

E-BANKING AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN UGANDA A CASE OF CENTENARY BANK, BWAISE BRANCH

**BY
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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the general background of the study, statement of the problem, objectives of the study for both general and specific objectives, research questions of the study, scope of the study, significance of the study and the conceptual framework.

1.1 Background of the study

In banking sector, the IT development has a significant effect on development of more flexible and user friendly banking activities/services. In this context, one of the objectives is to analyze the relevant literature to assess what previous researchers have found about banks' financial and operational performance after adoption of information technology.

Coupe (2011) shows that trust leads to higher likelihood of saving ones money at the bank. The affection of technology in business in the past left uncompleted puzzle. The lack of its consideration evolved to a deeper impact in now days. Developments in technology touched also the bank sector including Centenary Bank, giving birth to a new product called online banking or e banking. What an online banking offers is an opportunity to perform different bank operations, where a customer can access his or her bank account via the Internet. Such operations can be performed at a variety of usage from personal computer to a mobile phone. Despite doubts at its first introduction, customers of centenary bank took time to adjust their activities to this technology. On the other hand, there were some uncertain thoughts whether online banking is seen more as a supplement rather than a substitute product. Nevertheless, the majority of banks nowadays are offering it and costumers most importantly find it useful. Online banking was initiated as a different way of banking and less expensive. Online banking refers to banking services where depositors can manage more aspects of their accounts over the Internet, rather than visiting a branch. Online banking typically is comprised of a secure connection to banking information through the depositor's home computer or another device, increasing trust to banking institutions is particularly very important

Forrester Research (2007) showed that internet bankers represented 37 percent of Internet users and online banking services now attract 18 percent of all European adults. According to this research, the number of Europeans using online banking will double to reach almost 130 million users in five years - a total of 21 percent. Whereas online banking penetration in the Nordic countries and the Netherlands will jump to 60 percent of Net users in 2003, Italy and Greece, which had fewer than 5 percent of adults banking online a year before, struggled to achieve a situation with a third of Net users banking online in 2003. According to another Forrester research, a typical European bank has the following perspective; online, ATM, branch, other and call centre, in six years the proportion of transactions made online will rise to 40% of all transactions, while the transactions in the traditional branches will be below 10%. Information Technology has completely re-shaped the dimensions and directions of competition in the retail banking sector. Following the introduction of PC banking, ATMs and phone banking, which are the initial milestones of e-finance, the diffusion and increased penetration of Internet has added a new distribution channel to retail banking: Internet/Online-banking for the delivery of services and products.

E-banking and Banks' Performance Banks' existence depends on their ability to achieve economies of scale in minimizing asymmetry of information between savers and borrowers. Within this context in the current era, the central question facing management's attention is how IT has helped banking sector to

sustain the economies of scale whilst shifting from bricks and mortar banking to online banking? Claessens et al. (2006) mentioned the leapfrogging opportunities e-finance offers to emerging countries. These countries may benefit themselves by the use of latest technology at the time of building up their financial intermediation infrastructure regardless of poor and weakened financial systems and structures. They also added "Role of ICT in financial industry can allow global economies to setup a financial infrastructure/system before first establishing a fully functioning financial infrastructure instead. Since e-finance is much cheaper, it involves reduced processing costs for providers and less search and switching costs for consumers, providers can advertise financial services and products involving smaller transactions to lower-income borrowers, even in remote areas. In addition to this, government's main role will be to improve and promote the enabling environment." Claessens et al. (2000) in another research, also made their contribution to leapfrogging advantage of emerging markets by suggesting that e-finance can be beneficial for development of financial industry of emerging countries by lowering costs, increasing the span and quality and widening access to financial services. Researches on the impact of e-banking on bank's performance, although scarce, are available for US, European and Australian market. and they also observe that more profitable banks adopt internet banking after 1998 but yet they are not the first movers. These researchers concluded that e-banking was too small a factor to have affected bank profitability at that time.

Achieving optimal financial performance is one of the key performance goals in every organization, as indicated by Armstrong and Armstrong (2011). High staff turnover within organisations has been empirically found to have negative effects on the financial performance of organisations. According to Muhammad et al (2013), replacing employees can cost an organisation three times more than the value that the employees will contribute to the organisation within a year. This is because new employees need to be trained, as the outgoing employees also need to be compensated based on the reason why the employee left the organisation. Though the competence and effectiveness of the incoming employee is a key determinant of the magnitude of the financial loss incurred by the organisation in case of an employee turnover (Upadhaya et al, 2014), most organisations have reported negative financial performances as a result of high staff turnover.

With inexperienced staff members as a result of high employee turnover within an organisation, low profits or to a great extent losses because the newly acquired employees tend to be less efficient in their job, while consuming a lot of resources through training. As a result, Kirby (2005) argues that staff turnover may not be healthy for an organisation financially because inexperienced employees are characterized by high inefficiencies and high expenses. More so, high staff turnover also leads to burnouts among the employees which may largely impact on the effectiveness within the organisation, leading to the overall reduced financial performance within the organisation (Ellickson, 2002). It can therefore be argued that, financial performance is usually negatively affected by high staff turnover in organisations.

From the business point of view, customers are happy to reduce transaction costs, while banks may collect the same or even higher fees. Moreover, the information about customer transactions can be easily collected, which enables banking institutions to analyze clients' needs.

Transactions worth of billions of dollars take place in seconds in the electronic circuit throughout the globe. The banking and financial industry (BFI) is transforming itself in unpredictable ways, powered in an important way by advances in information technology.

Although, Information systems have revolutionized the way of living as well as conducting businesses and study of financial industry has received increased attention over the last decade, it continues to pose challenges for marketers and academic alike. Technological advancements and changing social trends such as heightened customer pro-activity and increased preferences for convenience have caused intense restructuring of the financial services sector.

Both of these aspects (benefit & drawback) have a profound impact on banks' performance and consumer's behaviour. This paper seeks to determine if the adopters (banks) of new technology have earned higher income and offered/delivered high quality service than in traditional way. The main issue that can prevent consumers' positive response includes the convenience aspect of the service, ease of use and its compatibility with their lifestyle.

1.2 Statement of the problem

Clients/customers of Centenary bank Bwaise branch take long time while depositing and withdrawing money from the bank. This has led to loss of some customers, and congestion at the bank. The management of Centenary bank Bwaise branch increased the number of tellers on the cash point in order to reduce congestion, and longtime taken while depositing and with drawing by the clients, it also recruited new staffs so as to assist in solving the above problem. Despite all the ways implemented by the management of Centenary bank Bwaise branch nothing has changed, introduction of online banking at the bank could be one of the remedies to threat.

This therefore prompted the researcher to carry out a study on the role electronic banking on the financial performance of the commercial banks using a case study of centenary bank Bwaise branch.

1.3 General objective of the study

To assess the impact of E-banking on the financial performance of centenary bank Bwaise branch.

1.3.1 Specific objectives of the study

1. To find out contributions of e-banking on the bank transactions of centenary bank Bwaise branch
2. To establish the limitations of the application of e-banking in centenary bank Bwaise branch
3. To establish the relationship between of financial performance of centenary bank and e-banking introduction.

1.4 Research questions

1. What are the contributions of E-banking on the bank transactions of centenary bank Bwaise Branch?
2. What are the limitations of the application of E-banking in centenary bank Bwaise Branch?
3. What are the relationship between financial performance of centenary bank and E-banking introduction?

1.5 Scope of the study

1.5.1 Geographical scope

The study was conducted at Centenary bank Bwaise branch, which is located along Northern by pass road in Bwaise town on Bombo road approximately 6 km from Kampala city Centre. The study was conducted at Centenary bank Bwaise branch because it involved electronic banking in its transactions and operations such as mobile banking.

1.5.2 Content Scope

The study sought to investigate the relationship between Electronic banking and performance of centenary bank Bwaise branch. In this case electronic banking will be limited to its contributions on bank transactions, its limitation to its applicability and financial performance was limited to relationship that is created by electronic banking of financial performance of centenary bank Bwaise branch.

1.5.3 Time scope

The study took a period of three years that is being effective from August 2015 to August 2017. This period was selected because first of all it was enough for the researcher to carry out a study and this is the time when e-banking become a crucial issue in commercial bank development.

1.6 Significance of the Study

The study might be important in the following ways;

- i. The study findings may be valuable to the to the banking industry stakeholders and the commercial banks management in Uganda, it may provide an insight into the best electronic way of banking that they can adopt in order to enhance performance in their industry.
- ii. To the researchers and academicians: the study will provide a useful basis upon which further studies on e-banking and financial performance in the private sector can be conducted. The study findings may be used by other researchers who may be undertaking a similar study in form literature review with Ugandan perspective.

- iii. The study will be significant to the research in partial fulfillment for the award of bachelor's degree in accounting and finance.
- iv. The study will also be of importance because it bring out the contributions of e-banking on the bank transactions, this will help different commercial banks and other establishments or companies to either adopt e-banking or not.
- v. The study will also be of helpful to the banks to prove the limitations of e-banking application and usage in commercial banks

1.7 Definition of key terms

According to Bank of Uganda (BOU), online/e-banking banking refers to banking services where depositors can manage more aspects of their accounts over the Internet, rather than visiting a branch or using the telephone. Online banking typically is comprised of a secure connection to banking information through the depositor's home computer or another device

Nakauka kalanzi (2009) argues that Online banking, also known as internet banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. The online banking system will typically connect to or be part of the core banking system operated by a bank and is in contrast to branch banking which was the traditional way customers accessed banking services

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the literature on e-banking and financial performance of commercial banks in Uganda that was done by the scholars and therefore will include the relationship between the two variables.

Conceptual frame work

The kind of relationships that exists between the variables in a study is normally depicted through a conceptual framework (Kothari, 2004). The conceptual framework below shows the hypothetical relationships between the independent variables and the dependent variable.

Independent variable

Dependent variable

E-BANKING

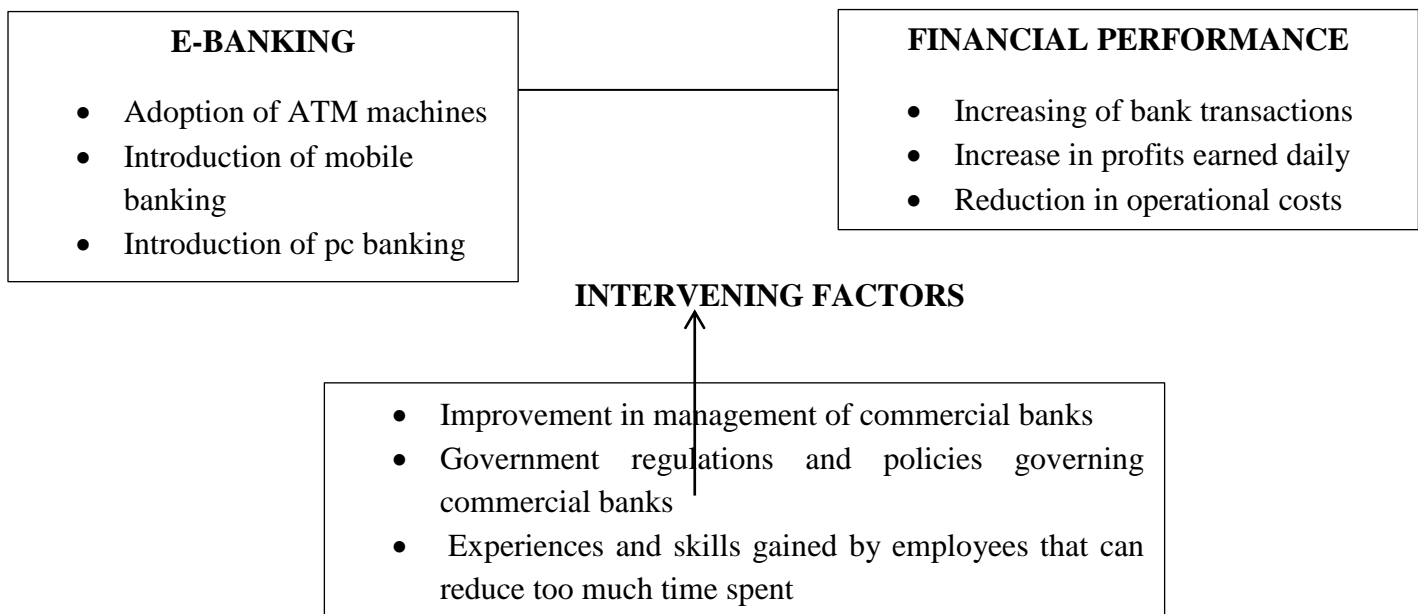
- Adoption of ATM machines
- Introduction of mobile banking
- Introduction of pc banking

FINANCIAL PERFORMANCE

- Increasing of bank transactions
- Increase in profits earned daily
- Reduction in operational costs

INTERVENING FACTORS

- Improvement in management of commercial banks
- Government regulations and policies governing commercial banks
- Experiences and skills gained by employees that can reduce too much time spent



The financial performance of any organisations (change in profits) such as commercial banks is highly influenced by existence of electronic banking for example existence of electronic banking leads to an increase in the number of transactions made a day hence increasing profits made on daily basis and vice versa , however, there are other factors (intervening factors) that also affect financial performance of organisations say commercial banks such as the improvement in the management of commercial banks, recruiting skilled employees.

Contributions of E-banking

Lower Banking Costs; Alon (2104) argues that Banking relationships and costs are often based on resource requirements. Businesses that place more demands on banking employees and need more physical assistance with wire transfers, deposits, research requests and other banking activities often incur higher banking fees. Opting for e-banking minimizes business overhead and banking expenses.

Activity Review; According to Nakauka kalanzi (2009) Business owners, accounting staff and other approved employees can access routine banking activity such as deposits, cleared checks and wired funds quickly through an online banking interface. This ease of review helps ensure the smooth processing of all banking transactions on a daily basis, rather than waiting for monthly statements. Errors or delays can be noted and resolved quicker, potentially before any business impact is felt.

Productivity; according to Laura Acevedo and John Kel. M (2007) E-banking leads to productivity gains. Automating routine bill payments, minimizing the need to physically visit the bank and the ability to work as needed rather than on banking hours may decrease the time involved in performing routine banking activities. Additionally, online search tools, banking actions and other programs can allow staff members to research transactions and resolve banking problems on their own, without interacting with bank employees. In some cases, month-end reconciliations for credit card transactions and bank accounts can be automated by using e-banking files.

Reduced Errors; Utilizing e-banking reduces banking errors. Automation of payments, wires or other consistent financial activities ensures payments are made on time and may prevent errors caused by keyboard slips or user error. According to Laura Acevedo and Heikki et al. (2002), additionally, opting for electronic banking eliminates errors due to poor handwriting or mistaken information. In many cases, electronic files and daily reviews of banking data can be used to double or triple check vital accounting data, which increases the accuracy of financial statements.

Reduced Fraud; Increased scrutiny of corporate finances through audits and anti-fraud measures requires a high level of visibility for all financial transactions. Relying on e-banking provides an electronic footprint for all accounting personnel, managers and business owners who modify banking activities (ONS, 2006). E-banking offers visibility into banking activities, which makes it harder for under-the-table or fraudulent activities to occur.

The evolution of electronic banking started from the use of automatic teller machines (ATM) and has passed through telephone banking, direct bill payment, electronic fund transfer and the revolutionary online banking (Alter, 2002). The future of electronic banking according to some is the acceptance of WAP enabled banking and interactive-TV banking (Petrus & Nelson, 2006). But it has been forecasted that among all the categories, online banking is the future of electronic financial transactions. The rise in the e-commerce and the use of internet in its facilitation along with the enhanced online security of transactions and sensitive information has been the core reasons for the penetration of online banking in everyday life (Papers4you.com, 2006). According to the latest official figures from the Office of National Statistics (ONS, 2006) indicate that

subscriptions to the internet has grown more than 50% from 15 million in 2000 to 35 million in 2005 in the UK.

It has also been estimated that 60% of the population in the UK use internet in their daily lives. The fundamental shift towards the involvement of the customer in the financial service provision with the help of technology especially internet has helped in reduce costs of financial institutions as well as helped client to use the service at any time and from virtually anywhere with access to an internet connection. According to theorists (Walfried et al., 2005) customer evaluation of the electronic services is influenced by attributions of success and failure in inter personal service situations. The use of electronic banking has removed the banking personnel that facilitate the transactions and has placed additional responsibilities on the customers to transact with the service. Although the use of E-banking is provided for the benefit of the customers but these changes require increased work or involvement on the part of customers. These and other factors might be seen as lesser service provided in terms of customer service. But these assumptions would be wrong if the customer knows the value of using the electronic service.

Thus it can be concluded that a fit between task i.e. the banking; technology i.e. the user interface and its reliability; and individuals i.e. the customers and their knowledge about using the service, is the key to successful E-banking services (Zigurs & Buckland, 1998).

Limitation of online banking

According to Armstrong (2001), Problems of security; Security and privacy aspects are major issue in case of E-Banking transaction. Various sites are not properly locked at to ensure whether customer's money is safe in cyber world or not, this in turn has scared so many clients onto using online banking because of insecurity of their cash.

According to Armstrong (2001) Lack of awareness: Another great hindrance is lack of awareness because effective and wide media efforts in publishing Internet banking need to be emphasized mostly its application in banking transactions, this has limited so many people or clients to use online or electronic banking because of being ignorant about its existence.

Lack of computerization, According to Armstrong (2001) argues that Lack of computerization and low density of telephone lines is also a bottleneck for online banking. In India, out of 65000 bank branches, only 5000 branches are computerized, this in turn limits the increase in usage of electronic banking in the world.

Wrong assumption by people, Many people are away from online banking on the assumption that it is more expensive than the traditional method of dealing with bank transactions They still prefer going to bank to perform transactions hence limiting application of electronic banking in their transactions that being made.

Fraud and ID theft are the biggest causes of concern for many people, although it's fair to say in practice that more people are defrauded through scams where fraudulent emails ask them to sign into their account on counterfeit websites (giving their name and password), rather than by having their accounts hacked into by outsiders. Financial organizations do lose sensitive information sometimes and this scares away clients in using online banking, Armstrong M. (2001),

Banking online is completely impersonal. Bailey Kenneth D (2009) argues that As well as making the experience less friendly, this can create problems with more complex transactions such as applying for a loan. This in turn limits the increase in usage of electronic banking in the world.

According to Armstrong (2001) argues the following as the limitations of e-banking; Most of the users or clients of the banks are poor and uneducated village people having no knowledge about electronic banking and cannot afford it at the current cost level. Most of the officials of these banks in the classical stage especially the state owned ones are aggie and cannot understand and are reluctant to accept modern electronic banking. To turn around these banks at first the outdated mentality of these officials of the classical banks. Illiteracy is a great problem in consideration of E-Banking activities execution.

The infrastructural cost of providing E-Banking facility is very high this in turn limits the increase in usage of electronic banking in the world by the commercial banks.

The banks not only have to automate front-end services but also back office services, which involve high cost.

Another great hindrance is lack of awareness because effective and wide media efforts in publishing Internet banking need to be emphasized..

Many people are away from net banking on the assumption that it is more expensive than the traditional method of dealing with bank transactions.

They still prefer going to bank to perform transactions.

Deposit Limitations; Many employers have implemented direct deposit, meaning that paychecks are electronically deposited into an employee's bank account. But there's other instances when consumers need to deposit checks or cash they've received. This can't be done online, unless you have a smartphone and belong to one of the banks that offer smartphone apps to make deposits. If you don't own a smartphone or belong to a bank that offers such technology, the only way to deposit funds is to make a visit to your bank, or, in the case of an online-only bank, use snail mail to send the deposit in.

ATM Limitations; Using online banking, customers have 24-hour access to their accounts and are able to transfer funds, make payments and view bank statements. However, if you need to withdraw cash for something, that must be done at either your bank location or at an ATM machine. If you're withdrawing cash at an ATM not affiliated with your bank, you'll most likely be subject to service fees. Internet-only banks don't have a network of ATMs, so such customers can expect to pay ATM fees with every withdrawal. this in turn limits the increase in usage of electronic banking in the world.

According to a report in IT News, 86 percent of online banking users deem security as a concern, with four out of five people identifying desiring better security measures than just a password. According to a story in Computerworld, hackers have been responsible for robbing small- to medium-sized businesses of millions. While banks maintain that their websites are safe, factors such as accessing accounts on smartphones and from unprotected Internet connections -- as well as cyber-attacks -- have the potential to put banks, and user accounts, at risk.

Relationship between E-banking and financial performance

The rapid development of the technology infrastructure, in particular the growth in the number of personal computers, the increased quality of Internet connections, the more widespread use of the Internet in both homes and businesses, and the significant reduction in both the fixed and variable costs of the Internet connections in Kenya, have made it possible for the Internet to play a more central role in banks' business strategy Delgado and Nieto (2004).

Kenyan banks benefited particularly from the adoption of the Internet because of their universal character. As with many European banks –unlike US banks prior to enactment of the Gramm-Leach-Bliley Act of 1999–, Kenyan banks have enjoyed the advantages of "broad banking" Barth, Brumbaugh and Wilcox (2000). Banks have been allowed to offer all sorts of financial products and engage in a wide variety of financial business,

The main economic argument for adopting the Internet as a delivery channel is based on the expected reduction in overhead expenses made possible by reducing and ultimately eliminating physical branches and their associated costs (e.g. staff and rent). This is particularly relevant in the Kenyan banking system the Internet delivery channel may generate scale economies in excess of those available to traditional distribution channels. The unit costs of Internet banking fall more rapidly than those of traditional banks as output increases as a result of balance sheet growth. DeYoung, Lang and Nolle (2006).

Internet banking by its nature offers more convenience and flexibility to customers coupled with a virtually absolute control over their banking. Service delivery is informational (informing customers on bank's products, etc.) and transactional (conducting retail banking services). As an alternative

delivery conduit for retail banking, it has all the impact on productivity imputed to Telebanking and PC-Banking.

The availability and usage of adequate ICT skills are important factors, which influence the competitiveness among commercial banks in this era of e-Economy. Availability of skilled labor is a questionable resource requirement. There is a qualitative and quantitative imbalance in the supply of skilled labor and computer literacy amongst customers. It depends on the demographic factors, business cycles and rapid technological advancements taking place around us. Due to the vast development in the area of e-Banking it is essential that the policy makers should focus on the growing demand in ICT skills and take corrective steps to prepare the required numbers and quality beforehand. E-Banking enables to conduct banking business electronically over the Internet where the costs are minimal and it is no longer bound by time or geographical boundary. The target customers should as well equally be knowledgeable on the essential skills of applying Information Technology for the success of e-banking. (Malden and Jayasena, 2009).

Conclusion

Electronic Banking has greater impact in the economy and in the banking sector as well. Making financial services available to the poorest people is recognized as an important part of poverty reduction strategies. Technological innovation offers significant hope, although it will result in fundamental changes to banking delivery mechanisms as well as to the very role of banking service providers and their relationships with customers. In case of productivity, efficiency, economic growth, giving optimum service to the customers, electronic banking has huge contribution as a whole.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the research design that was used, study population, sampling procedures and technique, sample size, data sources, and data collection methods and instruments and methods and limitations of the study.

3.1 Research design

The study followed a cross sectional research design. This design was used because the study were largely descriptive and comparative basing on the views of respondents backed by secondary data, using both qualitative and quantitative data therefore the researcher used the cross sectional research design to collect information from different participants like the managers to provide information relating e-banking and financial performance of the centenary bank. The researcher used the descriptive design as it's the one required in reviewing different literature written on the topic by different authors and explaining the literature in relation to the current literature.

3.2 Study population

This includes the total number of individual that make up a universe, the study comprised of members that constituted the universe, these were from different levels of management such as the top level management, middle level managers and lower level managers. The study population consisted of the management, tellers, IT specialists and employees.

3.3 Sampling techniques

The researcher used a stratified sampling technique; here the researcher divided the population into strata that is groups and from each stratum, simple random sampling was used to get responses from the

respondents in each stratum. This was intended to add more value to the findings and this method was convenient, less costly, simple and time saving to both the researcher and the respondents

3.4 Sampling size

The study used a total sample of 50 respondents that were selected from the total population of the study among the management, employees and IT specialists.

Categories	Sample size
Top Managers	5
Middle level manager	10
IT Specialist	3
Lower level managers	32
Total	50

3.5 Sources of data

The research data was obtained from two sources namely; primary and secondary data.

3.5.1 Primary source

Primary data was obtained through personal interviews with respondents, observations and self-administered questionnaires that will be designed.

3.5.2 Secondary source

Secondary data was obtained through the company brochures, statistical report and bulletins, annual reports on general observation, textbooks, other student's research work,

3.6 Data collection instruments

3.6.1 Questionnaires

A questionnaire is a research instrument consisting of a series of questions and other prompts for gathering information from respondents. This technique helped to collect primary data through setting a number of questions, which give to a cross section of respondents. The questions were open ended and closed ended questions with the questionnaire mainly based on predetermined and standardized questions. They focused on the role of electronic banking on financial performance of the commercial banks. Self-administered questionnaires were used by the researcher because they are cheap to distribute and process. They were more flexible and help to save time.

3.6.2. Interview guide

This is the type of method where the researcher asks questions face to face the respondents. This method was employed to find information necessary information from the group more quickly just to allow individual self-expression. The experts such as top executives of the company were researched for interview.

3.6.3 Observation

The researcher used observation, this where she used her eyes to see different types of online banking centenary bank has.

3.7 Data Processing, Presentation and Analysis

3.7.1 Data Processing

Data processing included coding and editing all the responses collected from the fields which were edited with the view of checking for completeness and accuracy to ensure that data is accurate and consistent. It also helped to remove unwanted responses which would be considered insignificant. Coding was done after editing which was done manually and by the use of computer through word processing and Excel.

3.7.2 Data presentation and Analysis

The data was presented in tabular form, with frequencies and percentages for classifications of responses, easier analysis and visual impression. The researcher used Statistical Package for Social Sciences (SPSS) to analyze after collecting data from the study area, the variables under study and the result were presented in tables for easy interpretation. Data was manually entered in a Statistical Package for Scientific Software (SPSS) and Excel. Analysis was carried out by use of frequencies and percentage

3.8 Limitations of the study.

The research faced inadequate funds but she managed request the guardians and friends to help her with sum amount of money in order to complete her research.

Bias from the respondents, some respondents were very busy with busy schedules however; the researcher assured them about the relevance of this research towards their lives and development and she managed to convince them and they provided information to researcher.

CHAPTER FOUR

ANALYSIS, PRESENTATION AND INTERPRETATION OF RESEARCH FINDINGS

4.0 Introduction

This chapter presents and discusses the implications of the results of the findings. The findings are presented in a tabular form, which was analyzed using frequencies and percentages.

4.1 Findings on the demographic characteristics

4.1.1 Findings on the gender of respondents.

Table 1: Showing the gender of the respondents

Sex of respondents	Frequency	Percentage (%)
Male	15	30
Female	35	70
Total	50	100

Source: Primary data 2018

From the 50 questionnaires that were distributed, all of them were returned fully answered, the data presented in the table 1 above shows that 70% of the total respondents were females and 30% of the respondents were males, as I intervined the branch supervisors he responded that females are the most employed type of gender employed at centenary bank Bwaise branch, he continued that males mostly occupy top posts.

4.1.2 Findings on the age of respondent

Table 2 showing the age of respondent

Age in years	Frequency	Percentage (%)
Up to 25	8	16

26-33	30	60
35-40	5	10
41 and above	7	14
Total	50	100

Source; Primary data 2018

From the table above (2), the findings/results shows that 16% of the total respondents were below 25 years of age, 60% of the total respondents that participated in the study were between the ages of 26 and 34 years, 10% of the total respondent were between 35 years and 40 years of age and 14% of the total respondents were above 41 years of age. This implies that centenary bank Bwaise branch employs more of the youth because they are still active.

4.1.3 Findings on the education background

Table 3 showing on the education background

Education background	Frequency	Percentage (%)
Master's	10	20
Degree	35	70
Diploma	5	10
Others	-	-
Total	50	100

Source; Primary data 2018

From table 3 above the study findings shows that 20% of the total respondents were holding master's degree, 70% of the total respondents were holding a degree, and 10% of the total respondents were holding a diploma in learning, this implies that centenary bank Bwaise branch employs mostly educated people and this also implies that study findings can be relied on since most of the respondents are educated.

4.1.4 Findings on the length of service of respondents

Table 4 showing the length of service of respondents

Length of service	Frequency	Percentage (%)
Less than 3 years	10	20
3-6 years	32	64
7-9 years	8	16
More than 10 years	-	-
Total	50	100

Source; Primary data 2018

From table 4 above, the results shows that 20% of the respondents had worked with centenary bank Bwaise branch, 64% of the total respondents had served for a period between 3 to 6 years, 16% of the total respondents had served for a period of 7-9 years and no one had served for more than 10 years, the majority were long servants of centenary bank Bwaise branch. This implies that centenary bank motivates its employees and it is the reason for long serving in the organisation

4.1.5 Findings on the marital status of the respondents

Table 5 showing the marital status of the respondents

Length of service	Frequency	Percentage (%)
Married	40	80

Single	10	20
Total	50	100

Source; Primary data 2018

From the above (5), the findings shows that 40% of the total respondents were revealed as married and 20% of the respondents were single. This implies that respondents were responsible and the findings can be relied on.

4.2 Findings on the contributions of e-banking on the bank transactions of centenary bank Bwaise branch

Table 6 showing the contributions of e-banking on the bank transactions of centenary bank Bwaise branch

Statement	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
1. It leads to Lower Banking Costs	30(60%)	15(30%)	5(10%)	-	-
2. It leads to Reduced Fraud	-	-	5(10%)	5(10%)	40(80%)
3. It leads to Reduced Errors	10(20%)	5(10%)	20(40%)	10(20%)	5(10%)
4. It simplifies activity review	45(90%)	3 (6%)	2(4%)	-	-
5. It increases the number of transactions made a day	48(96%)	2(4%)	-	-	-

Source; Primary data 2018

According to the findings in table 6 above shows that 30(60%) of the total respondents strongly agreed that e-banking lowers banking costs, 15(30%) of the respondents agreed, and 5(10%) were not sure, the majority were in agreement with the statement and this implies that e-banking contributes to reduced banking costs.

Secondly, from table 6 above the findings shows that 40(80%) of the total respondents strongly agreed that e-banking reduces fraud, 5(10%) of the total respondents agreed, and 5(10%) of the respondents were not sure of the statement, the majority were in agreement with the statement. This implies that e-banking does not reduce fraud rather promotes fraud.

Thirdly from table 6 above, the findings shows that 10(20%) of the total respondents (50) agreed that e-banking reduces errors made, 5(10%) of the respondents agreed, 20(40%) of the respondents were not sure, 10(20%) disagreed, 5(10%) of the respondents strongly disagreed. And this implies that e-banking does not reduces errors rather increases because of its lack of guidance making transaction.

Furthermore, from table 6 above the findings shows that 45(90%) of the total respondents strongly agreed that electronic banking simplifies activity review of an account of the client, 3(6%) of the respondents agreed, and 2(4%) of the respondents were not sure, the majority were in agreement with the statement and this implies that electronic banking simplifies activity review of an account of the customers.

Lastly in table 6 above, the findings shows that 48(96%) of the total respondents that the study was conducted from responded and strongly agreed that e-banking increases the number of transactions made a day, and 2(4%) of the total respondents agreed, the majority were in agreement with the statement and this implies e-banking increases the number of transactions made on daily basis.

4.3 Findings on the limitations of the application of e-banking in centenary bank Bwaise branch

Table 7 showing the limitations of the application of e-banking in centenary bank Bwaise branch

Statement	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
1. Fraud and ID theft	40(80%)	10(20%)	-	-	-
2. Wrong assumption by people,	10(20%)	33(66%)	2(4%)	5(10%)	-
3. Lack of computerization by customers	25(50%)	15(30%)	5(10%)	-	5(10%)
4. Lack of awareness:	10(20%)	35(70%)	-	5(10%)	-
5. Problems of security	10(20%)	34(68%)	6(12%)	-	-

Source; primary data 2018

From the table above the findings shows that 40(80%) of total respondents strongly agreed that fraud and ID theft limits applicability of online banking in centenary bank, 10(20%) of the total respondents agreed, the majority of respondents were in agreement with the statement. This implies that increased with e-banking limits clients to use it when making transactions.

Secondly from table 7 above, the findings/results shows that 10(20%) of the total respondents strongly agreed that wrong assumption by people about E-banking has limited many clients/customers to use it, 33(66%) agreed, 2(4%) were not sure, 5(10%) of the respondents disagreed, the majority of the respondents were in agreement with the statement. This implies that e-banking has good things but people have wrong assumption by the people about e-banking.

Thirdly, from table 7 above the findings shows that 25(50%) of the total respondents strongly agreed that Lack of computerization knowledge by the clients has limited the applicability of e-banking in centenary bank Bwaise branch, 15(30%) agreed, 5(10%) were not sure, 5(10%) of the respondents strongly disagreed, the majority of the respondents were in agreement with the statement and this implies that lack of computerization affects an limits the applicability of e-banking in commercial bank.

According to table 7 above the results shows that 10(20%) strongly agreed that Lack of awareness by the customers limits the usage of e-banking in centenary bank Bwaise branch, 35(70%) agreed, and 5(10%) disagreed with the statement however the majority were in agreement and implies that Lack of awareness by the customers limits the usage of e-banking in centenary bank Bwaise branch

According to table 7, the findings shows that 10(20%) strongly agreed that problem of security limits usage of e-banking services this is due to increased fraud as evidenced in table 7, 34(68%) agreed, 6(12%) were not sure of the statement. This implies that insecurity problems limits usage of e-banking services

4.4 Findings on the relationship between financial performance of centenary bank and e-banking

Table 8 showing the relationship between financial performance of centenary bank and e-banking

Responses from respondents
Application and usage of electronic banking in centenary bank Bwaise branch increases its daily bank transactions hence improved financial performance.
E-banking services increases the financial performance of centenary bank
Financial performance is highly affected by e-banking
Electronic banking leads an increase in profits realized from increased bank transactions

Source; primary data 2018

From the above table (8) the study findings showed the following as the relationship between financial performance of centenary bank and electronic banking; Application and usage of electronic banking in centenary bank Bwaise branch increases its daily bank transactions hence improved financial performance, E-banking services increases the financial performance of centenary bank, Financial performance is highly affected by e-banking, Electronic banking leads an increase in profits realized from increased bank transaction

CHAPTER FIVE

SUMMARY OF THE MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of the major findings, conclusions reached and the researcher's recommendations derived from the study

5.1.0 Summary of the findings

5.1.1 Findings on the contributions of the electronic banking on the bank transactions of centenary bank Bwaise branch.

Starting with the first objective of the study, the researcher used different techniques in collecting information concerning the objective and According to the study findings in the table 6 presented in chapter; e-banking leads lower banking costs, it simplifies activity review. It increases the number of transactions made a day.

5.1.2 Findings on the limitations of the applications of e-banking in centenary bank Bwaise branch

The findings on the limitations of the applications of e-banking in centenary bank Bwaise branch showed that; fraud and ID theft (ATM cards), wrong assumptions by the people about the usage of e-banking, lack of computerization, lack of awareness, problem of insecurity limits the applications of e-banking in centenary bank Bwaise branch, and this can be viewed from table 7 in chapter four of this study. Significant high cost of installing and maintenance of IT and its infrastructure, skilled work force have also affected e-banking application according to the interview conducted

5.1.3 Findings on the relationship between financial performance of centenary bank and e-banking introduction

From the study findings on the relationship between financial performance of centenary bank and e-banking introduction showed the following relationship; Application and usage of electronic banking in centenary bank Bwaise branch increases its daily bank transactions hence improved financial performance, E-banking services increases the financial performance of centenary bank, Financial performance is highly affected by e-banking, Electronic banking leads an increase in profits realized from increased bank transactions, Significant high cost of installing and maintenance of IT and its infrastructure, skilled work force

5.2 Conclusion

The Banking and Financial Industry (BFI) has encountered three significant changes; the Combined strength of the industry, the diffusion of internet banking and the increased freedom to combine banking with other financial services especially through internet. Within this context the change it has adopted enormously is the adoption of internet technology but parallel to this it has faced many challenges such as wrong assumptions by the people about the usage of e-banking, lack of computerization, lack of awareness, problem of insecurity, Significant high cost of installing and maintenance of IT and its infrastructure, skilled work force, issues of increasing demand to meet customer expectation for service quality, trustworthiness of the information system and ability to achieve economies of scale within IT structure. In light of all these considerable factors and from

the discussion whilst reviewing literature many researchers did not find the internet channel, for the delivery of services and product

Some studies showed that due to perceived security risk, lack of comfort with computer technology, either due to lack of awareness or age factor, and a host of other reasons the internet channel did not appear to be significantly viable or accepted warmly or quickly by consumers.

5.3 Recommendation

I therefore recommend that financial institutions should adopt electronic banking, since it was reviewed in chapter four and from the data that was collected, that it increases bank transactions and profitability of an organisation.

I recommend that more research should be carried to find out the role of e-banking on the performance of other sectors such the private sectors

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QUESTIONNAIRE

MUTEESA I ROYAL UNIVERSITY

Dear sir/madam,

I am carrying out research on the role of e-banking on financial performance of commercial banks I humbly request you to fill in this questionnaire, it's entirely for academic purposes and the information therein will be treated with utmost confidentiality.

PART A: DEMOGRAPHIC CHARACTERISTICS

Please tick in the box with the correct answer of your choice

- 1. Gender
 (a) Male (b) Female
- 2. Age
 (a) Up to 25 years (b) 26-30 years (c) 31-40 years
 (d) 41 years and above
- 3. Education background
 (a) Degree (b) Masters (c) Diploma (d) Others
- 4. How long have you worked with the organization?
 (a) Less than 3 years (b) 3-6 years (c) 7-9 years
 (d) More than 10 years
- 5. Marital status
 (a) Married (b) Single

PART B: CONTRIBUTIONS OF E-BANKING ON THE BANK TRANSACTIONS OF CENTENARY BANK BWAISE BRANCH

Statement	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
It leads to Lower Banking Costs					
It leads to Reduced Fraud					
It leads to Reduced Errors					
It simplifies activity review					
It increases the number of transactions made a day					

PART C: LIMITATIONS OF THE APPLICATION OF E-BANKING IN CENTENARY BANK BWAISE BRANCH

Statement	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Banking online is completely impersonal					
Fraud and ID theft					

Wrong assumption by people,					
Lack of computerization,					
Lack of awareness:					
High costs					
Problems of security					

PART D: RELATIONSHIP BETWEEN OF FINANCIAL PERFORMANCE OF CENTENARY BANK AND E-BANKING INTRODUCTION

In your opinion, what is the relationship between of financial performance of centenary bank and e-banking introduction?

1.
2.
3.
4.

**INTERVIEW GUIDE
MUTEESA I ROYAL UNIVERSITY**

My name is Nalwanga Mary a student of Muteesa I royal university conduction research on the topic “*the role of e-banking on the financial performance of commercial banks a case study of centenary bank Bwaise branch*”.

Questions

1. What is e-banking?
2. What are the factors affecting the financial performance of centenary bank Bwaise branch?
3. What is the relationship between e-banking and financial performance?
4. What are the limitations of e-banking application in centenary bank Bwaise branch?
5. What are possible ways laid down to overcome the limitations above?