
IMPACT OF AUTMATED TELLER MACHINES ON THE PERFORMANCE OF COMMERCIAL BANKS IN UGANDA. A Case Study of Equity Bank Kyengera Branch

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ABSTRACT

This study was carried out with the purpose of investigate to the impact of Automation Teller Machines on the performance of commercial banks in Uganda. The study objectives included examining the performance of commercial banks in Uganda, to investigate the importance of automated teller machines on the performance of commercial banks in Uganda and to find out a relationship between automated teller machines and the performance of commercial banks in Uganda. The study used qualitative and quantitative techniques to analyze the data collected, data analysis was done through transforming information got to a more representative way, simple frequency tables, percentages and graphs were employed to facilitate analysis. The research was carried out in Equity Bank Kyengera Branch, and as such the study population included the bank staff and clients of the branch. Financial performance and that it offers a variety of loan products and services. The findings indicated that customers were safe with the automated system of banking. It was also revealed in table13 that customers access services at any time. The following recommendations were suggested; More money should be dispensed through the ATM, so as to save the public from incurring transport costs visiting banking halls. Training session should be arranged to enable ignorant customers. On many occasions the system breaks down comes as a result of wrong entries made by customers while using automated machines. Banking services should be extended to the villages so as to tap more customers and increase on the profitability of the bank. Besides, it will help to beat up competition.

Key words: automated teller machines and performance

Background of study

Bank automation refers to processes in banking that operate in a highly automated manner, thus minimizing human intervention. Since the 1980s, the banking sector has undergone major changes in response to the global economic crisis. Which wide branch network and Quantity needed. Employees help customers (Gerald, 1991).

Financial performance is a measure of how well the organization's business model uses its assets and generates revenue (Moses et al., 2023).

The term can also be used as a general measure of a company's overall health over time and can be used to compare similar companies in the same industry or to compare products across industries or industries.

There are many ways to measure financial performance, but all measures should be considered together (Moses et al., 2023).

It is usually expressed as the amount of money a financial institution earns on loans and other assets in a given period, minus the interest on the loan divided by the average return on assets (ie, average income) for that period. time (Akankwasa et al., 2022).

ROE is a financial ratio that expresses how much profit a company makes compared to all of its shareholders' equity invested or shown on its balance sheet.

ROE is the return on investment expected by shareholders (Annet et al., 2023).

Avoiding the time to process bank accounts based on technology affects the relationship between customers. The reason for this is many problems encountered in banking transactions (Annet et al., 2023).

Among them: machines not working, some TM machines are in unsuitable places, lack of privacy, some people do not know how to use machines, not knowing how to use mobile phones and online commerce cause TM machines to crash and eventually people lose their data. money (Oromo et al., 2023).

PROBLEM STATEMENT

Commercial banks in Uganda face poor performance due to bad credit, bad customers and purchasing, rigidity, technology, increased operating costs copying and rapid competition (Ntirandekura et al., 2022).

Accordingly, business automation has been introduced in the Ugandan banking sector to make the efficiency of the banking sector time and geographical access, efficiency, effective and efficient (Faridah et al., 2017).

ibid, 2023). This requires the use of automated teller machines (ATMs), mobile and online banking to perform banking functions used to manage personal accounts, such as answering customers' questions regarding balances, deposits, withdrawals, and small statements (Nelson, Christopher, Teddy). It is claimed that the use of technology improves the financial performance of commercial banks, increases the frequency of customer transactions, generates large profits, reduces employee demands and reduces congestion in banks because not all customers have to wait in long queues. Only teams can work (Alex & Kazaara, 2023). Even on weekends and evenings when banks are closed, customers only want to find suitable places with ATMs, use mobile phones and electronic devices, and do business (Kigongo, 2010). Despite the introduction of banking technology, commercial banks in Uganda still suffer from poor performance as many seem against the technology and may prefer to go to a bank lobby for services. It seems that ATM machines are still scarce across the country and sometimes the machines do not work well and require users to have some computer skills (Mugwanya, 2001); This is the basis of researchers investigating the impact of ATMs on the market. banks in Uganda

Objectives of the Study

- 1. To examine the performance of commercial banks in Uganda.*
- 2. To investigate the importance of automated teller machines on the performance of commercial banks in Uganda.*
- 3. To find out a relationship between automated teller machines and the performance of commercial banks in Uganda.*

Research questions

1. *What is the level of performance of commercial banks in Uganda?*
2. *What is the importance of automated teller machines on the performance of commercial banks in Uganda?*
3. *What is the relationship between automated teller machines and performance of commercial banks in Uganda?*

Methodology

Research design.

The researcher used a combination of descriptive and cross-sectional design. The descriptive research design is where data was collected at one point in time from the study participants. The descriptive research design enabled the researcher to use quantitative techniques in collecting and analyzing data.

The cross-sectional survey was used because it captures the state of the variable at a particular point in time in different areas of an organization.

The study population.

A population is defined as a large group of people from which a number of individuals are selected for a study. The target population of this study will include all clients, employees of Equity Bank Kyengera Branch.

The term population refers to a group of people that a researcher has in mind from whom information can be obtained.

Sample Size

Out of the total sample of 24 respondents in the study, 14 respondents will be from the Bank staff and 10 respondents from customers using ATMs and counter services. The sample size determination, according to Morgan, (2005), says that when the respondents are under 100 respondents you ask all of them.

Table 1: Table for Determining Sample Size

Category	Number of respondents
Bank staff	14

<i>Clients</i>	<i>10</i>
<i>Total</i>	<i>24</i>

Source: *Primary data 2020.*

Data Collection Instruments.

The following instruments were used.

Questionnaire.

The questionnaire was the main instrument used in the study. The questionnaire consists of structured / close - ended questions. They were administered to Bank staff and clients. This method was appropriate because it saved time and money and respondents were given chance to answer questions at their convenient time, it also eliminates interview bias. A copy of the questionnaire that will be used in the study can be found in the appendix.

Interview guide.

Here the researcher used both formal and informal methods to collaborate information from the questionnaire. Interview guides was prepared and used during the face -to - face interviews. This method was flexible, accurate and quicker in yielding results.

Data Analysis.

After the data collection exercise, the data collected was edited to eliminate errors, ensure accuracy and relevancy. It was then coded to allow the use of frequencies and percentages as units of measurement. It was classified and presented using tables, charts, graphs, MS Excel and MS word computer packages were used. Analysis was done using the statistical package for social sciences (SPSS) (Nelson, Christopher, & Milton, 2022).

RESULTS

- To examine the performance of commercial banks in Uganda.**

Table 1: There is decline in the profitability levels in the organisation.

	<i>Frequency</i>	<i>Percent</i>	<i>Valid</i>	<i>Cumulative</i>
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				percent	percent
Valid	AGREE	13	54.2`	54.2	54.2
	DISAGREE	11	45.8	45.8	100
	TOTAL	24	100	100	

Source: primary data, 2020

The findings above showed that majority of the respondents agreed (54.2%). These were followed by those who disagreed as evidenced by 45.85%

It is therefore concluded that there is decline in the profit ability levels in the organization.

Table. 2 the organisation has many branches with sounding financial performance

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Agree	13	54.2	54.2	54.2
	Strongly agree	11	45.8	45.8	100.0
	Total	24	100.0	100.0	

Source: primary data, 2020

Results above portrayed that majority of respondents agreed (54.2%) and this was followed by those who strongly agreed as evidenced by 45.8%.

list therefore concluded that the organization has many branches with sounding financial performance.

Table 3: The organisation offers a variety of loan products and services.

		Frequency	Percent	Valid percent	Cumulative percent
Valid	AGREE	14	58.3	58.3	58.3
	STRONGLY	10	41.7	41.7	100.0

	AGREE				
	Total	24	100.0	100.0	

Source: primary data, 2020

The findings above showed that majority of the respondents agreed (58.3%). These were followed by those who strongly agreed as evidenced by 41.7%

It is therefore concluded that the organization offers a variety of loan products and services.

Table 4: The organisation loan products are convenient to customers

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Agree	11	45.8	45.8	45.8
	Strongly agree	13	54.2	54.2	100.0
	total	24	100.0	100.0	

Source: primary data, 2020

The findings above showed that majority of the respondents strongly agreed (54.2%). These were followed by those who agreed as evidenced by 45.8%

It is therefore concluded that the organization loan products are convenient to customers.

- **Importance of automated teller machines on the performance of commercial banks in Uganda.**

Table 5 do you prefer the use of automated banking to manual means

	Frequency	Percent	Valid percent	Cumulative percent
Valid YES	24	100.0	100.0	100.0

Source: primary data, 2020

Statistics above indicated that yes registered all of the responses as evidenced by 100%. It is concluded that respondents prefer the use of automated banking to manual means.

TABLE 6; How safe are you while using automated system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VERY SAFE	13	54.2	54.2	54.2
	FAIRLY SAFE	2	8.3	8.3	62.5
	SAFE	9	37.5	37.5	100.0
	TOTAL	24	100.0	100.0	

Source: primary data, 2020

Statistics above indicated that very safe registered majority of respondent (54.2%). This was followed by safe (37.5%).

Fairly safe registered the least percentage of responses as evidenced by 8.3%.

The researcher therefore concludes that majority of the respondents were very safe when using automated system.

Table 7; Are the customers safe with the automated system of banking

		Frequency	valid percent	Cumulative percent
VALID	YES	24	100.0	100.0

Source: primary data, 2020

Statistics above indicated that yes registered all of the responses as evidenced by 100%. It is concluded that customers safe were with the automated system of banking.

Table 8 how many customers can you attain in a day

		Frequency	Percent	Valid percent	Cumulative percent
valid	51-100	3	12.5	12.5	12.5
	101-150	11	45.8	45.8	58.3
	151 and above	10	41.7	41.7	100.0
	total	24	100.0	100.0	

Source: primary data, 2020

Results above indicated that client range 101-150 registered majority of respondents (45.8%). This was followed by client range of 151 and above and 51-100 as evidenced by 41.7% and 12.5% respectively.

Customers suggested access anytime or any service needed as the advantage of the automated teller machine.

Table 9: Are customer satisfied with bank automation

		Frequency	Percent	Valid percent	Cumulative percent
Valid	YES	24	100.0	100.0	100.0

Source: primary data, 2020

Results above indicated that customers are satisfied with bank automation as evidenced by 100% of the responses.

- **The relationship between automated teller machines and the performance of commercial banks in Uganda**

Table 10: Has the coming and use of bank automation improved the financial

	Frequency	Percent	Valid percent	Cumulative percent
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Valid	Yes	24	100.0	100.0	100.0
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Source: primary data2020

Results above indicated that yes registered all of the respondents as evidenced by 100%.

The researcher concludes that the coming and use of bank automation has improved the financial performance of the bank.

Table 11 to what extent has bank automation changed the financial performance

		Frequency	Percent	Valid percent	Cumulative percent
Valid	To a lesser extent	10	41.7	41.7	41.7
	To a greater extent	14	58.3	58.3	100.0
	total	24	100.0	100.0	

Source: primary data, 2020

Findings above indicated that to a greater extent registered majority of respondents compared to a lesser extent as evidenced by 58.3%and41.7%respectively.

The researcher concludes that bank automation has changed the financial performance to a greater extent

Table 12 has automation influenced staffing

		Frequency	Percent	Valid percent	Cumulative percent
valid	yes	24	100.0	100.0	100.0

Source: primary data,2020

Results above indicated that yes registered all of the respondents as evidenced by100%.

And it is concluded that bank automation influenced staffing.

Table 13; do receive customers complaints due to bank automation

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Yes	16	66.7	66.7	66.7
	No	8	33.3	33.3	100.0
	Total	24	100.0	100.0	

Source: primary data, 2020

Results above indicated that yes registered majority of the respondents (66.7%) compared to another response which had 33.3%.

The researcher therefore concludes that there were customer complaints due to bank automation.

Table 14: how often do you receive such complaints

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Rarely	24	100.0	100.0	100.0

Source: primary data, 2020

Results above indicated that rarely registered all of the respondents as evidenced by 100%.

And was concluded that complaints due to bank automation were rarely received.

Table 15 have you lost customers following bank automation

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Yes	8	33.3	33.3	33.3
	No	16	66.7	66.7	100.0
	Total	24	100.0	100.0	

Source: primary data, 2020

Results above indicated that no response registered majority of the respondents (66.7%) compared to a yes response which had 33.3%.

And is concluded that the bank did not lose customer due to bank automation.

TABLE 16: Chi-square tests on responds attitudes on automated teller machines and performance of commercial banks in Uganda

	VALUE	DF	ASYMP.SIG (2- SIDED)
Person chi-square	22.500	25	.607
Likelihood ratio	19.095	25	.793
Linear-by-linear	3.898	1	.048
Number of valid cases	9		

Since from the table above Pearson chi-square value = .607 > 0.05 (P-value), the researcher concluded that there was apposite relationship between Automated Teller Machines and the Performance of Commercial Banks in Uganda.

Conclusion of major findings.

It was concluded that the coming and use of bank automation has improved the financial performance of the bank.

In addition to the above, that the bank did not lose customer due to bank automation To establish the relationship between Automated Teller Machines and the Performance of Commercial Banks in Uganda

It can be concluded that although there is apposite relationship between Automated Teller Machines and the Performance of Commercial Banks in Uganda, there are other factors affecting the Performance of Commercial Banks in Uganda.

These could include; poor business feasibility studies and working environment, economic instabilities and low wages.

Recommendations

Training sessions should be arranged to enable ignorant customers learn the application of automated banking tools. On many occasions the system breaks down comes as a result of wrong entries made by customers while using automated machines.

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