

**ELECTRONIC BANKING AND FINANCIAL PERFORMANCE OF
COMMERCIAL BANKS IN UGANDA**

A CASE STUDY OF CENTENARY BANK, TORORO BRANCH

BY

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DECLARATION

I Obbo Abraham, a student of Bachelors in Business Administration with student number BU/UP/2019/3477 hereby declare that the content of this research report has been prepared and produced out of my effort and findings and it has never been submitted anywhere for any academic award.

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SIGNATURE.....

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APPROVAL

I confirm that this research report was done under my supervision and has been submitted for examination with my authorization.

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Supervisor

DEDICATION

I dedicate this research report to my mother **Ms. Aremi Teddy**, my aunt **Sr. Athieno Judith** and **AVSI Foundation Uganda** for the marvellous and endless financial and non-financial support they are rendering towards my education.

I also dedicate this report to the committed and dedicated work of my supervisor **Mr. Emusugut Desterio** for the guidance and support he rendered to me during this exercise.

May the good Lord reward you abundantly and His mercy be upon you forever and ever.

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LIST OF ACRONYMS

AQ	Asset Quality
ATM	Automated Teller Machine
CRDT	Centenary Rural Development Trust
E-Banking	Electronic banking
EFT	Electronic Fund Transfer
EP	Earning Performance
FP	Financial Performance
ICT	Information Communication and Technology
M-Banking	Mobile Banking
MQ	Management Quality

ABSTRACT

This study intended to find out the effect of Electronic banking on financial performance of commercial banks in Uganda, particularly Centenary bank Tororo branch. Electronic Banking was viewed in three dimensional constructs consisting of Mobile Banking, Agency Banking and ATM Banking. Financial Performance on the other hand was viewed in terms of Capital adequacy, Asset quality, Management quality, and Earning performance. The study used cross sectional research design and quantitative approach. Data was collected from 25 as a target population comprising of senior management, marketing officers and clients. Data was collected using a closed end questionnaire and statistical package of social science was used for analyzing data from which frequency tables, descriptive statistics, reliability, validity, correlation and regression results were obtained. The findings of the study revealed that there is a positive and significant effect between Mobile bankin; Agency banking and ATM banking on financial performance. Therefore the study, recommends that in order for the commercial banks to improve on financial performance, the owner's particular Centenary bank Tororo branch should depend on appropriate reduction of capital adequacy, and also awareness creation about electronic banking services to clients.

Table of Contents

DECLARATION	i
APPROVAL	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
LIST OF ACRONYMS	v
ABSTRACT	vi
CHAPTER ONE	1
INTRODUCTION	1
1.0 Introduction	1
1.1 Background of the study	1
1.3 Purpose of the study	3
1.6.0 Scope of the Study	4
1.6.1 Content scope	4
1.6.2 Geographical Scope	4
1.6.3 Time Scope	4
1.7 Significance of the Study	5
1.8 Conceptual Framework	5
1.11 Definition of significant terms as used in the study	7
2.0 Introduction	8
2.1 Theoretical review	8
2.2.1 The technology acceptance model (TAM)	8
CHAPTER THREE	16
RESEARCH METHODOLOGY	16
3.0 Introduction	16
3.1 Research Design	16
3.2 Study Population	16
3.3 Sample design	16
3.3 Sample design	17
3.4 Sampling technique	17
3.5 Type of data	17
3.6 Data collection methods	17
3.7 Data Analysis plan	17
3.8 Data Analysis Techniques and Methods	18
3.9 Reliability and Validity	19

3.10 Ethical Considerations	19
CHAPTER FOUR.....	21
DATA ANALYSIS AND PRESENTATION OF FINDINGS	21
4.0 Introduction.....	21
4.1 Response Rate	21
4.2 Demographic Information.....	21
4.2.1 Gender of Respondents.....	21
4.2.1 Age of the respondents.....	22
4.2.3 Education background.....	22
4.3. The effect of mobile banking on financial performance of commercial banks.....	24
4.4 The effects of Agency banking on financial performance commercial banks	25
4.5 The effects of ATM banking on financial performance commercial banks	27
4.5.1 Spearman’s Correlation Analysis	28
4.5.2 Regression Analysis	28
5.0 Introduction	32
5.1 Discussion of the findings	32
5.2 Summary of the Findings.....	33
5.3 Conclusion	33
5.4 Recommendations	34
5.6 Recommendations for further studies.....	35
References	36
Appendix I: Letter of Introduction	39
APPENDICES	40
Appendix 1: Questionnaire	40
Appendix III: Work Plan	46
Appendix IV: Research Budget.....	47

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter contains the background of the study, the statement of the problem, purpose of the study, research objectives, research questions, scope of the study, significance of the study, conceptual framework, and assumptions of the study and definition of significant terms used in the study.

1.1 Background of the study

Financial performance has implications on an organization's health and ultimately its survival (Onduso, 2013). Financial performance is referred to as the degree to which financial objectives are being or have been accomplished (Gilbert, Meyer & Vaughan 2000). Managers are concerned about maximizing shareholder's wealth as it connotes future prospects, reflects steady growth, and provides a risk shield. Despite the potential benefits of ICT and e-banking, there is debate about whether and how their adoption improves bank financial performance (Fisher, 2007).

Globally, despite the potential benefits that electronic banking offers consumers, its adoption has been limited and, in many cases, has fallen short of expectations (Bielski, 2013; Wade, 2013). While all of the top 60 largest banks in the US offered electronic banking by 2012 and approximately 91% of US households had a bank account (Kolodinsky, 2014), only 33% of consumers adopted electronic banking. At the time, analysts estimated that this electronic banking penetration would not exceed 50% of all bank households by 2017 (Babej, 2013). An American Bankers Association survey in the summer of 2017 found that only 39% of U.S. consumers use electronic banking as their primary banking method (Fisher, 2007), which results into low productivity of the banks (Hoppe, Newman & Muger, 2017; Frust, Lang & Nolle, 2019).

In Australia, electronic banking decline continued rapidly with a 26 % decrease in the internet banking customer population to 8.5 million users going on over the time from 2015 to May 2018 (ACNielsen, 2018). The report indicated that over 7.2 million consumers accessed 27 million accounts in 2013 which is an increase of 31% compared to 16.2% in 2012 (MISC, 2014). The report showed that users are more efficient in utilizing Internet banking services and transacting more amounts utilizing fewer sessions.

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