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**The Effect of Electronic Payment System on Bank Service Quality
Improvement
(in Case of Dashen Bank Wolkite Branch)**

**A Research Paper Submitted to the Department of Accounting and Finance for
the Partial Fulfillment of BA Degree in Accounting and Finance**

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Declarations

I have carried out independently a research work on The Effect of Electronic Payment System on Bank Service Quality Improvement in Case of Dashen Bank Wolkite Branch in partial fulfillment of the requirement of the Bachelor Degree of Art in Accounting and Finance with the guidance and support of my advisor. This study is my own work conducted during the period 2022/3(G.C) and I have produced it independently except for guidance and suggestions of the research advisor, and that all references materials contained there have been appropriately acknowledged by means of complete references.

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Acknowledgement

First and foremost, I would like to almighty God for helping me in the successful accomplishment of this paper. Secondly my deepest and greatest apperception goes to my advisor Mr. Birhanu Yirga for his contribution with guiding advising and giving critical comments and correction for the successful complementary of my study.

Lastly family for their moral and financial support in my education life from elementary school to the university studies.

Endorsement

This research paper has been submitted to Wolkite University, college of business and economics, department of accounting and finance for the examination with my approval as advisor.

Approved by

Advisor _____

Name of advisor

signature

Examiner _____

Name of examiner

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ABSTRACT

The study entitled “the effect of electronic payment system on bank service quality improvement a case of Dashen bank wolkite branch” was conducted by employing descriptive survey research design. The study had used primary data sources which were collected from employees and customers of the bank through questioners. Judgmental and convenient sampling techniques were used to select samples from employees and customers of the bank respectively. The collected data were analyzed using descriptive statistics like percentage and frequency and presented using table. Therefore, customers and employees of the bank assesses the bank’s electronic payment system as effective and efficient even if it has problems. Service quality of the bank is also improved after the introduction of electronic payment system in the bank. Hence, to sustain and enhance the improved service quality, the bank is recommended to increase the number of ATM machines and alleviate the problems that exists in existing ATM machines and open other point of sale terminals in different areas.

ACRONYMS

ATM	Automatic Tailer Machine
DB	Dashen Bank
ICT	Information Communication Technology
POS	Point of Sales
SMS	Short Message Service
SWIFT	Society for Worldwide Interbank Financial Telecommunication
WAP	Wireless Application Protocol
EBPP	Electronic Billing Presentment and Payment
TTP	Trusted Third Party
CBE	Commercial Bank of Ethiopia

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Banks are financial institutions that provide financial services to their customers and businesses. The basic services provided by banks are checking deposit, which can be used like money to make payments; saving accounts and time deposits that can be used for future use. In addition to deposit activities banks also provide loans to customers; cash management services and foreign currency exchange (Microsoft Encarta premium, 2009).

In addition to accepting deposits and giving loans, banks have made their services increasingly convenient through electronic banking. Electronic banking uses computers to carry out banking transactions (N.Rajput, 2011).

Information technology is considered as the key driver for the changes taking place around the world. Due to a pervasive and steadily growth of information and communication technology, the world banking industry is entering into new phenomena of unprecedented form of competition supported by modern information and communication infrastructure (C.S. Murthy,2004)

Electronic banking had been widely used in developed countries and is rapidly expanding in developing countries. E- Banking is defined as using electronic devices like internet, wireless connection networks, phone, cell phone and Automatic Teller Machines (ATM) in banking services. ATM card is a kind of plastic card which allows a cardholder to withdraw money from his bank account through automated teller machine. ATM (automatic teller machine) enables bank customers to withdraw money from their checking or saving accounts by inserting an ATM card and a private electronic code in an ATM (Ahmed Bello,2005).

This card can be used also for other banking services like deposit and transfer to any other account by using the ATM machine. Credit card is the modern electronic plastic

card that may be used repeatedly to borrow money or buy products and services on credit. VISA, Master Card, American Express and Discover are commonly known and widely used credit cards throughout the world. The decision with which card to go depends on the comparison of the features of the specific card (not the brand). The most important features, of course, are Interest rate and Annual fees (C.S. Murthy,2004).

These services were parts of providing currency for and economic system for the country. Now it is common to define E- Banking as phone and cell phone bank, internet bank and also ATM. For example, cell phone banking can be defined as giving banking services through cell phone.

E- Banking gives the clients the rights and facility of doing banking affairs through internet and under the permission of a specific bank. At first, E- Banking was just to attract clients to a specific bank (Mishra and kiranamai,2009). With the use of internet in banking industry, banks were starting to wide their range of using it, and today, check exchange, accounting, currency exchange, clients' reports, and account criteria are conducted immediately through this system. It is beneficial to both clients and banks, and it is because from the perspective of clients the costs of banking decreased- such as wasting time, long line- and from the perspective of banks the costs of banking services with the help of E- Banking decrease- for there is no need to extra paper, extra employee and *investments* (**ijcrb.webs.com**).

The evolution of e-banking started from the use of Automatic Teller Machines (ATMs) and Finland is the first country in the world to have taken a lead in e-banking (Mishra and kiranamai,2009).

The rapidly growing information and communication technology is knocking the front-door of every organization in the world, where Ethiopian banks would never be exceptional. In Ethiopia, however, cash is still the most dominant medium of exchange, and electronic payment systems are at an embryonic stage. In the face of rapid expansion of electronic payment systems throughout the developed and the developing world, Ethiopia's financial sector cannot remain an exception in expanding the use of the

system. While Electronic banking has improved efficiency and convenience, it has also posed several challenges to the regulators and supervisors (Uppal and Rimpi,2007).

In general, this study was focus on the effects of electronic payment system on bank service quality improvement in the case of Dashen bank wolkite branch.

1.2 Background of the organization

Ethiopian banking institutions went through the ups and downs of Ethiopia turbulent history. The Bank of Abyssinia was replaced by the bank of Ethiopia makes the second unforgettable event in Ethiopia banking history. It is after Ethiopia independence that Emperor Haile Selassie I established The State Bank of Ethiopia which performed both control banking and commercial banking fraction until it was split in to two in 1964 to form the national bank of Ethiopia to pursue commercial banking functions.

Dashen bank is one of the pioneer private banks after the resistance of private banking system in Ethiopia. Dashen Bank was established in September 20, 1995 as a share company by 11 shareholders with an authorized and subscribed capital of birr 50,000,000. It started its service by opening 11 area banks in the capital, Addis Ababa and other major towns of the country.

Dashen Bank coined its name from the highest peak in the Country, mount Dashen, and aspires to be unparalleled in banking. Headquartered in Addis Ababa, the Bank is the biggest private Bank in Ethiopia. It operates through a network of 146 Area Banks, nine dedicated Forex Bureaus, 170 ATMs and 834 plus Point-of-Sale (POS) terminals spread across the length and breadth of the nation. It has established correspondent banking relationship with 464 banks covering 71 countries and 175 cities across the world. Wherever business takes customers around the world.

Dashen Bank is the most reputable brand in the domestic banking market; a reputation earned through consistent delivery of values and preeminence unmatched by its competitors. The Bank also works in partnership with leading brands in the electronic payments industry (American Express, VISA, MasterCard & UnionPay cards) and prominent money transfer operators (Western Union, Money Gram, Express Money, Dahabshiil, Trans Fast, EzRemit, Flo Cash & Dawit Money Transfer). According to the manager, the Wolkite branches of Dashen bank is started to use electronic banking since 2002 E.C. using only one ATM machine and up to 2007 the branch has 2400 users of electronic payment system.

1.3 Statement of the problem

Bank customers demand efficient, fast and convenient services. They want a bank that would offer them services that was meet their particular needs and support their business goals; for example, businessmen want to travel without carrying cash for security reasons (Namita Rajput, 2011).

Electronic payment system i.e., payment card (VISA) is one of the latest electronic payment systems. The major advantage (opportunity) with visa card is that it allows the customer to make everyday purchases without having carry cash. The system is safe and competent alternative to cash when making payments. VISA cards can be used anytime, anywhere (Microsoft Encarta premium, 2009).

Banks invest a lot of money so as to expand the electronic banking particularly for electronic payment systems through information communication technology (ICT) facilities. The problem to be addressed in this case is whether such systems have effect on the banking system or not (C.S.V Murthy, 2004). If the electronic payment system is efficient, it was increasing the quality of the bank's service and the satisfaction of customers. But if the electronic payment system is not efficient and effective, it was having negative effect on the banks quality and customers satisfaction.

Therefore, it is advisable to investigate the impact of electronic payment system on Dashen bank wolkite branch's service quality by raising the following leading research questions.

1. What seem the prospects of electronic payment system in Dashen bank s.co in relation to creating efficiency and enhancing effectiveness in banking transactions?
2. What are the benefits of electronic payment system to customers and the bank?
3. What are the problems associated with the use of electronic payment?
4. What are the impacts of electronic payment system on bank's quality of Dashen Bank wolkite branch?
5. What are the possible recommendations that should be forwarded based on the finding of the study?

1.4 Objective of the study

1.4.1 General objective

The general objective of the study is to assess and examine the effects of electronic payment system in the bank's service quality improvement of Dashen bank wolkite branch.

1.4.2 Specific objectives

The study had the following specific objectives:

- To evaluate the prospects of electronic payment system in Dashen bank s.co in relation to creating efficiency and enhancing effectiveness in banking transactions.
- To evaluate the impact of electronic payment system in Dashen bank s.co. Both positive as well as negative impacts.
- To assess the benefit of electronic payment system to customer and the bank.
- To check whether electronic payment system enhances customer satisfaction or not.
- To give remedy solutions to specific problems.

1.5 Significance of the study

The following points are the major significances of the study.

- It can help the bank managers to recognize the changes that the electronic payment system brings to the bank.
- It was helping the bank to focus on electronic payment system so as to attract customers and increase its market share as customers are sensitive to new technologies.
- It indicates the limitations of electronic payment system, so that they can be alleviated by the management through strategic as well as operational plans.
- It was helping the society at large to increase their awareness regarding the importance of electronic payment system.

- It can be used as secondary information for interested researchers who want to conduct further study in this topic as well as in the organization.

1.6 Scope of the study

The study is bounded towards electronic payment system in Dashen Bank Share Company Wolkite branch. Among other electronic banking implementations in that bank such as mobile banking, online banking and international money transfer, the study focuses on the effect of electronic payment system on service quality improvement of Dashen bank in Wolkite branch

1.7 Limitation of the Study

The researcher may face major constraint like; lack of time and budget, unwillingness' at respondent to fill the questionnaire and unwillingness at respondent to give back the questionnaire to the researcher. The researcher was convincing the respondent to give their patience for the success of the study and it was not affecting the result at end.

1.8 Organization of the Study

The research paper is organized in the following form: chapter one discusses introduction; chapter two discusses review of related literature; chapter three discusses Research methodology part; chapter four also discuss discussion, analysis and presentation of data; and chapter five discusses the results, conclusions and recommendations.

CHAPTER TWO

LITRATURE REVIEW

2.1 Overview of electronic banking

Electronic banking has long been recognized to play an important role in economic development on the basis of their ability to create liquidity in the economy through financial intermediation between savers and borrowers. It also offers financial services and products that accelerate settlement of transactions and in the process reduce cash intensity in the financial system, encourage banking culture, and catalysis economic growth. (Olorunsegun Shittu, 2010).

E-banking is about using the infrastructure of the digital age to create opportunities both local and global. E-banking enables the dramatic covering of transaction cost and the creation of new types of banking opportunities that address the barriers of time and distance. Banking opportunities are local global and immediate in E-banking.

E-banking is more than just internet banking in the still evolving e-climate in the economy, it involves using the net to exploit new opportunities by transforming products and markets and business processes.

E-banking also means developing new relationship with customers, regulatory authorities', suppliers and banking partners with digital age tools, for example, it requires all understanding. Customer/bank relationships was be more personalized resulting in novel modes of transaction processing and services delivery.

E-banking is essentially about banks using new age methods and tools to expand into new banking markets and grow. Creating a corporate online presence for your bank should be more than just buildings a website. It should be about building a web business for your bank, to do this effectively the people in charge, i.e., the CEOs not just IT directors and managers must have a deep knowledge of what E-banking culture demands. (Olorunsegun Shittu, 2010).

IT today, E-business, E-commerce is not about routine information management or automation, it is about being these unique tools to create opportunities, create new markets, new processes and growth or increase the creation of e- wealth.

The E-banking must monitor the environment local and global with the aim of understanding and mastering its environment. E-banking thus involves collaboration (local and international) on payments systems, cashless transactions, digital cash and other electronic based projects.

It can be seen that other immense potentials can only be realized if bank management and staff, not just the systems staff are sufficiently literate and aware, and presently the banking industry still has a lot to do in terms of training staff. The speed of change together with the need for proper orientation for the e-world makes training even more of a necessity (Anyanwaokoro M, 1999)

In conclusion to be a true E-bank each bank must identify its own unique targets, focus and style, banks need to realize that E-banking is more than simply banking on the internet, E-banking is more than having a web-site, E-banking is about building a web business for your banks.

Type of Electronic Banking

Electronic banking consists of the following, mobile banking, internet banking, telephone banking, electronic card etc. (Olorunsegun Shittu, 2010)

Mobile Banking

Mobile banking involves the use of mobile phone for settlement of financial transactions, it supports person to person transfers with immediate availability of funds for the beneficiary, mobile payments use the card infrastructure for movement of payment instructions as well as secure SMS messaging for confirmation of receipt to the beneficiary, mobile banking is meant for low value transactions where speed of completing the transaction is key

Internet Banking

Internet banking involves conducting banking transactions such as account enquiry printing of statement of account; funds transfer payments for goods and services, etc on the internet (World Wide Web) using electronic tools such as the computer without visiting the banking hall.

Telephone Banking

These are banking services which a customer of a financial institution can access using a telephone line as a link to the financial institution's computer center. Services rendered through telephone banking include account balance funds transfer, change of pin, and recharge phones and bills payment.

Electronic Card

An electronic card is a physical plastic card that uniquely identifies the holder and can be used for financial transactions on the internet, automated teller machine (ATM) and point-of sales (Pos) terminal, to authorize payment to the merchant (seller). The various types of electronic cards includes debt, credit cards, releasable cards require visiting banks for replenishment, debit cards are linked to local bank accounts and offer immediate confirmation of payment while credit line and can be used for are linked to a credit line and can be used for accessing local and international networks and were widely accepted in most countries, the underlying infrastructure and operational rules are often provided by global trusted schemes (such as visa and master card) in addition to local lines.

2.2 Payment Systems in Ethiopia

2.2.1 Traditional Payment Instruments Currently Applied

Cash

Cash is a legal tender defined by the national bank of Ethiopia (NBE) to represent values and used as major instrument of payment. NBE has authorized Birr to be used as a legal tender throughout the country. Like in the other African countries, in Ethiopia also cash is a dominant means of payment.

Cash is so popular because of the following reasons:

- ❖ It can be immediately converted it to other forms of money without the intermediation of any financial institution.
- ❖ It is portable and requires no authentication.
- ❖ It provides instant purchasing power for those who possess it.
- ❖ It supports micro payment.

- ❖ Payments carried out through cash have zero transactional cost for both the payer and the payee.
- ❖ It is not required to possess bank account or use special hardware devices for using cash.
- ❖ It is totally anonymous.

On the other hand, cash can easily be stolen and is usually not convenient for large amount of transactions (E.g., You cannot easily buy a house with cash). Cash also does not provide a float (the period of time between a purchase and actual payment for the purchase). It also forces the payer and the payee to physically present them. Those cash are not a convenient means of payment. (Tsegai and Wondwossen, 2005)

Checking Transfer

Checking transfer is a fund transferred directly via a signed draft or check from a consumer's checking account to a merchant or other individual. Checking transfer is the second most common form of payment in terms of number of transactions in Ethiopia. Through it is not possible to find the exact magnitude of percentage share of check based and cash-based payments in the country. Cash based payment exceed check based payment.

Checks have the following property

- ❖ Checks are typically used for large transactions and usually not used for micro payment.
- ❖ Checks have usually some floats.
- ❖ Checks are not anonymous and required third party institution to work.
- ❖ Checks can more easily be forged (copied) than cash.

The check clearing office in Addis Ababa which is run by NBE enables a payer from a given bank to issue a check payable to a payee from different bank. This office named Addis Ababa clearing office (AACO) is responsible for this task. ACCO carry out its duties morally commercial bank must deposit a certain amount of money as reserve at NBE to be a member of the AACO when checks are issued from a customer of a given payable to a member from different bank money was be transferred from payer bank reserve at NBE to payee's bank reserve at NBE. The manual check clearing system run by CBE lags behind the automated countries such as Tunisia and Egypt. (Tsegai and Wondossen, 2005)

2.3 Electronic Payment Instruments

Swift

Swift (Society for Worldwide Interbank Financial Telecommunication) is closed network used by bank and other financial institutions throughout the world. SWIFT provide a messaging service that enable to settle majority of high value payment international banks in Ethiopia currently settle their foreign transaction payment through swift. According to the information obtained from NBE, most banks in Ethiopia use swift primarily for international payment. E.g., commercial bank of Ethiopia.

Western Union Money Transfer

Western union is the world's largest money transfer network. It has more than 212,000 agent locations in over last countries. In Ethiopia there are four agent companies of western union. These are the commercial bank of Ethiopia, construction and business bank, united bank and Dashen bank.

In Ethiopia, money transfers are paid out in Ethiopian birr maximum principal payout is 60,000ETB per transaction in Ethiopia money transfer sent to Ethiopia must include test question to be answer by the receiver. Western union identifies and disseminates consumer awareness for its customers to prevent fraud, unlike swift which is used to transfer money from Ethiopia to abroad and vice versa, western union is used to transfer money from abroad to Ethiopia only.

2.4 Card Based Payments

Total Fuel Card

In 2005, Total Ethiopia has introduced Abyssinia card. A smart card used for fuel payment. Out of one hundred twenty total fuel stations found in Ethiopia the card can be accepted at any of the forty-five stations scattered throughout Ethiopia. The card has two options for payment: post invoice and pre-paid.

At the fuel station users have to supply their fuel card together with the correct PIN (Personal Identification Number) code. The card readers at the fuel station communicate with the card and authenticate users based on their PIN. If the PIN is correct the reader provides information such as the amount of money left on the card. Whether the user is allowed to purchase fuel on that particular fuel station and other similar information. If the user buys fuel using his/her card the

right amount of money was be deducted from his/her card. Users must fill their fuel card account once the money on the card is used up. Fuel station that gives card payment service communicate to the main office through telephone line once a day to pass payment information card recharging it then by paying card at main office. (Tsegai and Wondossen, 2005)

Mobile Prepaid Card Payment System

The mobile phone prepaid card payment system is successful instance of card payment system in Ethiopia. Currently it is used by prepaid mobile phone users. Users have to charge their phone account to get mobile phone services. Account filling is done by supplying a secret number to the payment server through the mobile phone. The secret number id found on the pre-paid phone card that the user buys from shops.

The payment system is used in Addis Ababa and other cities in Ethiopia where mobile phone service is offered. The number of pre-paid mobile phone users is increasing from time to time; in fact, the number of pre-paid mobile users is greater than the number of postpaid mobile phone users.

Credit Card

Currently the usage of credit card in Ethiopia is very low. There is no issuer of local and international credit cards but there are some business firms (for e.g., hotels, supermarkets, etc.) that accept international credit card. Dashen bank currently gives encashment services to VISA and master card users. This payment system is mainly used by foreigners and Ethiopians residing abroad as they come to Ethiopia and want to get money using credit card. Dashen bank only acts as merchant accepting credit card issued by banks outside Ethiopia. But now the bank starts issuing its own payment cards. These cards are international payment cards like visa and master card. This move was pave the way to introduce e-payment in Ethiopia. In addition to Dashen bank, commercial bank of Ethiopia, Wegagen bank (Agar card) and Zemen bank are also start giving the service. (www.2merkato.com)

Credit Card in Ethiopian Airlines

The Ethiopian airline currently provides an option for its customers to buy fly tickets online using their credit card. These credit cards are international credit cards such as master card and

visa customers who preferred to pay online using credit card are required to submit their credit card upon online registration. After the customers have completed their flight, details online their credit card was be charged. Tickets can be delivered by mail collected at the airport or issued at the city ticket office.

Automatic Teller Machine (ATM) in Ethiopia

ATM service in Ethiopia is offered by commercial bank of Ethiopia (CBE) and dashen bank of Ethiopia. CBE give the service with 8 ATMs in Addis Ababa whereas dashen bank is giving the service for over 70ATMs in all branches of the bank throughout the country. (Dashen Bank annual report, 2011)

These ATMs enable customers to withdraw limited amount of money from their account at any time. The ATMs also enable customer to check their account balance. But depositing money through ATM is not currently possible. In order to get ATM service customers, need ATM card and secret PIN codes. The ATM card is a smart card used for security purpose only. The ATM card coupled with a pin code provides state of the art authentication scheme called two factor authentications.

Major challenge in the usage of ATM is the unreliable telecommunication networks which result in temporary service interruption. (Tsegai and Wondossen, 2005)

2.5 Payment Card Services at Dashen bank

In 2011, the payment card services have witnessed significant strides. The card acceptance network has expanded to 70 Automatic Teller Machines (ATMs) and 704 Point of Sale (POS) terminals. As a manifestation of the growing acceptance of the value propositions bundled in our Payment Card Service, 48,402 additional customers have subscribed to the VISA branded Dashen debit card, raising the total number of cardholders to 151,452. As a result, the volume and value of transactions entertained on our ATMs and POS terminals have grown substantially. This business volume has remained pivotal in substantiating the investment on the payment card system. In the reporting period, the Bank generated USD 75 million from international cards (VISA, MasterCard and Maestro). (Dashen bank annual report, 2011)

2.6 Empirical Studies Related with E_ payment system

A lot of related studies were conducted by researchers in different Ethiopian town. Nevertheless, there are limited numbers of studies were conducted in wolkite town on the Bank service quality and improvement particularly on E-Payment system services. Specifically, Garda chew (2010) conducted research on the opportunities and challenges of E-Payment in wolkite. The aim of his study was focused on analyzing the status of E-Payment in wolkite and investigates the main challenges and opportunities of implementing E-Payment system. The author conducted a survey on the existing operating style of banks and identifies some challenges of using E-payment system, such as, lack of suitable legal and regulatory frame works for E-commerce and E-payments, political instability in neighboring countries, high rates of illiteracy and absence of financial networks that links different banks.

According to Garda chew (2010), Opportunities offered by ICT through e-learning programs and Commitment of the governments on development of ICT infrastructures is considered as drivers of using E-commerce and E-payment systems. Ayana, (2012) also conducted research on quality improvement of E-payment System in Ethiopian Banking industry. The study was conducted based on the data gathered from four banks in Ethiopia. The result of the study indicated that, the major barriers Ethiopian banking industry faces in the quality improvement of electronic payment are: security risk, lack of trust, lack of legal and regulatory framework, Lack of ICT infrastructure and absence of competition between local and foreign banks. The study also identified perceived ease of use and perceived usefulness as a driver of adopting E-payment system.

Study conducted by Khalfan et al., (2006) on ‘Factors influencing the adoption of internet banking in Oman. Data, used in their study were collected using semi structured interviews and survey questionnaire as well as reviewing some bank documents. The results of their study provide a Pragmatic picture about the quality of E-Commerce applications in the core financial sector domain of Oman. One of the main findings is that security and data confidentiality issues have been a major challenge. The banking sector was reluctant to use E-commerce applications as they felt that transactions conducted electronically were open to hackers and viruses, which

are beyond their control. Lack of top management support is the other inhibiting factor in the quality improvement of electronic commerce applications as per their finding.

Much documentation on E-banking services has been carried out elsewhere. However, in developing town like wolkite, there is little evidence concerning E-payment. As far as E-payment is concerned, a lot of researches on internet banking, mobile banking and modern service delivery channels have been done in different countries in the world. As per the knowledge of the researcher only a very limited number of researches have been done on E-payment in Ethiopian Banking like that of (Ayana, 2012), (Gardachew,2010). Therefore, more studies are still required to assess challenges and opportunity of E-payment in the wolkite town to identify areas in which the country lags behind their E-payment system.

The previous studies focused on factors influencing quality improvement of E-payment technology. This study focused on different factors affecting not only improvement but also development of E-payment technology in Dashen bank wolkite town branch. Secondly, this study also conducted following almost all type of E-payment products is being provided by almost all commercial banks in wolkite town. This study is, therefore, intending to fill the gap by describing the effect of electronic payment system on bank service quality improvement in Dashen bank wolkite branch.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Study area

The study was conducted on the impact of electronic payment system on service quality of dashen bank's Wolkite branch in Wolkite town, which is located in Addis Ababa to jimma road, SNNP Regional State.

3.2 Research design

A descriptive survey research design was used to assess the effect of electronic payment on bank's service quality Dashen of Bank Wolkite branch.

3.3 Data Collection Technique and sources

The study had used both primary and secondary data sources. The primary was collected from employees and customers of the bank's branch using questioner, which contains both close-ended and open-ended questions. The data were collected by the principal investigator. The questionnaire was completed by the participants under the supervision of the researcher in order to improve clarity d limit response bias.

Secondary data collection is data collected by someone else for some other purpose (but being utilized by the investigator for another purpose). In the secondary data collection, the researcher uses different documents, books, manual and different materials which relate with electronic payment system and also was use internet to investigate the problem and to recommend what should to be done in the future.

3.4 Sampling Technique

The sampling technique which was used in this study are both judgmental and convenient sampling techniques for two different respondents. Judgmental sampling technique were used to select employees of the bank and convenient sampling technique to select customers of the bank.

3.5 Sample Size

From the total number of 35 employees of the bank's branch 20 employees who have direct relationship electronic payment system were selected using judgmental sampling but from the total customers of the bank's branch 30 customers were selected using convenient sampling, as they come to the bank during the data collection period.

3.6 Method of Data Analysis presentation method

The collected data was analyzed using descriptive statistics analysis methods like Percentage, frequency etc. but the analyzed data was presented using table.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Introduction

This chapter of the research deals about the presentation, analysis, and the interpretation of the data that obtained through questionnaires. The study is focused on the effect of the electronic payment system on the bank service quality improvement and the analyzed made based on the question that are mentioned in the statement of the problem.

4.1 Background information of Respondents

4.1.1 Personal information of employees

As shown in table 4.1 below, the collected data indicates that, 35% of the respondents are diploma holders, 65% are degree holders. This indicates that majority of employee of the bank are first degree holders. From the data collected it could be that 5% of the respondents have worked less than 2 years, 45% of the respondents worked 3 to 5 years, 30% of the respondents worked 6 to 9 years but the remaining 20% of the respondents worked in the bank above 9 years.

The table 1.1 below indicates that 15% of the respondents are clerk, 10% of the are loan officers, 10% of them are payment card officers, 25% of the respondents are money transfer officers but 40% and majority of the remaining respondents are working as auditors, accountants etc.

Regarding the department in which employees belong, table 1 reveals that 30% of the respondents found in cash management, 10% of the respondents in credit management, 10% of them in foreign banking and 20% of the respondents belong to business development department. But the reminder of 30% percent of the respondents are belongs to other departments like control and operations management department.

Table 4.1: Personal information of the employees

No	Characteristics	Response	Frequency	Percentage
1	Educational background	Diploma	7	35%
		Degree	13	65%
		Above degree	-	-
2	Work experience	Less than Two years	1	5%
		3-5 years	9	45%
		6-8 years	6	30%
		9 years above	4	20
3	Position in the bank	Clerk	3	15%
		Loan officer	2	10%
		Payment card officer	2	10%
		Payment transfer officer	5	25%
		Others	8	40%
4	Departments	Cash management	6	30%
		Credit management	2	10%
		Foreign banking	2	10%
		Business development	4	20%
		Others	6	30%

Source: own survey, 2015

4.1.2 Personal information of Customers

As it has been revealed in table 4.2, 30% of the respondents were female but 70% of respondents were also male. Therefore, majority of the respondents who were addressed under this study are male customers of the bank.

Regarding age of the respondents, table 2 reveals 26.7% of responders age is between 19 and 25 years, 30% are between 26 and 30 years, 23.3% are between 31 and 35 years, and 20% are between 36 and 40 years. Therefore, respondents of the study were between 19 years and 40 years.

Table 4.2: Personal information of the employees

No	Characteristics	Response	Frequency	Percentage
1	Gender	Diploma	9	30%
		Degree	21	70%
2	Age	Below 18	-	-
		Between 19 & 25	8	26.7%
		Between 26 & 30	9	30%
		Between 31 & 35	7	23.3%
		Between 36 & 40	6	20%
		Above 40	-	-
3	Educational level	Below 12th grade	7	23.3%
		Diploma	8	26.7%
		First Degree	12	40% %
		Above First Degree	3	10%

Source: own survey, 2015

Educational levels of the respondents of the study are also revealed as, 23.3% of the respondents have below 12th grade educational level, 26.7% have educational level of diploma, 40% have first degree educational level, but 10% of the respondents have above first-degree educational level. Therefore, majority (50%) of the respondents have above first-degree educational level.

4.2 Electronic payment system in Dashen Bank

4.2.1 VISA Card Use In Dashen Bank

As it is indicated in table 4.3, below, 90% of the respondents are using Dashen bank's VISA card but the reminder 10% of the respondents do not use Dashen bank's VISA card. As per the response of the bank customers, the reasons for choosing to use Dashen bank are nearness of the bank branch to respondents' residential home, to get quick service, to use VISA card, and because the bank have many networked branches.

Table 4.3: Usage of Dashen bank's VISA card

No	Item	Response	Frequency	Percentage
1.	Do you use Dashen bank's card service?	Yes	27	90%
		No	3	30%

Source: own survey, 2015

As indicated in table 4.4, concerning the reason that the customer used to use electronic payment (card service), 13% of the customer used it for purpose time saving. 20% of the respondent

agreed that it is secured from theft and the other 67% of the customer agreed that it allow them to withdrawal cash at any time. This implies that the majority of the customer indicated that the card service allows them to withdraw cash at any time.

Table 4.4: Reason for using electronic payment

No	Item	Response	Frequency	Percentage
2	Reasons for using Dashen Bank's VISA card	For time saving	4	13%
		Convinient & secured	6	20%
		Secured from theft	-	-
		Withdrawal cash at any time	20	67%

Source: own survey, 2015

4.2.2 Performance of Automatic Tailor Machine (ATM) of the bank

As indicated in table 4.5, concerning the effectiveness and efficiency of ATM machine, 67.7% of the customer agreed that ATM machine perform effectively and efficiently and the least 33.3% of customer indicated that ATM machine doesn't perform effectively and efficiently. This implies that majority of the customer agreed that ATM machine perform effectively and efficiently.

Table 4.5: ATM performance

No	Item	Response	Frequency	Percentage
3.	Does ATM machine perform effectively and efficiently?	Yes	20	67.7%
		No	10	33.3%

Source: own survey, 2015

As indicated also in table 4.6, in relation to the time does (length of time) to get the service from the ATM, 40% of the customer agreed that the ATM takes 1-2 minutes to provide service. But the remaining 60% of the customer responded that the ATM above 2 minutes to provide service. This implies that majority of the respondents agreed that the ATM takes above 2 minutes to provide service.

Table 4.6: Frequency of time to use Visa ATM

No	Item	Response	Frequency	Percentage
4	If the ATM machine perform effectively and efficiently, how long it takes to get the service?	Less than 1 min	-	-
		1-2 min	12	40%
		Above 2 mins.	18	60%

Source: own survey, 2015

As indicated in table 4.7, Concerning the satisfaction of customer 73% of the customer, are satisfied and 20% of the customer are partially satisfied. On the other hand, 7% of them are dissatisfied. This implies that the majority of customers are satisfied with Visa card/ATM service

Table 4.7: Satisfaction of customer

No	Item	Response	Frequency	Percentage
5	Do you satisfy with Visa card or ATM service?	Satisfied	22	73
		Partially satisfied	6	20
		Not satisfied	2	7

Source: own survey, 2015

As it is indicated in the table 4.8 below, 33.3% of customers and 75% of employees of the assesses the overall performance of the bank's electronic payment system is excellent, 36.7% of Customers and 25% of employees of the bank assess it as very good, 13.3% of the Customers assess it as good, 10% of the respondents also assess it as fair performance, but the remaining 6.7% of the respondents assess the overall performance of the electronic payment system as poor.

Table 4.8: Overall performance of Dashen bank's electronic payment system by customers & employees

No	Item	Response	Customers		Employees	
			Frequency	%ge	Frequency	%ge
6	How can you assess the overall performance of Dashen bank's electronic payment system?	Excellent	10	33.3%	15	75%
		Very good	11	36.7%	5	25%
		Good	4	13.3%	-	-
		Fair	3	10%	-	-
		Poor	2	6.7%	-	-
		Very poor	-	-	-	-

Source: own survey, 2015

As it is indicated in the above table 8, 33.3% of customers and 75% of employees of the assesses the overall performance of the bank's electronic payment system is excellent, 36.7% of Customers and 25% of employees of the bank assess it as very good, 13.3% of the Customers assess it as good, 10% of the respondents also assess it as fair performance, but the remaining 6.7% of the respondents assess the overall performance of the electronic payment system as poor.

Therefore, from these discussions it can be concluded as majority (70%) of the customers and employees (75%) assess the overall performance of the electronic payment system as very good and excellent.

4.2.3 Benefits of ATM of the Dashen bank

Table 4.9 indicated that 93.3% of the respondents replied that they are benefited from the electronic payment system (from the ATM) of the bank but the reminder 6.7% of respondents reveals that they are not benefited from the electronic payment system of the bank. Among the benefits of the electronic payment system of the bank, enable them to save time, enable them to withdraw cash at anytime and anywhere (where the ATM available) if they need to withdraw cash from the bank,

Table 4.9: Benefits of Dashen bank's ATM

No	Item	Response	Frequency	Percentage
7.	Are you benefited from the electronic payment system of the bank?	Yes	28	93.3%
		No	2	6.7%

Source: own survey, 2015

However, the electronic payment system of the bank has some problems which are mentioned as follow: interruption of electric power, Network problem, and dalliance in maintenance of the ATM when it malfunctions.

4.3 Electronic payment and banking service in Dashen Bank

4.3.1 The role of electronic payment system in banking service of Dashen Bank

As it is stated in Table 4.10, 56.7% of customers and 70% of employees of the bank strangely agreed that the introduction of electronic banking has eased the banking service of the bank, 36.7% of customers and 30 % of employees also agreed, but 6.7 % of customers of the bank disagreed. Therefore, majority of the respondents believes and agrees that the introduction of electronic payment system has eased the banking service in Dashen bank.

Table 4.10: Electronic payment system easing banking service

No	Item	Response	Customers		Employees	
			Frequency	%ge	Frequency	%ge
8	Do you agree that the introduction of electronic banking has eased banking	Strongly agree	17	56.7	14	70%
		Agree	11	36.7	6	30%
		Neutral	-	-		
		Disagree	2	6.7%		
		Strongly disagree	-	-		

	services of Dashen Bank?					
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Source: own survey, 2015

4.3.2 The role of electronic payment system on customers satisfaction

As it has been stated in the table 4.11, 80 % employees of the bank strongly agreed and 20% of employees agreed that there is positive relationship between electronic payment system and customers satisfaction. Which means employees of the bank believes that the banks electronic payment system has positive impact on customers satisfaction.

Table 4.11: opinions of employees on customers satisfaction

No	Item	Response	Customers	
			Frequency	%ge
9	Do you agree that there is a positive relationship between introduction of electronic payment system and customer satisfaction?	Strongly agree	16	80%
		Agree	4	20%
		Neutral	-	-
		Disagree	-	-
		Strongly disagree	-	-

Source: own survey, 2015

4.3.3 Electronic payment system and banks performance

As stated in the table 4.12, 30% of customers of the bank believes that the electronic payment system has impact on the bank's performance. But the majority 70% of customers of the bank didn't believes that the electronic payment system has no impact on the bank's performance.

Table 4.12: impact of electronic payment system on bank's performance by customers

No	Item	Response	Frequency	Percentage
10	Do you believe that the electronic payment system has impact on performance of the bank?	Yes	9	30%
		No	21	70%

Source: own survey, 2015

However, as it is indicated in the table 4.13 below, employees of the bank believes that the electronic payment system of the bank have positive impact on the banks performance. As per the employees of the bank the following are the impacts:

- Using technology customers time can be saved
- It enables the bank to provide easy, fast and accurate bank service to customers
- It enables customers of the bank to withdraw cash at any time
- It reduces bank transactions

- It enables the bank to reach more customers, as a result the bank can expand its market share by attracting customers

Table 4.13: impact of electronic payment system on bank’s performance by employees

No	Item	Response	Customers	
			Frequency	%ge
11	Is Dashen Bank’s electronic payment system having positive impact on overall performance of the bank?	Strongly agree	18	90%
		Agree	2	10%
		Neutral	-	-
		Disagree	-	-
		Strongly disagree	-	-

Source: own survey, 2015

4.3.4 Electronic payment system and bank services quality improvement

As it revealed in table 4.14, 80% of customers of the bank believes the electronic payment system of the banks has improved the quality of service given by the bank. But the remaining 20% of the respondents does not believe that the electronic payment system has impact on service quality improvement.

Table 14: service quality improvement

No	Item	Response	Frequency	Percentage
10	Does the electronic payment system have improved the quality of service in the bank?	Yes	24	80%
		No	6	20%

Source: own survey, 2015

Among the service improvements of the bank by the introduction of electronic payments the following are stated by customers of the bank: customers can access bank services without the help of bank experts or employees of the bank, no need to go to bank to get the bank service but with the help of electronic payment system it is possible to access the bank service at the ATM terminal, enable customers to get bank service without queue, and it make the payment system

easy which means if the customers of the bank have not cash but the VISA card it easy to make payment through it.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

Under this chapter conclusions of the study based on the results analyzed and presented the previous chapter and recommendations based of the finding of the study are discussed

5.1 Conclusions

The study entitled “the effect of electronic payment system on bank service quality improvement a case of Dashen bank Wolkite branch “was conducted in Wolkite branch’s Dashen bank by have the objective of assessing and examining the effects of electronic payment system in the bank’s service quality improvement in Dashen bank. To achieve this objective the researcher had used a descriptive survey research design, data were also collected from primary data source by using questioner as a means of data collection method. Respondents (20 employees and 30 customers of the bank) of the study were selected using judgmental sampling method for employees and convenient sampling methods for customers in which they come to appear to use Automated Tailor Machine (ATM) in the branch bank. The data collected were analyzed using descriptive statistics which are percentage and frequency and presented using tables. Therefore, based on the analyzed data and findings presented in chapter four, the following conclusions are drawn by the researcher.

- Majority of employee respondents who were included in this study were holders of bachelor degree and working as clerk, loan officer, payment card officer, auditors, accountants for more than two years in efferent departments of the bank. But regarding customer respondents, majority of them were male respondents in the age category between 19 and 40 years with educational background of bachelor degree and above first degree.
- Majority of the respondents were choosing Dashen bank and its electronic payment system because of the nearness of the bank branch to their residential

home, to get quick service, and because the bank has many networked branches. In addition, respondents choose Dashen bank's VISA card system for the purpose of saving time to get banking service, convenient and secured payment system, and because the system enabled them to withdraw cash at anytime needed.

- Majority of the respondents (from both customers and employees) evaluate the performance of the ATM machine as very good and it is working effectively, even if customers are losing more than two minutes to get service from the ATM machine and the machine have the following problems: interruption due to electric power; Network problem, and dalliance in maintenance by the bank's maintenance workers of the ATM when it malfunctions.
- The introduction of electronic payment system has eased the banking service in the bank's branch, improved the service quality and performance of the bank (as respondents believes and agrees). Among the impacts of the introduction of electronic banking on performance of the bank, the following are provided by the respondents.
 - ✓ Using technology customers time can be saved
 - ✓ It enables the bank to provide easy, fast and accurate bank service to customers
 - ✓ It enables customers of the bank to withdraw cash at any time
 - ✓ It reduces bank transactions
 - ✓ It enables the bank to reach more customers, as a result the bank can expand its market share by attracting customers
- Lastly, according to the respondents the service quality of the bank is improved due to the introduction of electronic payment system in the branch. From the improvements some are: customers are enabled to access bank services without the help of bank experts or employees of the bank, no need to go to bank to get the bank service but with the help of electronic payment system it is possible to access the bank service at the ATM terminal, enable customers to get bank service

without queue, and it make the payment system easy which means if the customers of the bank have not cash but the VISA card it easy to make payment through it

5.2 Recommendations

Based on the conclusions reached by the researchers the following recommendations are forwarded:

- As it has been exhibited from the finding of the study customer were choosing Dashen bank and its electronic payment system because of the nearness of the bank branch to their residential home, to get quick service, and because the bank has many networked branches. Therefore, it is recommended that to expand it branch in the town to expand its market share and t o reach more customers who have the idea to use the banks electronic banking system in their nearest and thereby increase its performance.
- Even if, employees and customers of the bank evaluate the bank's electronic payment system as effective and efficient, some problem like instability of electric power, network problem and maintenance problems were seen by customers. Therefore, the bank's branch is recommended those mentioned problem by discussing with the concerned body, like Ethio-Telecom and Ethiopian electric power authority. In addition, for the maintenance problem of the Machines and instability of electric power, it is recommended to prepare a stand-by maintenance unit since the bank have small number of ATM machines in the town and prepare a stand by diesel electric generator.
- Majority of the respondents also believes the introduction of electronic payment system has improved the service quality of the bank. So, to sustain and enhance the improved service quality, the bank is recommended to increase the number of ATM machines and open other point of sale terminals in different areas.

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APPENDIX
WOLKITE UNIVERSITY

DEPARTMENT OF ACCOUNTING AND FINANCE

1. QUESTIONNAIRE DESIGNED FOR CUSTOMERS OF DASHEN BANK

Dear sir/madam

I am a student in the above-mentioned department and institution. Presently am conducting research on “*Effect of electronic payment system on bank Service quality Improvement (In the case of Dashen bank Share Company)*” in partial fulfillment of the requirements for the Bachelor of Arts Degree in Accounting and Finance. The findings are strictly to be used for academic purpose only. The information you provide is highly valuable for the success of the research.

Please do not enter your name or contact details on the questionnaire.

N.B. please tick (√) in the appropriate box provided to indicate your answers.

Part one: Socio demography status of the customers

1. Gender

Male Female

2. Age

Below 18 Between 19 and 25
Between 26 and 30 Between 31 and 35
Between 36 and 40 Above 40

3. What is your educational level?

Below 12th grade First degree
Diploma Above first degree

Part two questions that related to electronic payment

4. Why do you prefer Dashen Bank?

Because it is nearby my residence For the purpose of using visa card

Because it provides quick service because it has many networked branches

5. Do you use Dashen visa card?

Yes No

6. If your answer is yes for question number 5, why do you choose to use visa card payment?

To save time
Because it convenient to make payments
To be more secured
Because it enables me to receive cash from my account anytime
Any other

7. Does ATM machine perform effectively?

Yes No

8. If your response is yes for question number 7, how much time does it take to get the service?

Less than 1minute 1-2 minutes More than 2 minutes

9. Are you benefited from the electronic payment system of the bank?

Yes No

10. If your answer for the question number 9 is “Yes”, what are these benefits?

11. How can you assess the overall performance of Dashen bank’s electronic payment system?

Excellent Very good good Fair
 Poor Very Poor

12. Do you agree that the introduction of electronic banking has eased banking services of Dashen Bank.

Strongly Agree
Agree

Disagree
Strongly Disagree

13. Does the electronic payment system has improved the quality of service in the bank?

Yes No

14. If your answer to question number 13 is “Yes”, How does the electronic payment system have improved the quality of service in the bank? _____

15. Do you believe that the electronic payment system has impact on performance of the bank?

Yes No

16. If your answer for question Number 15 is “Yes”, How was the electronic payment system have impact on performance of the bank? _____

17. What are the major problems you face in using visa card payment system?

.....

.....

.....

.....

18. Are you satisfied by the electronic payment system provided by Dashen Bank?

Satisfied Partially satisfied Unsatisfied

2. QUESTIONNAIRE DESIGNED FOR EMPLOYEES OF DASHEN BANK

Dear sir/madam

I am a student in the above-mentioned department and institution. Presently am conducting research on “*Effect of electronic payment system on bank Service quality Improvement (In the case of Dashen bank Share Company)*” in partial fulfillment of the requirements for the Bachelor of Arts Degree in Accounting and Finance. The findings are strictly to be used for academic purpose only. The information you provide is highly valuable for the success of the research.

Please do not enter your name or contact details on the questionnaire. Among the electronic payment systems provided at your bank, the researcher would like to get information on payment card system only.

N.B. please tick (√) in the appropriate box provided to indicate your answers.

Part one—demographic information of the participants

1. Educational back ground

Below 12 th grade	<input type="checkbox"/>	First degree	<input type="checkbox"/>
Diploma	<input type="checkbox"/>	Above first degree	<input type="checkbox"/>

2. How long have you been as an employee at Dashen bank?

Less than 2 years	<input type="checkbox"/>	6-8 years	<input type="checkbox"/>
3-5 years	<input type="checkbox"/>	9 years and above	<input type="checkbox"/>

3. What is your position at Dashen bank?

Clerk	<input type="checkbox"/>	Payment card officer	<input type="checkbox"/>
Loan Officer	<input type="checkbox"/>	Money transfer officer	<input type="checkbox"/>
Any other	<input type="checkbox"/>		

4. To which department do you belong?

Cash management	<input type="checkbox"/>	Foreign banking	<input type="checkbox"/>
Credit management	<input type="checkbox"/>	Business development	<input type="checkbox"/>

Part two- questions that related to electronic payment

5. Do you agree that the introduction of electronic payment system have prospect to the bank i.e. enhancement of effectiveness of banking transactions.

Strongly Agree	<input type="checkbox"/>	Disagree	<input type="checkbox"/>
Agree	<input type="checkbox"/>	Neutral	<input type="checkbox"/>
		Strongly Disagree	<input type="checkbox"/>

6. The Dashen Bank’s electronic payment system has positive impact on overall performance of the bank?

Strongly Agree	<input type="checkbox"/>	Disagree	<input type="checkbox"/>
Agree	<input type="checkbox"/>	Neutral	<input type="checkbox"/>
		Strongly Disagree	<input type="checkbox"/>

7. What are the impacts of electronic payment system on the performance of the bank?

8. The introduction of electronic payment system would enhance the fortune of the bank.

Strongly Agree	<input type="checkbox"/>	Disagree	<input type="checkbox"/>
Agree	<input type="checkbox"/>	Neutral	<input type="checkbox"/>
		Strongly Disagree	<input type="checkbox"/>

9. The electronic payment system at Dashen bank has positive effect on customers of the bank.

Strongly Agree	<input type="checkbox"/>	Disagree	<input type="checkbox"/>
Agree	<input type="checkbox"/>	Neutral	<input type="checkbox"/>
		Strongly Disagree	<input type="checkbox"/>

10. Do you agree that there is a positive relationship between introduction of electronic payment system and customer satisfaction?

Strongly Agree Disagree
Agree Neutral Strongly Disagree

11. The introduction of electronic banking has eased banking transactions.

Strongly Agree Disagree
Agree Neutral Strongly Disagree

12. How can you assess the overall performance of Dashen bank's electronic payment system in the past 3 years?

Excellent Poor
Very good Fair Very poor

13. The bank can secure competitive advantage over its rivals by having electronic payment system.

Yes No

14. If your answer for question number 13 is "Yes", how the bank can secure competitive advantage over its rivals by having electronic payment system? _____

15. If your answer for question number 13 is "No" why the bank cannot secure competitive advantage over its rivals by having electronic payment system?

Thank you!