male while the female respondents were 47%. This shows that there is no gender discrimination on the employees of the bank.
1.5.3 Age bracket of the respondents.

Table 2: This table shows age bracket of the respondents

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>8-30 years</td>
<td>25</td>
<td>41.6</td>
</tr>
<tr>
<td>1-50 years</td>
<td>20</td>
<td>33</td>
</tr>
<tr>
<td>1-60 years</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary data

The findings indicate that majority of the respondents which is 41.6% were in the age bracket of 8-30 years, 33% were aged between 31-50 years old, only 25% of the respondent in the bracket of 51-60 years old and none were above 60 years of age. This means that employees of the bank are still productive (young and skilled) to handle the changing technology of M-banking.

Figure 2 shows age bracket of the respondents

Figure 2 pie chart presented that respondents which are 41.6% were in the age bracket of 18-30 years, 33% were aged between 31-50 years old, only 25% of the respondent in the bracket of 51-60 years old and none were above 60 years of age. This means that employees of the bank are still productive (young and skilled) to handle the changing technology of M-banking.
Figure 2 shows age bracket of the respondents

![Age bracket](image)

Respondents which are 41.6% were in the age bracket of 18-30 years, 33% were aged between 31-50 years old, only 25% of the respondent in the bracket of 51-60 years old and none were above 60 years of age. This means that employees of the bank are still productive (young and killed) to handle the changing technology of M-banking.

5.5 Education level of the respondents.

<table>
<thead>
<tr>
<th>Level Education</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate</td>
<td>10</td>
<td>16.7</td>
</tr>
<tr>
<td>Diploma</td>
<td>30</td>
<td>50</td>
</tr>
<tr>
<td>Degree</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>Masters</td>
<td>5</td>
<td>8.3</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

The level of education of the respondents, according to the data reveal in Table 3 that some of the respondents had attained certificate of education with a percentage of 16.7%, followed by a diploma of 50%, and the majority of the respondents with a bachelor’s degree with percentage of 25%, masters with 8.3%. This means that employees of the bank are skilled or can be easily trained to handle the changing technology of M-banking.
Figure 4 shows education level of the respondents.

The figure 4 pie chart shows the level of education of the respondents. According to the data reveal in Table 3 that some of the respondents had attained certificate of education with a percentage of 6.7%, followed by a diploma of 50%, and the majority of the respondents with a bachelor's degree with percentage of 25%, masters with 8.3%. This means that employees of the bank are skilled or can be easily trained to handle the changing technology of M-banking.

Figure 3: The pie chart showing education levels of respondents.
According to the graph, figure 3 level of education of the respondents, the data reveal that some of the respondents had attained certificate of education with a percentage of 16.7%, followed by diploma of 50%, and the majority of the respondents with a bachelor's degree with percentage of 25%, masters with 8.3%. This means that employees of the bank are skilled or can be easily trained to handle the changing technology of M-banking.

5.4 Marital status of the respondents.

The figure 3 pie chart showed that Majority of the respondent or employee working with the bank were married 50%, the single were 42% while others which may include divorced or separated were 8%. Married people sometime tend to have a lot of responsibility and some difficulties to balance work and family while the single employee may have more commitments.

Table 4: Showing the marital status of the respondents.

<table>
<thead>
<tr>
<th>Marital status</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>35</td>
<td>50%</td>
</tr>
<tr>
<td>Single</td>
<td>20</td>
<td>42%</td>
</tr>
<tr>
<td>Others</td>
<td>5</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary data
Table 4 showed that Majority of the respondent or employee working with the bank were married 50%, the single were 42% while others which may include divorced or separated were 8%. Married people sometime tend to have a lot of responsibility and some difficulties to balance work and family while the single employee may have more commitments.

Figure 4: Marital status of the respondents on a graph

The figure 4 pie chart showed that Majority of the respondent or employee working with the bank were married 50%, the single were 42% while others which may include divorced or separated were 8%. Married people sometime tend to have a lot of responsibility and some difficulties to balance work and family while the single employee may have more commitments.

Table 5: shows effect of mobile banking on performance of commercial banks in Uganda

<table>
<thead>
<tr>
<th>Showing effect of mobile banking on performance of commercial banks in Uganda</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money transfer across Account</td>
<td>20</td>
<td>33.3</td>
</tr>
<tr>
<td>Ce inquire</td>
<td>25</td>
<td>41.7</td>
</tr>
<tr>
<td>Ug payments (utility bills)</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>I</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 5 above, out of a total of 60 respondents the majority 15 (25%) were of the view that the make payment bills via m-banking services, 25 (41.7%) balance inquire and 20 (33.3%) transfer across account. This reveals that these are the serviced offered by the bank.
The figure 5 graph showed that Majority of the respondent or employee working with the bank were married 50%, the single were 42% while others which may include divorced or separated were 8%. Married people sometime tend to have a lot of responsibility and some difficulties to balance work and family while the single employee may have more commitments.
The figure 5 pier chart showed that Majority of the respondent or employee working with the bank were married 50%, the single were 42% while others which may include divorced or separated were 8%. Married people sometime tend to have a lot of responsibility and some difficulties to balance work and family while the single employee may have more commitments.

4.8.3 Relationship of m-banking and financial performance

Table 7 below shows Relationship of m-banking and financial performance

<table>
<thead>
<tr>
<th>financial performance of UBA - Kansanga</th>
<th>Mobile banking service that has/have helped the bank to record a good performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.326</td>
</tr>
<tr>
<td>N</td>
<td>60</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.079</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>60</td>
</tr>
<tr>
<td>Mobile banking service that has/have helped the bank to record a good performance</td>
<td>1</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.326</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.079</td>
</tr>
<tr>
<td>N</td>
<td>60</td>
</tr>
</tbody>
</table>

From table 26 above reject the null hypothesis and use $H_1$ which states that there is a statistically significant relationship between mobile banking and financial performance based on Sig (.079). The relationship is positive based on Pearson correlation (.326).

4.5 Conclusion

The introductions of m-banking by banks give the low cost of interbank Link has enabled the bank to provide services (E-payments, balance inquiry, money transfer across accounts, buying air time) which are not only appealing to customers but are convenience. This has help the bank to remain competitive in the banking industry because of the low cost of serving its customers even across borders hence improving its financial performance.
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Introduction
This chapter presents; The summary of findings under bio data information, each objective, Conclusion and recommendations relevant to m-banking and attempt to analyze whether the introduction of M-banking has improved on the banks financial position and area of further study. Conclusions are the researcher's opinions depending on the outcome from the data analyzed as per the objectives of the study.

5.2 Summary of findings

5.3 Respondent’s characteristics
53% of the respondents were male while the female respondents were 47%. This shows that there is no gender discrimination on the employees of the bank that some of the respondents had attained certificate of education with a percentage of 16.7%, followed by a diploma of 50%, and the majority of the respondents with a bachelor’s degree with percentage of 25%, masters with 8.3%. This means that employees of the bank are skilled or can be easily trained to handle the changing technology of M-banking.

5.4 Effect of mobile banking on performance of commercial banks in Uganda

Majority of the respondent or employee working with the bank were married 50%, the single were 42% while others which may include divorced or separated were 8%. Married people sometime tend to have a lot of responsibility and some difficulties to balance work and family while the single employee may have more commitments.
5.5 Relationship of m-banking and financial performance

From table 26 above reject the null hypothesis and use H₁ which states that there is a statistically significant relationship between mobile banking and financial performance based on Sig (.079). The relationship is positive based on Pearson correlation (.326).

5.6 Overall Conclusion

From the findings of the study; it can be inferred that the introduction of m-banking has contributed positively to the financial performances of banks in the industry. The service of m-banking in UBA Uganda (balance inquiry, payment of bill, transfer of money across account) among others which has made things simple for its customers hence they are convenience and this has increased the level of transactions and customer loyalty to the bank. To access m-banking service one need to register with the bank at any nearest branch.

5.7 Recommendations

Basing on the study finding, the following recommendations are forwarded;

The bank should conduct research on other possible m-banking packages that are user friendly and develop them such as deposit/withdraw of money using mobile phone which will meet different customer requirements and capture market niches that competitors have not identified hence expand on the market share leading to improved financial performance.

Free training and refreshing training should be provided to staff of the bank and if possible to customers to equip them with skills in the ever changing technology. The bank should provide toll free line to enable customers who want to use the system and also in case of any problem that deserve attention of the bank.

5.8 Area of further study

Further study should be done on the growth of m-banking in the dynamic financial sector in Uganda. This will help to find out the growth of m-banking into the banking sector in Uganda.
M-banking and local population in the changing financial sector in Uganda, this will help establish how the local population or users of financial services have reacted towards the introduction of m-banking into the banking sector in Uganda.

How money transfer and mobile banking for the telecom companies like MTN mobile money, Africell money, Airtel-money and others have affected commercial banks in Uganda

Retail banks which refer to convention banks that offer services to individual from the public and their contribution to customer satisfaction and the performance of the commercial banks. Research should also be carried out on how m-banking improve customer satisfaction. As banks have carried out innovation on m-banking in order to achieve competitive advantage, control costs, attract new customers, meeting the convenience of customers, little is known about the influence of m-banking on the level of customer satisfaction.


Smythe, Donald J. "The Power to Exclude and the Power to Expel." ( Donald J 2017).


Tiwari, Rajnish and Buse, Stephan (2007): The Mobile Commerce Prospects: A Strategic Analysis of Opportunities in the Banking Sector, Hamburg University Press (E-Book as PDF to be downloaded)


"Investing In What Works for America's Communities » The Past, Present, and Future of Community Development in the United States".


De Albuquerque, Martim (1855).


APPENDIX I: QUESTIONNAIRE FOR THE MANAGEMENT

Dear respondents,

I am Bazibu Ali Mukama pursuing a Bachelor’s Degree in Business Administration Am carrying out a study on Mobile Banking And Financial Performance of Commercial Banks in Uganda:

I humbly request you to spare some few minutes of your time and answer these questions below. The information provided will be strictly for academic purposes and will be treated with utmost confidentiality. Please tick where necessary make a brief statement.

SECTION A: BACKGROUND INFORMATION

1. Gender

a) Male 

b) Female 

a) Age bracket

b) 15-20years 

c) 21-25years 

d) 26-30years 

e) 31-35years 

f) 36-above 

2. Level of education

a) Certificate 

b) Diploma 

c) Degree 

d) Masters
3. **Marital**
   a) Married ☐
   b) Single ☐
   c) Divorced ☐
   d) Others specify .......................................................... 

4. **Department/position**
   a) Finance department ☐
   b) Marketing department ☐
   c) IT department ☐
   d) HR department ☐
   e) Others specify .......................................................... 

   **Others specify** ..........................................................
## SECTION B: MOBILE BANKING

Use a liker Scale to Rank the following alternatives from a-m use 1-5 where 1= strongly agree (SA), 2= Agree (A), 3= Not Sure (NS), 4= Disagree (D), and 5= Strongly Disagree (SDA)

<table>
<thead>
<tr>
<th>Mobile Banking</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the Following affect mobile banking?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>a) Funds transfer</td>
<td></td>
</tr>
<tr>
<td>b) Bill payments</td>
<td></td>
</tr>
<tr>
<td>c) Share trade</td>
<td></td>
</tr>
<tr>
<td>d) Cheque orders</td>
<td></td>
</tr>
<tr>
<td>e) Account balance inquiry</td>
<td></td>
</tr>
<tr>
<td>f) Check status inquiry</td>
<td></td>
</tr>
<tr>
<td>g) Transaction history</td>
<td></td>
</tr>
</tbody>
</table>

## SECTION C: FINANCIAL PERFORMANCE

Use a liker Scale to Rank the following alternatives from a-m use 1-5 where 1= strongly agree (SA), 2= Agree (A), 3= Not Sure (NS), 4= Disagree (D), and 5= Strongly Disagree (SDA)

<table>
<thead>
<tr>
<th>FINANCIAL PERFORMANCE</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the Following affect Financial Performance?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>a) Deposits</td>
<td></td>
</tr>
<tr>
<td>b) Withdraws</td>
<td></td>
</tr>
<tr>
<td>c) Loan Acquisitions</td>
<td></td>
</tr>
<tr>
<td>d) Saving</td>
<td></td>
</tr>
</tbody>
</table>
**SECTION D: INTERVENING VARIABLES**

Use a liker Scale to Rank the following alternatives from a-m use 1-5 where 1= strongly agree (SA), 2= Agree (A), 3= Not Sure (NS), 4= Disagree (D), and 5= Strongly Disagree (SDA)

<table>
<thead>
<tr>
<th>Alternatives</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the Following affect Intervening Variables on mobile banking and financial performance of commercial banks?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>a) Intervening Variables</td>
<td></td>
</tr>
<tr>
<td>b) People's attitude towards saving.</td>
<td></td>
</tr>
<tr>
<td>c) Changes in bank rates</td>
<td></td>
</tr>
<tr>
<td>d) Political instabilities in some areas</td>
<td></td>
</tr>
</tbody>
</table>
## WORK PLAN

<table>
<thead>
<tr>
<th>Activity</th>
<th>JANUARY</th>
<th>APRIL</th>
<th>AUGUST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Topic formulation and approval</td>
<td>✔️</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposal writing</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Data collection</td>
<td></td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Data analysis</td>
<td></td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Typing the draft copy</td>
<td></td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Typing the fair copy</td>
<td></td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Submission</td>
<td></td>
<td></td>
<td>✔️</td>
</tr>
</tbody>
</table>
### SECTION D: INTERVING VARIABLES

Use a liker Scale to Rank the following alternatives from a-m use 1-5 where 1= strongly agree (SA), 2= Agree (A), 3= Not Sure (NS), 4= Disagree (D), and 5= Strongly Disagree (SDA)

<table>
<thead>
<tr>
<th>Intervening Variables</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the Following affect Intervening Variables on mobile banking and financial performance of commercial banks?</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>a) People’s attitude towards saving.</td>
<td>✓</td>
</tr>
<tr>
<td>b) Changes in bank rates</td>
<td>✓</td>
</tr>
<tr>
<td>c) Political instabilities in some areas</td>
<td>✓</td>
</tr>
</tbody>
</table>

---

**MARKETING DEPARTMENT**

MUBONGI GILBERT

0775130771 0755961657
mubongig64@gmail.com
May, 25th 2018

To whom it may concern

Dear Sir/Madam,

RE: INTRODUCTORY LETTER FOR BAZIBU ALI MUKAMA
REG NO 1153-05014-03521

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 him with all the necessary assistance regarding his research.

Topic: - MOBILE BANKING AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS.

Case Study: - UNITED BANK OF AFRICA KANSANGA BRANCH.

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

We shall be grateful for your positive response.

Yours truly,

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