

Electronic Banking And It's Impact On The Performance Of Financial Institutions. A Case Study Of Stanbic Bank Ltd, Iganga Branch

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ABSTRACT

The purpose of this study was to research on the impact of electronic banking on the performance of Stanbic Bank Ltd – Iganga Branch. The reason of this study was to examine the various services provided through e-banking at Stanbic Bank Ltd, to determine the impact of e-banking to the profitability of Stanbic Bank Ltd limited Iganga Branch, to establish the relationship between e-banking and financial performance of Stanbic Bank Ltd, Iganga Branch. In this study qualitative and quantitative descriptive research design and correlation survey was used in analyzing and acquiring clear information which was later used to grade the variables of the study. The researcher sampled 84 respondents which comprised of both male and female of which assistant manager, low level manager, middle level manager and the majority where customers answered questions. For the purpose of gathering all the necessary data, the researcher used interviews, questionnaires, literature analysis to obtain the data. The study findings indicate that Stanbic Bank Ltd, Iganga Branch provide various e-banking services but should do improvements in the mobile banking facility to achieve more success in e-banking. In the determining it's impacts (e-banking) to financial performance, electronic banking is highly effective but there should be increased customer access to it because it is still low, and finally the relationship between e-banking and financial performance is revealed that there is a strong positive relationship. The researcher therefore recommends that, policy makers should consider e-banking in the formulation of policies governing the banking institution because of the technological development and the expected switch from physical branch network. E-banking is being used to improve financial operations in commercial Banks and Stanbic Bank Ltd, Iganga Branch should continue using and adopting new modes of e-banking in their operations.

Keywords: Electronic, Banking, Performance, Financial and Institutions

Background of the study

Before conceptualizing the terms “electronic banking” in this study, the concept of banking from which these two terms are derived must first be explained for better understanding (Denis & Richard, 2023). According to Nerme (2005), banking is a short-term, medium-term and long-term financial repository (Polycarp et al., 2023). It is the action that guides firms in achieving the organization's goals Gilasier (2006), however, insists that banking is "a quantitative statement for a defined period of time that may include planned income, expenses, assets, liabilities and cash flows (Kazaara & Christopher , 2023). Electronic banking provides organizational focus, helps coordinate activities, and facilitates control.

Thus, electronic banking is the process of preparing and approving budgets. This means translating the firm's overall goals into detailed, actionable action plans (Gracious, 2023).

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The Tennessee Board of Regents (2005) points out that electronic banking is a process of using the Internet and is a systolic process of functioning expressed in monetary forms. (Winny et al., 2023) believes that e-banking, both at the management and operational levels, looks to the future and sets out what needs to be achieved. In this study, electronic banking was conceptualized as a process of translating the overall objectives of organizations into detailed and feasible action plans. Regarding e-banking (F. Christopher et al., 2022), they argue that it is the practice of systematically comparing actual results achieved with those banked for. The result of this comparison, which includes, for example, target outputs, serves to direct management's attention to problems and opportunities (T. Christopher, 2022). Where are the components of ensuring compliance with the corporate goals of these individuals. Basel (1996) states that banking checks that plans are being implemented and implements corrective measures where deviation occurs. According to (Alex & Kazaara, 2023), control involves making decisions based on available information that lead to plans and actions that improve the use of productive assets and services available to the management of organizations. Available empirical literature shows that organizations in the developing world face enormous challenges in achieving their desired goals, especially in the current competitive global economy where the productivity of most organizations is constrained by cost pressures (Ntirandekura & Christopher, 2022). The growing number of organizations being created, the costs of running and the need for organizations to sustain themselves meant that many of them could not compete with those already established and the income generating activities. Due to this competition, many organizations are forced to spend more, which negatively affects their productivity, making it difficult for them to achieve their desired goals (Paul & Kazaara, 2023).

Today, organizations are seen as institutions that can create new opportunities to improve governance, transparency and implement effective poverty reduction strategies (K. Faridah et al., 2023). This has therefore prompted development partners from the industrialized North to increasingly channel their support through organizations in the last decade. According to the Organization for Economic Cooperation and Development of the Industrialized World, the number of organizations increased from 1,600 in 1980 to 1994 (F. Christopher et al., 2022). Organizations in Uganda have grown along a similar path to that depicted on the global stage. The growth trend is closely related to the contribution of the nation's development (Polycarp et al., 2023). Organizations engaged in various financial activities and whether or not they meet the standards of organizational growth expected of them by their stakeholders is a matter of concern (Innocent et al., 2023). It is against this background that electronic banking appears to be related to organizational growth.

Statement of the problem

Electronic banking has helped businesses improve their overall financial position by promoting transparency, accountability and efficiency through faster capture, processing and communication of information (Racheal et al., 2023). However, it is evident that there are still some performance lags in terms of earnings, with Stanbic Bank Ltd's earnings as at 1 January 2018 at 49,632,837 billion, 46,866,402 billion in 2017 and 44,775,566 billion at the start of 2015. which meant a decrease of 2045%. in the profit from the previous year (Annet et al., 2023). Also, return on average equity fell from 46.45 to 37.6% from 2018 to 2019, while return on average investment fell from 4.8% to 4.5% over the same period (Stanbic Bank Ltd Annual Financial Report 2015/2016). While the introduction of e-banking is expected to enhance the bank's profitability and other performance indices, if the situation were to invest heavily in e-banking without a corresponding improvement in profitability, the bank's overall survival and competitiveness could be threatened (Polycarp et al., 2023). Declining performance levels may be due in part to e-banking expenses and performance. Against this background, the researcher recognized the need to investigate the reasons that led to the decrease in profits in these periods despite the high level of electronic banking by the bank, and how they can be overcome in order to effectively meet their financial goals and maximize profits (Ivan et al., 2023).

Objectives of the study

1. To examine the various services provided through e-banking at Stanbic Bank Limited, Iganga Branch.
2. To determine the contribution of e-banking to the performance of Stanbic Bank Limited, Iganga Branch.
3. To establish the relationship between e-banking and financial performance of Stanbic Bank Ltd, Iganga Branch.

Methodology

The research made use of a descriptive and correlation survey involving an ex post facto design. The study employed the use of both quantitative and qualitative methods of data collection with the use of interviews and questionnaires which were distributed to various employees of Stanbic Bank Ltd, Iganga Branch (Nafiu et al., 2017). According to Meyer (2018), this kind of survey (descriptive survey) is appropriate when a study is collecting first hand data using either interviews or questionnaires and from respondents (Nafiu, 2012). The target population of the study included all the 30 employees of Stanbic Bank Ltd, Iganga Branch and 120 staff at Head Office making a total population of 150. This included the branch manager, IT staff, account staff, and other operations staff. A total of 84 employees were selected for the study as shown in the table below (Rasheed et al., 2022).

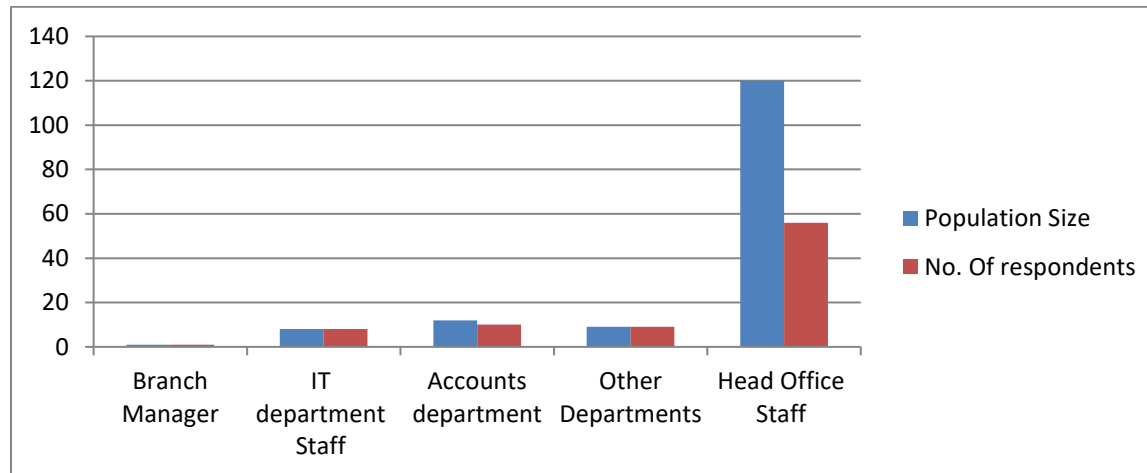
Table 1: Distribution of respondents according to their department

Categories	Population size	No. of Respondents
Branch Manager	1	1
IT Department Staff	8	8
Accounts Department	12	10
Other Departments	9	9

Head Office Staff	120	56
Total	150	84

Source: Primary data

Figure 1: Column chart showing distribution respondents according to their department.



The purposive method of sampling was used for the study. This was dedicated by the nature of the study which aimed at getting specific information from specific persons or individuals (Aslam et al., 2022). According to the American Statistical Association (2016) Purposive sampling is used to select only those respondents considered to be key and resourceful in providing required data. The purposive method of sampling will be used to get members of staff from selected departments for interview (Jallow et al., 2021). The convenience method of sampling was also used for talking to staff that were readily available.

The researcher used two sources of data during the study to obtain data on the impact of e-banking on the performance of Stanbic Bank Ltd, Iganga branch and included primary and secondary sources respectively (Lu et al., 2013). One set of questionnaire was used with both closed and open-ended questions for staff of Stanbic Bank Ltd, Iganga branch. The closed questions were used to assist the researcher to check whether the information given was correct and consistent. According to Kenyon (2016), it eases data collection from respondents who are literate enough to read and write. After collecting data from the field, the researcher edited the data to ensure that the questions have been properly, correctly answered and consistent (Anwar et al., 2022). Tables and figures were used in presenting the findings (Olanrewaju et al., 2021). The frequency distribution tables were used to tabulate data to show percentages calculated. Data was analyzed in form of tables, frequencies and percentages using SPSS & STATA (Nelson, Christopher, & Milton, 2022).

RESULTS

Table 2: Views of respondents on the various services provided using e-banking.

	N	Minimum	Maximum	Mean	Std. Deviation
Mobile banking services any time 24 hours	84	1	3	2.75	0.512
Deposit or withdraw money using electronic fund transfer	84	2	5	3.75	0.876
Internet banking is available	84	2	5	3.71	1.036
ATM machines are widely available and accessible	84	2	5	3.86	0.794
Payment of bills can be made through e-banking.	84	2	5	3.54	0.828
Loan requests can be made electronically	84	2	5	3.71	0.926
Valid N (least wise)	84				

Source: Primary data

The above result reveals clearly that all the e-banking services were available at Stanbic Bank Ltd, Iganga Branch and used effectively (mean above 3.5) with the exception of 24 hours of mobile banking facility with mean below 3.0. The bank will need to improve their mobile banking facility to achieve overall success in e-banking (Musaibah et al., 2023). However, the bank can as well improve the overall e-banking services as there are no outstanding means above 4.0. More could still be done to improve customer satisfaction, patronage, retention and ultimately customer loyalty.

Table 3: Showing contribution of e-banking to the performance of Stanbic Bank Ltd, Iganga Branch

	N	Minimum	Maximum	Mean	Std. Deviation
Improves customer satisfaction and retention	84	2	5	3.46	0.911
One way of coping with the ever changing customer expectations	84	2	5	3.79	0.983
Introduced to gain competitive advantage	84	2	5	3.86	0.880
Increase customer access to the banking services.	84	4	5	4.71	0.454
Improves the level of revenue derived.	84	4	5	4.71	0.454
Increase the bank's overall profitability and return on investments	84	3	5	3.64	0.670
Valid N (least wise)	84				

Source: Primary data

All the contribution factors of electronic banking were highly effective given a mean of above 3.5 in all factors identified with the exception of customer satisfaction and retention (having a mean of 3.46). However, e-banking appear to contribute mostly to increase in customer access to banking services and improvement of revenue with both having means above 4.5 (Nelson, Christopher, Teddy, et al., 2022). The bank will have to encourage most customers to use e-banking as a way of improving their level of customer satisfaction relation and loyalty.

Table 4: Showing the relationship between e-banking and financial performance of Stanbic Bank Ltd, Iganga Branch.

Correlations			
		ELECTRONIC BANKING	FINANCIAL PERFORMANCE
Electronic banking	Pearson Correlation	1	0.676**
	Sig. (2-tailed)		
	N	84	84
Financial Performance	Pearson Correlation	0.676**	1
	Sig. (2-tailed)	0.000	
	N	84	84
** Correlation is significant at the 0.01 level (5 – tailed).			

The Pearson's correlation analysis reveals a coefficient of correlation of 0.676 which is a strong positive relationship between e-banking and financial performance. This implies that the more available and efficient the e-banking services are, the better the financial performance of the bank.

With a p-value of 0.000 which is below the alpha of 0.01, we can also conclude that there is a significant relationship between e-banking and financial performance (Nelson et al., 2023).

Summary of findings

Financial institutions in Uganda have adopted e-banking services to provide crucial banking services to customers in Uganda. The results show that as the monthly value moved through, e-banking services increased, the profitability of the commercial banks increased (Racheal et al., 2023). The research shows that e-banking to a larger extent impacts the financial performance of Stanbic Bank (U) Ltd in that; it helps to reduce unnecessary costs, increases efficiency and improves on service delivery to customers (N. Faridah et al., 2023). However, for the period under study, this relationship seems not to hold strongly. Although there is a relationship between e-banking and financial performance of Stanbic Bank Ltd, Iganga Branch, the relationship is not yet very strong. This was well explained by the Pearson's correlation coefficient of 0.676. Although the relationship is found to be significant with a p-value of 0.000 which is below the alpha value of 0.001 (Damasus et al., 2023).

The results also reveals clearly that all the e-banking services are available at Stanbic Bank Ltd, Iganga Branch and used effectively (mean above 3.5) with the exception of 24 hours of mobile banking facility with mean below 3.0. The bank will need to improve their mobile banking facility to achieve overall success in e-banking.

All the contributing factors of electronic banking were highly effective given a mean of above 3.5 in all factors identified with the exception of customer satisfaction and retention (having a mean of 3.46). However, e-banking appear to contribute mostly to increase in customer access to banking services and improvement to revenue (both having means above 4.5).

However, the study concludes that electronic banking is being used to improve financial operations. The banks have put in place measures to become more competitive by keeping pace with the technological developments. It can also be notified from the findings on the number of users that the numbers kept on increasing from one year to another. This shows that customers are appreciating and embracing mobile banking. This could be attributed to the advantages of electronic banking which include convenience and flexibility.

Conclusion

From the research findings presented in chapter four and above summary of findings, the study concludes that there is a positive relationship between electronic banking and financial performance of Stanbic Bank Ltd, Iganga Branch. This could be attributed to the trends recorded in the two variables where the number of users and monthly transfers maintained a positive growth rate while financial performance of commercial banks was affected by many variables which have major impacts compared to the adoption of e-banking. Financial performance of Stanbic Bank Ltd, Iganga Branch was majorly affected by macro-economic variables like interest rates, inflation and foreign exchange rates fluctuations among other macro-economic variables which are outside the scope of this study.

Policy Recommendations

From the above conclusion, the study recommends that policy makers consider electronic banking in their formulation of policies because of the technological development and the expected switch from physical branch networks to technologically supported banking services. This is because despite not very strong relationship between electronic banking and financial performance of Stanbic Bank Ltd, Iganga Branch, the impact could be pronounced if much change is recorded in technological developments and more customers adopt electronic banking services. This is because the relationship many not be direct but an indirect one resulting from the convenience that the electronic banking services offers to commercial banks.

Electronic banking is being used to improve financial operations in commercial banks. The banks have put in place measures to become more competitive by training their staff, investing in research and development of technology. In the long run, electronic banking is likely to have major impacts on the profitability of commercial banks as it smoothen business operations.

The study further recommends that Stanbic Bank Ltd, Iganga Branch should keep adopting and using e-banking in their operations because the number of people with access to the internet including a mobile handset is increasing

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every day. In addition, the convergence of mobile phones and commercial banks has revolutionized the banking operations.

The bank will also have to encourage most customers to use e-banking as a way of improving their level of satisfaction, retention and loyalty.

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