



**EVALUATION OF E-BANKING ON THE PERFORMANCE OF
COMERCIAL BANK OF ETHIOPIA AND USER EXPERIENCES**

**A RESEARCH PAPER SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING AND FINANCE OF WOLKITE UNIVERSITY IN PARTIAL
FULFILMENTS OF THE REQUIREMENTS FOR BACHELOR OF ARTS
DEGREE IN ACCOUNTING AND FINANCE**

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DATE: MAY 2023

WOLKITE, ETHIOPIA

ACKNOWLEDGMENT

First ,our innumerable praise to the almighty GOD for giving us the opportunity ,capacity and guidance throughout my life and which enabled us to undertake this research paper .Secondly ,i would like to extend our deep indebtedness to our advisor MS LAKECH.S for her vital comments ,encouragement and guidance .Thirdly, i would like to thank all employees and manager of our sampled commercial bank in Wolkite town for the politeness and cooperation in giving us the data that came in handy in doing this research Lastly but not least my deepest thank is goes to my father and friends they providing us every support relevant for my study.

ABSTRACT

The bank has always been a very intense business, especially in the last few decades when information technology had a strong influence on the banking sector. This research followed almost the same pattern, particularly by examining the factors influencing information technology adoption. However, little work has been done to identify these factors in electronic banking services in developing African Countries.

The purpose of this research is to evaluate the influence of E banking in Commercial Bank of Ethiopia. The research has used factors perceived ease of use, quality, service, efficiency, and e-banking adoption. The data were collected from 50 respondents of CBE. This study uses the descriptive analysis. The results show that customer trust mediates between the perceived ease of use, infrastructure, security, and e-banking adoption. The practical result of this research is the provision of information and knowledge to the Ethiopian Commercial Bank, which is the financial backbone of this country. Further, combining Trust in technology will improve confidence in Ethiopian banking sector. Hence, the government should make more efforts to sustain and improve e-banking through technology-driven innovation in the banking sector.

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List of Acronyms and Abbreviation

ATM Automatic Teller Machine

CBE Commercial Bank of Ethiopia

E-banking Electronic Banking

ICT Information Communication Technology

POS Point Of Sale/Purchase

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Early 1980s, Banks attempted to provide their customers with remote banking services which represented the foundation of internet banking services. It enables financial institution customers, individuals or business, to access accounts, transact money or gather information on financial products, at anytime and anywhere as long internet connectivity is available.

Banks started using electronic banking to increase banks profitability while increasing satisfaction of their customers as its banking operation hours are not limited and they are not limited to their location. With Internet Banking, customers can conduct their banking activities quickly and efficiently without leaving their homes or offices. Internet Banking decreases the transaction costs for the customer.

Banking operations have evolved from the mere exchange of cash, cheques and other negotiable instruments to the application of Information and Communications Technology (ICT) to banking transactions. In the mid-nineties internet banking really caught on. What attracts customers to internet banking is the round the clock availability and ease of transactions. Electronic banking is a new paradigm in banks product and service delivery. Electronic banking products and services have become increasingly popular in the past three decades.

The 21st century advancement in technology has played an important role in improving service delivery standards in banking industry. In its simplest form, Automated teller machines (ATMs) and deposits machines now allow customers carryout banking transactions beyond banking hours.

In Ethiopia the most dominant medium of exchange is cash, despite a rapid increase in the number of financial institutions since financial liberalization; the Ethiopian banking system is

still underdeveloped compared to the rest of the world. All banks in Ethiopia are too late to move with technological advancement and they should clearly chart out the time schedule for their integration and technological advancement. Some of the banks even today do not have their own websites which can help them to provide at least the information on financial services offered by them. In spite of this almost all banks started installing ATMs. Currently, debit service only gives for Visa and master cards and clients of respective banks can withdraw cash and can buy goods and services by using the debit card.

Commercial Bank of Ethiopia (CBE), being the pioneer in introducing ATM based payment system; it currently is implementing various e banking services to improve its operational efficiency and profitability. More than Birr 12 billion was transacted using the various E banking channels during the first quarter of the fiscal year i.e. July 01, 2016 to September 30, 2016.

In order to improve the practice of E-banking in developing countries, a better understanding of the challenges and practices of e banking is critical. By gaining an in-depth understanding of the factors and conditions that influence developing country's ability to fully adopt and realize its benefits, strategic implications can be generated for the researchers and practitioners regarding how to promote the growth of E-banking in the developing countries.

1.2 Background of the Organization

The history of Commercial Bank of Ethiopia (CBE) dates back to the establishment of the state bank of Ethiopia in 1942. CBE was legally established as a share company in 1963. In 1974, CBE merged with the privately owned Addis Ababa Bank. Since then, it has been playing significant roles in the development of the country. Commercial bank of Ethiopia combines a wide capital

base with more than 37,894 talented and committed permanent employees and it has more than 1456 branch stretched across the country. Currently CBE has more than 37.9 million account holders and the number of mobile and internet banking users also reached more than 6.6 million and active ATM card holders reached more than 8,3 million as of april 30 2023 (CBE report, 2023). Commercial Bank of Ethiopia (CBE), being the pioneer in introducing ATM based payment system; it currently is implementing various e banking services to improve its operational efficiency and profitability. More than Birr 12 billion was transacted using the various E banking channels during the first quarter of the fiscal year i.e. July 01, 2016 to September 30, 2016. In order to improve the practice of E-banking in developing countries, a better understanding of the challenges and practices of e banking is critical. By gaining an in-depth understanding of the factors and conditions that influence developing country's ability to fully adopt and realize its benefits, strategic implications can be generated for the researchers and practitioners regarding how to promote the growth of E-banking in the developing countries. Through CBE's Internet Banking, many transactions can be carried out from the comfort of your home or office. The online services include:

- Viewing account balances and transactions. •

Making fund transfers between a customer's own current accounts and savings accounts.

- Effecting payments to third parties, including bill payments to predefined CBE customers within Ethiopia.

- Viewing and downloading Current and Saving account statements. • Requesting for Stop Payments on cheques, etc.

- Applying for a Letter of Credit.

Other Services

Commercial Bank of Ethiopia has one of the most powerful mobile banking services, in terms of its popularity, with more than two and a half internet banking users. Its ATM service is all around which makes it easy to withdraw money wherever you go. Apart from that, its integration with many day-to-day providers is putting much burden off on traditional banking. Internet, Mobile, and CBE Birr are of alike services as share the same functionalities with the public, with minor changes and updates.

Online Banking

- Mobile Banking
- Internet Banking
- CBE Birr

Card banking

- ATM
- POS

1.3 Statement of the problem

Electronic Banking has been widely used in developed countries and is rapidly expanding in developing countries. However, Internet infrastructure based on relatively old technology blocks the achievement of expected performance of banks in developing. The impact on the profitability of some electronic banking is negative. And some argue that the e-banking may be exploited as a new delivery channel by the financial services industry to completely reorganize the structure of banks. The use of electronic channels (without physical channels) threatens traditional retail banks as pure e-banking can compete with lower overheads. The provision and the

implementation of e-banking have been slow, probably due to the limited range of services offered at that time. Which point out that the e-banking may act as a facilitator in payment systems as it provides a broader range of services at all times, and thus assists the growth and profits of bank. Banks started using electronic banking to increase banks profitability while increasing satisfaction of their customers as its banking operation hours are not limited and they are not limited to their location. Currently Ethiopian banks are using electronic banking increasingly than before and it's gaining acceptance, but there is no clear evidence on whether electronic Banking increase profit of banks and make their operational cost lower. Undeniably the largest state-owned bank CBE is the pioneer in introducing e-banking service in Ethiopia during 2001. Moreover, CBE has had Visa membership since November 14, 2005. While due to lack of appropriate infrastructure, it failed to reap the fruit of its membership in early periods. The bank has borne considerable costs for implementing e-banking infrastructure, for the training of its employees and creating the environment which would increase the service quality, image, brand value and goodwill expecting to cover these implementation costs in short run and even to achieve profits. Hence it becomes important to investigate the effectiveness of these investments on achieving the desired goal of profit maximization..

1.4 Basic Research Questions

The study is tailored to answer the following research questions formulated on the problems.

- To what extent does adopting electronic banking affect performance of Commercial Bank of Ethiopia?
- What is the effect of these services on service quality of the bank?
- How much e-banking system implementation has affected business efficiency of the bank?

- Does e-banking have significant effect on customer change after the implementations?

1.5 Objective of the study

1.5.1 General objective:

The general objective of this study is to evaluate E banking on the performance of commercial bank of Ethiopian and user experience.

1.5.2 Specific objective:

The specific objectives are;

- To evaluate the effect of electronic banking on customer attraction
- To evaluate the effect of electronic banking on profitability
- To evaluate the effect of electronic banking on service quality

1.6 Significance of the study

The finding of the study will be of great importance as Commercial bank of Ethiopia plays a major role in the economic development of the country. The study mainly focuses on assessing the impact of electronic banking on the performance of the bank as it helps to know if it's profitable on investing on it. It helps commercial banks executives to understand the effect of Electronic banking on profitability of commercial banks in Ethiopia to make it easy in making decision on whether to adopt electronic banking or not.

It helps other banks and financial institutions to make decision to adopt the technology. It's also important for policy makers and regulatory bodies in assessing the legal frameworks affect implementation and objectives of the services.

The study will benefit future scholars and academicians for future research as well as providing literature for future studies on electronic banking.

1.7 Scope and limitation of the study

The aim of the study is to examine the effects of e-banking on the performance of banks .The study is limited only to commercial bank of Ethiopia's selected branches in wolkite town area and the questioners only developed for employees and managers of the institution which exclude external stakeholders such as customer feedback for e-banking . Most commercial Banks started E-banking recently as a result it's important to take the time on account Moreover, various studies and reports were not available concerning e-banking and its impact on profitability

1.8 Definition of used Terms

ELECTRONIC BANKING (E - Banking): This is a web based service that enables a banks customer to access his/her account. (Malak)

INFORMATION TECHNOLOGY: This represents the various types of hardware, data base management, telecommunication and other information processing technologies used in a computer based information system. (Dube.T, 2009)

COMPUTER: A computer is any automatic device usually electronic which is capable of storing relatively large complicated sequence of mathematical and logic operations without human intervention.

ATM: Automated teller machine is the machine you go and find to take money out of your account or get a cash advance.

POS: systems are electronic systems that provide businesses with the capability to retain and analyze a wide variety of inventory and transaction data on a continuous basis. (Blair, 1999)

1.8 Organization of thesis

This study will be organized in the following form: The first chapter is introductory which consists of general background, statement of the research problem, basic research questions, objectives of the study, definition of terms, significance of the study, and delimitation/scope of the study, The second chapter will provide summary of related literature review of theoretical and empirical studies in the study of e banking and its impact on banks performance. Chapter three will be about the Methodology part; which will contain design of the report, subjects/participants of the study, sources of data collection, and methods of data analysis.

Chapter Two: Review of related literature

2. REVIEW OF LITERATURE

The world is changing at an astounding rate and technology is considered to be the key driver for these changes around us. An analysis of technology and its uses show that it has permeated in almost every aspect of our life. Many activities are handled electronically due to the acceptance of information technology at home as well as at workplace. The ATM and the Net transactions are becoming popular. But the customer is clear on one thing that he wants net-banking to be simple and the banking sector is matching its steps to the march of technology. E-banking or Online banking is a generic term for the delivery of banking services and products through the electronic channels such as the telephone, the internet, the cell phone etc. The concept and scope of e-banking is still evolving. It facilitates an effective payment and accounting system thereby enhancing the speed of delivery of banking services considerably

2.1 Theoretical Review

E-banking has a variety of definitions all refer to the same meaning, the following section show some of these definitions. E-banking is a form of banking service where funds are transferred through an exchange of electronic signal between financial institutions, rather than exchange of cash, checks, or other negotiable instruments (kamrul, (2009)).E-banking, also known as electronic funds transfer (EFT), is simply the use of electronic means to transfer funds directly

from one account to another, rather than by check or cash (Malak). Electronic banking is one of the truly widespread avatars of E-commerce the world over.

Today banks are switching to multi-channel distribution of financial services in hybrid platforms, where the traditional services of banks are provided through “bricks and mortar” branches. Such may include deposit-taking, lending, account management, the provision of financial advice, electronic bill payment, and the provision of other electronic payment products and services such as electronic money

2.2 Type of Electronic Banking

E-banking can be defined as a variety of platforms such as internet banking or (online banking), TV-based banking, mobile phone banking, and PC (personal computer) banking (or offline banking) whereby customers access these services using an intelligent electronic device, like PC, personal digital assistant (PDA), automated teller machine (ATM), point of sale (POS), kiosk, or Touch tone telephone. According to (Alagheband) , there are different types of E-banking for example ATM, POS, Internet Banking, Mobile Banking, and so on. And some of the basic are discussed as follow

ATM: An automated teller machine or automatic teller machine (ATM) is an electronic computerized telecommunications device that allows a financial institution's customers to directly use a secure method of communication to access their bank accounts, order or make cash withdrawals (or cash advances using a credit card) and check their account balances without the need for a human bank teller. It is a device, which offers a range of services to users that are

authorized by using a PIN-code. From a cash ATM, user is able to make payments, withdraw money or view account information.

POS - The system allows consumers to pay for retail purchase with a check card, a new name for debit card. This card looks like a credit card but with a significant difference. The money for the purchase is transferred immediately from account of debit card holder to the store's account.

(Blair, 1999)

Internet / extranet banking: Internet banking refers to systems that enable bank customers to get access to their accounts and general information on bank products and services through the use of bank's website, without the intervention or inconvenience of sending letters, faxes, original signatures and telephone confirmations

Smart Cards: A smart card usually contains an embedded 8-bit microprocessor (a kind of computer chip). The microprocessor is under a contact pad on one side of the card. Think of the microprocessor as replacing the usual magnetic stripe present on a credit card or debit card.

Electronic Funds Transfer (EFT) System: is a system of transferring money from one bank account directly to another without any paper money changing hands.

Mobile/SMS Banking :

Mobile Banking refers to provision and availing of banking and financial services with the help Of mobile telecommunication devices. The scope of offered services may include facilities to Conduct bank and stock market transactions, to administer accounts and to access customized Information. According to (Meuter, 2010), Mobile Banking consists of three inter-related Concepts: mobile accounting, mobile brokerage and mobile financial information services.

Tele banking: By dialing the given Tele banking number through a landline or a mobile from anywhere, the customer can access his account and by following the user-friendly menu, entire banking can be done through Interactive Voice Response (IVR) system.

Depending on the services offered by your financial institution and your cell phone service provider, you may be able to conduct the following banking transactions from your cell phone:

- Receive text message alerts when your account balance reaches a certain level, or when a certain transaction occurs. Check with your cell phone service provider regarding fees for sending and receiving text messages if they are not covered in your plan.
- Access your online bank account to check balances, pay bills, and transfer funds between accounts.
- Locate your bank's closest ATMs.
- Pay for purchases.

As with a regular landline telephone, you can also call your bank to conduct many transactions such as, check your account balance, determine whether checks/transactions have cleared, and transfer money between accounts.

2.3 Need for E-banking

One has to approach the branch in person, to withdraw cash or deposit a cheque or request a statement of accounts. In true e-banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time. Providing e-banking is increasingly becoming a "need to have" than a "nice to have" service. The net banking, thus, now is more of a norm rather than an exception in many developed countries due to the fact that it is the cheapest way of providing banking services. Banks have traditionally been in the forefront of harnessing technology to improve their products, services and efficiency. They have, over a long time, been

using electronic and telecommunication networks for delivering a wide range of value added products and services.

Business organizations are trying to uncover the new technologies coming from the E-commerce applications which has a lower transaction cost resulted to eliminate association in distributing channels .The cost can be reduced to zero in some services like information and manufactured goods information. Transaction of low cost and easiness provides to adopt the new trend of technology to trade information among different groups and business parties. Information and Communication technology transformed business to go from local and global. However it has been said that E-banking is vital in the banking sector of developing countries (Polatoglu, 2001). The online payment system is quite new in banking institutions and dispersion of these innovations can result in more competent online banking systems which resulted in lots of changes in the technologies of the banking sector. Generally E-banking has benefits for banks, customers and for the economy.

2.3.1 Benefit of E-banking for Banks

It should be noted that E-banking can bring about various benefits for banks and their customers as well. It is obvious that cost savings, efficiency, gaining new segments of customers, improvement of the banks reputation and better customer services and satisfaction are primary benefits to banks (Jayawardhena, 2000).

(Sheshunoff, 2000), Contends that one of the most important factors influencing the practice of E-banking by banks is the need to build up strong barriers to customer exiting. Under the view of the author, once customers become familiar with the utilization of full service E-banking, it is unlikely that they will change to another financial institution.

Specifically, banking industry has also received numerous benefits due to growth of E-Banking infrastructure.

- The growth of E-banking has greatly helped the banks in controlling their overheads and operating cost
- Many repetitive and tedious tasks have now been fully automated resulting in greater efficiency, better time usage and enhanced control.
- The rise of E-banking has made banks more competitive. It has also led to expansion of the banking industry, opening of new avenues for banking operations.
- Electronic banking has greatly helped the banking industry to reduce paper work, thus helping them to move the paper less environment.
- Electronic banking has also helped bank in proper documentation of their records and transactions.
- The reach and delivery capabilities of computer networks, such as the Internet, are far better than any branch network

2.3.2 Determinants of Banks profitability

The determinants of commercial banks profitability can be divided into two main categories namely the internal determinants which are management controllable and the external determinants which are beyond the control of management. The internal determinants of commercial banks profitability are those management controllable factors which account for the inter-firm differences in profitability, given the external environment.

Internal determinants themselves can be broadly classified into two subcategories namely financial statement variables and non-financial statement variables. The financial statement (the balance sheet account which includes asset, liabilities, and equity balances and it indicates the

financial position of the firms) variables are determining factors which are directly driven from items in a balance sheet and profit and loss accounts of the bank. On the other hand, the nonfinancial statement (variables seen in this category include management quality, efficiency and productivity, age of the bank, number of branches and technology) variables are those factors which do not directly displayed on the financial statement accounts.

2.3.3 Importance of E-Banking in Business

Businesses rely on efficient and rapid access to banking information for cash flow reviews, auditing and daily financial transaction processing. E-banking offers ease of access, secure transactions and 24-hour banking options. From small start-up companies to more established entities, small businesses rely on e-banking to eliminate runs to the bank and to make financial decisions with updated information. The importance's of E-Banking are as follows:

- Activity Review Business owners, accounting staff and other approved employees can access routine banking activity such as deposits, cleared checks and wired funds quickly through an
- Online banking interface. This ease of review helps ensure the smooth processing of all banking transactions on a daily basis, rather than waiting for monthly statements. Errors or delays can be noted and resolved quicker, potentially before any business impact is felt.
- Productivity E-banking leads to productivity gains. Automating routine bill payments, minimizing the need to physically visit the bank and the ability to work as needed rather than on banking hours may decrease the time involved in performing routine banking activities.

- Lower Banking Costs Banking relationships and costs are often based on resource requirements. Businesses that place more demands on banking employees and need more physical assistance with wire transfers, deposits, research requests and other banking activities often incur higher banking fees. Opting for e-banking minimizes business overhead and banking expenses.
- Reduced Errors Utilizing e-banking reduces banking errors. Automation of payments, wires or other consistent financial activities ensures payments are made on time and may prevent errors caused by keyboard slips or user error. Additionally, opting for electronic banking eliminates errors due to poor handwriting or mistaken information.
- Reduced Fraud Increased scrutiny of corporate finances through audits and anti-fraud measures requires a high level of visibility for all financial transactions. Relying on e-banking provides an electronic footprint for all accounting personnel, managers and business owners who modify banking activities. E-banking offers visibility into banking activities, which makes it harder for under-the-table or fraudulent activities to occur.

2.3.4 Benefit of E-banking for Customers

The benefit of E-banking is not limited to banks but also to their customers. Thanks to the emergence of the Internet, banking transactions are no longer limited to time and geography. It is very easy for consumers throughout the world to access to their bank accounts 24 hours per day and seven days a week. Customers can enjoy a variety of services, especially services which are not provided by traditional bank branches (Pham, 2010). It is argued that one of the greatest Benefits that E-banking brings about are that it is not expensive or even free for customers to utilize E-banking products/services. However, some people believe that prices appear to be one factor that is impedimental to the diffusion of E-banking (Sathye, 1999).

The price debates often revolve around geographical differences and disparities between costs of Internet connections and telephone call pricing. It has also been believed that E-banks have been changing to respond to customers' increasingly changing demands (Pham, 2010). There has been a tendency that customer don't want to travel to or from a bank branch to conduct some banking transactions. In other words, they want to utilize E-banking to save time and money. E-banking can bring about convenience and accessibility, which will have positive effects on customer satisfaction and loyalty (Pham, 2010). It is totally possible for customers to manage their banking transactions whenever they want and to enjoy improved privacy in their interactions with the bank. In Addition, customers can enjoy more benefits at lower cost levels by utilizing E-banking (Mols)

2.3.5 E-banking for service quality

Quality is a concept which requires a concern both in products as well as in services. Various experts have defined it as "fitness for use", "conformance to requirements", "freedom from variation" etc. To market a product, quality plays a pivotal role to sell a product. In fact, quality is considered as most important factor that influence on the buying behavior of the customer. Now the question arises to measure quality of service or a product. In tangible goods like products, quality can be measured by its durability and number of defects, usage of product, packaging, handling etc. However measuring the quality in intangible is a different one. As services are intangible so they are very difficult to measure. Services have a lot of intangible dimensions like communication, credibility, security, competence, reliability, responsiveness which are qualitative by nature and their value is subjective.

As customers become more sophisticated, therefore, it becomes essential to consider the use of technology to respond to their continuously change. Banking is an industry highly which is

highly involved with the customers. Customers in developing economies seem to keep the “technological factors” of services as the yardstick in differentiating good & bad services and the human factor – the employees seem to play a lesser role in discriminating the quality of service for banks. The variation in services offered by the banks develops the excellence for service quality. Banking is no longer regarded as a business dealing with money transaction alone, but it also seems as a business related to information on financial transaction. Customers whether at the corporate level or at retail level have always been important for the banks.

As electronic banking is becoming more prevalent, so level of customer satisfaction is also changing the scenario of technological environment. Informational technology in form of e-banking plays a significant role in providing better services at lower cost. Several innovative IT based services such as Automated Teller Machine (ATM), Internet banking, Smart cards, Credit Cards, Mobile banking, Phone banking, Anywhere-Anytime banking have provided number of convenient services to the customer. So as the service quality improves, the probability of customer satisfaction increases. Increase in satisfaction in turn increases the mutual understanding, customer retention and a bond of trust between customer and bank. The banks which are providing these services to a large extent to customers are more reputed in the eyes of customers. But at the same time technology based products are different in public and private sector banks. Bank automation and electronic banking is fast in private sector comparative to public sector. E-banking is an improvement over traditional banking system because it has reduced the cost of transaction processing, improved the payment efficiency, financial services and improved the banker-customer relationship. The relationship between e-banking and service quality can be studied with the level of satisfaction. As the customer satisfaction is the function of customer expectation level and service quality level provided by the organization. E-banking plays a

pivotal role in giving satisfaction to the customers because e-banking fills the gap between the expected and perceived service quality. So in order to fill this gap, banks should find ways of making electronic services more accessible and by allowing the customer to verify the accuracy of the e-banking transactions. There are number of reasons due to which customer satisfaction due to e-banking has improved.

1. Customer can withdraw funds, transfer funds anytime, anywhere they want.
2. Accessibility has been extended through technological development as it allows customers to do business from their home and office.
3. It makes the banking activities and transaction very simpler to understand.
4. There is no requirement of direct control with bank, as services can be operated wherever customer wants.
5. It has reduced the waiting time of the customer; no long queue standing is required.
6. Availability of employees at all times is not required as these services are provided 24 hours a day, seven days a week.
7. Internet based services has enabled the corporate and retail customers to transact from home, office and traveling.
8. Online fund transfer enabled the customer to transfer funds from one bank to another or within the same bank at same time.
9. Communication, interaction between the bank and customer has been improved due to e-banking. On the whole we can say that e-banking has become pre-imminent method of carrying the banking transaction and to increase the customer satisfaction. With the present chapter an

effort has been made to analyze the impact of e-banking on customer satisfaction with service quality dimension.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.0 INTRODUCTION

This chapter will focus on the methodology and approaches utilized to collect data for this research and methods used for gathering all the data .

3.1 Research methodology

This research is prepared using primary and secondary data from multiple sources and analysis of the gathered data using descriptive analysis of data research designs, samples and sampling techniques, data and its Collection techniques, data analysis techniques.

3.2 Research design

The choice of research is mainly based on factors related to the nature of the research topic which is evaluation of e banking on performance of commercial bank of Ethiopia and user experience and type of information sought during data collection also the perception of reality and the availability of resource During data analysis but the main purpose of this research is to evaluate e banking on performance of the bank and customers or user experience in using this digital system.

3.3 Sampling method

The number of branches operating in wolkite town during the year as of april 30, 2023 reached 4 divided in to four location, bekur , gubre, joka, and wolkite branches. The bank provides e banking services through all its branches spread in wolkite town. Therefore, all the four CBE branches situated in wolkite town are the population of the study. . The sampling technique used is purposive sampling as it is relied on own judgment when choosing the samples.

3.4 Data and Data source

In this study both primary and secondary data will be used to conduct the research. The primary data source will be the one the researcher collects through direct questionnaires. Secondary data will be gathered for analytical purpose it is gathered from published and unpublished documents of CBE. In order to carry out the study a structured questionnaire is going to be used as a primary source for data collection in order to investigate e-banking usage and its impact on the bank of CBE

3.5 Method of data analysis

The underlying factor in most studies on research methodology is that the selection of methodology is based on the research problem and stated research questions. Methodologies cannot be true or false. Descriptive analysis was used to analyze impacts of e-banking on banks performance by using qualitative and quantitative methods.

CHAPTER FOUR

RESULTS AND DISCUSSION

INTRODACTION

The subject of this study was focused on evaluations of E-banking on CBEs performance and user Experian's. Presentations and discussions of the findings derived from the analysis of data are elucidated after a detailed literature review. Furthermore, it also deals with the effects and advantage of E-banking on profitability of commercial bank of Ethiopia.

4.1 Response Rate

The study targeted a total number of 50 questionnaires distributed and all 50 questionnaires were filled and returned with valid response.

		N=50	100%
Gender	Male	35	70
	Female	15	30
		Total=50	100

Table 4- 1 Gender of respondents

Figure 4- 1 gender of respondents

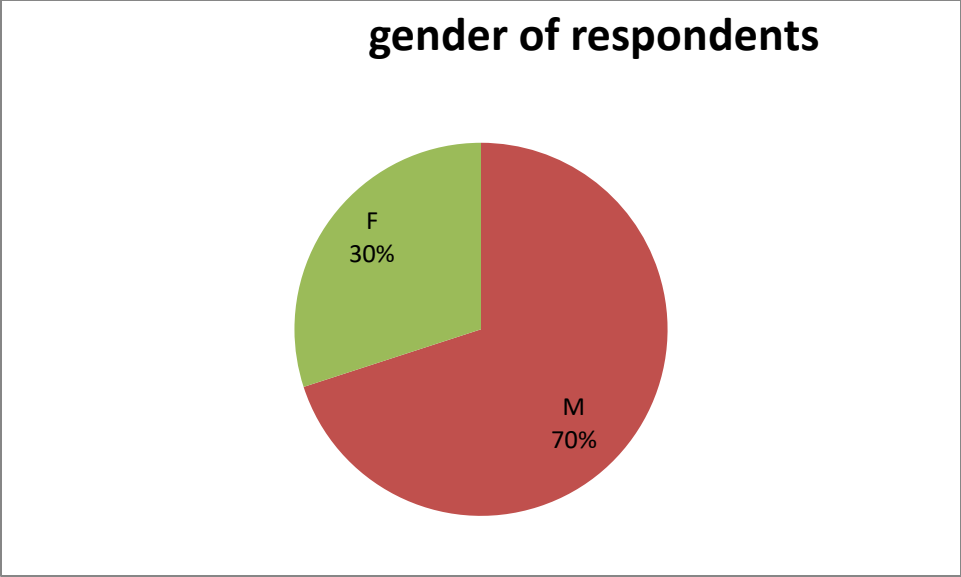
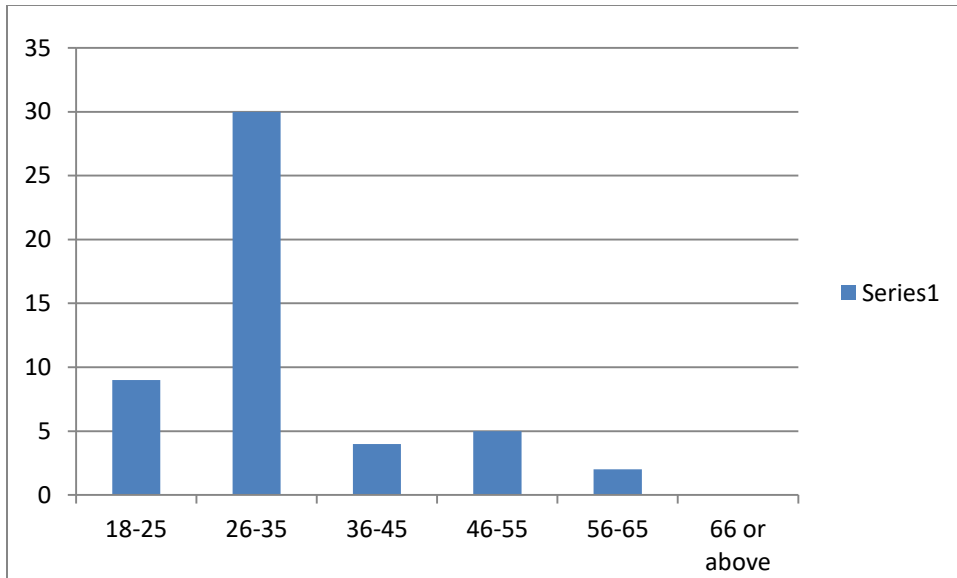


Table 4.1 shows the gender of the respondents. As can be seen 70 percent of respondents are male and the remaining 30 percent are females. Hence, the involvement of female’s employee in CBE almost insignificant when compared with male participation

Table 4- 2 Age of respondents

Age	18-25	9	18
	26-35	30	60
	36-45	4	8
	46-55	5	10
	55-65	2	4
		TOTAL=50	100

Figure 4- 2 Age of respondents



In the case of classification of respondents by age the highest percentage of participants are young (26-35 years old) which form 60% of total respondents followed by the age group 18-25.

Table 4- 3. Educational qualification of respondents

Educational qualification	12 complete	3	6
	Diploma	4	8
	Degree	35	70
	Master and above	8	16
		TOTAL=50	100

Regarding the educational level of the study participants, the highest percentage of them has bachelor degree which is 70% of the total respondents followed by those who have Masters which is 16%, while those with diploma and who completed 12 are 4% and 3% respectively.

Working experience of respondents

Table 4- 4 working experience of respondents

Working experience in CBE	< 2years	3	6
	2-5 years	38	76
	6 – 10 years	8	16
	>10 years	1	2
		TOTAL=50	100

Working experience of respondents

Table 4- 5 working experience of respondents

Working experience in CBE	< 2years	3	6
	2-5 years	38	76
	6 – 10 years	8	16
	>10 years	1	2
		TOTAL=50	100

Figure 4- 3 working experience of respondents

Considering work experience of the respondents most of them (76%) have 2-5 years of experience, while the remaining 16%, 6%, and 2% of the respondents have worked for less than 2 years, 6-10, and above 10 years respectively.

Table 4- 6 Professional position of respondents

Professional position	secretary	2	4
	Officers	43	86
	Managers	4	8
	Directors	1	2
		Total=50	100

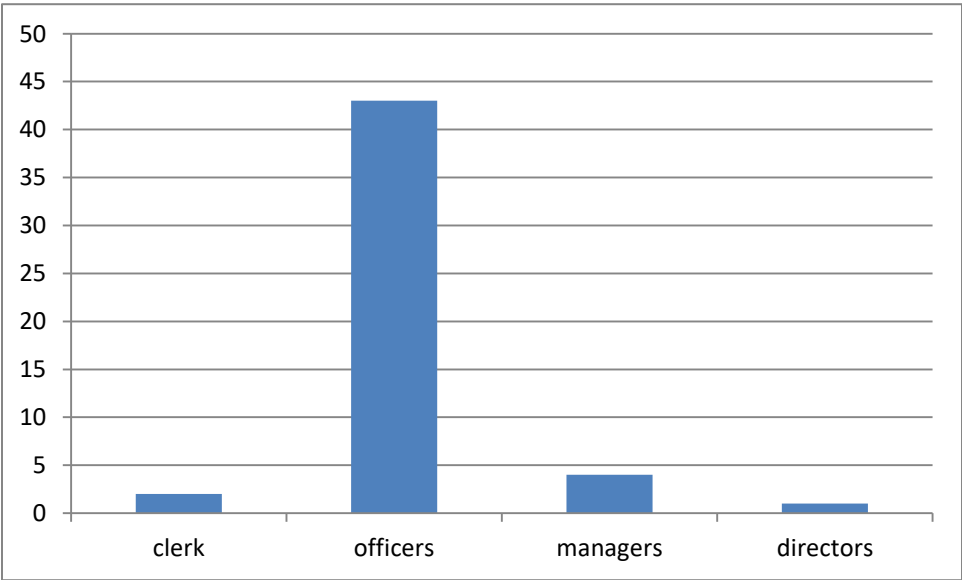


Figure 4- 4 professional position of respondents

4.2 Demographic Information

Background Information about the Respondents

A total of 50 questionnaires were completed and used in the data analysis, indicating a 100% response rate. Gender, educational background (qualification), age, employment experience, and position were all included in demographic questions to identify the respondent's attributes in general

4.3 Benefits of E-banking

An advantage that is expected to be gained from the practice of E-banking covers both direct and indirect benefits for the banking industries, customers and for the economy. Direct benefits include savings on operational cost, improved organizational functionality, productivity gain, improved efficiency, saving of time and increased profitability. Indirect benefits include the opportunity or intangible benefits such as improved customer's satisfaction through improved services, improved banking experience and fulfillment of their changing needs and lifestyle (Lu, 2005) In order to access E-banking services, it is important that bank should have ICT infrastructure and internet facility available to facilitate their customers with all kinds of E-banking services. (Pikkarainen, 2004) Argued that bank must have an official website which facilitates customers to perform all kinds of E-banking transaction so that, It saves customer cost and time as adopting E-banking system. Customer can make transactions from their home. Customer can pay their bills, can pay their loans, credit and debit card facilities. In other words it provides freedom from location, saves time and cost. This research wants to approve such global truth are also working for the case of Ethiopia.

4.4 Impacts of E-banking on service and quality

Respondents were asked about the bank's main banking system's reliability. As a result, the vast majority of respondents (over 60%) said that their systems were always operational and accessible on a weekly basis, while 28% agreed that their systems were operational and only the remaining respondents or 4% and 2% were neutral and had disagreed respectively. 66% of the respondents strongly agree that e-banking has impact on reducing error while 24% agreed and 6% were neutral while 4% disagreed. .majority of the respondents agree that e-banking has impact on reduction of inconveniences associated with providing banking service, saving time, and making customer satisfied by reducing the risk of holding cash and hence making them loyal to the bank. So we can conclude from the data that E-banking has a positive effect on service and quality of the bank.

Table 4- 7 Employees answer on impacts of E-banking on service and quality

E-banking		N = 50	100 %
Improves operational reliability	Strongly disagree	0	0
	Disagree	2	4
	Moderate	4	8
	Agree	14	28
	Strongly agree	30	60
Reduce error	Strongly disagree	0	0
	Disagree	2	4
	Moderate	3	6
	Agree	12	24

	Strongly agree	33	66
Is associated with reduction of inconveniences associated with providing banking service	Strongly disagree	0	0.00
	Disagree	0	0.00
	Moderate	2	4
	Agree	8	16
	Strongly agree	40	80
	Strongly disagree	0	0.00
	Disagree	1	2
Saves time	Moderate	1	2
	Agree	10	20
	Strongly agree	38	76
Enhanced client satisfaction with its financial services	Strongly disagree	0	0.00
	Disagree	2	4
	Moderate	6	12
	Agree	27	54
	Strongly agree	15	30
reduce danger of		3	6

holding cash	Strongly disagree		
		4	8
	disagree		
		5	10
	moderate		
		16	32
	Agree		
	Strongly disagree	22	44
Customers will be more loyal to the bank	Strongly disagree	5	10
	disagree	7	14
	moderate	13	26
	agree	12	24
	Strongly agree	13	26

4.5 Impacts of E-banking for business efficiency

Customer satisfaction is a measure of how products and services provided by a company in order to meet or surpass customer's expectation. When perceived service quality is higher than customer expectation, then it will lead to improve in customer satisfaction.

Maintenance of high level of employee satisfaction and retention is essential if customer satisfaction has to be achieved and employees must be essentially viewed as internal customers by the management.

The respondents were asked if E-banking allowed to reduce employees and decreased the need to open branches, majority of them strongly disagreed that e-banking contribute on downsizing and

on decreasing the need to open branches. And for the questions on whether e-banking had increased the income of the bank and reduced fraud and the cost of stationary and storage costs except some of the respondents who remain neutral and some who disagreed most of them agreed. So we can say that E-banking has positive impact on business efficiency of the bank

Table 4- 8 Employees answer about impacts of E-banking on business efficiency

E-banking		N = 50	100 %
Allows bank to reduce number of employees	Strongly disagree	20	20
	Disagree	19	38
	Moderate	4	8
	Agree	4	8
	Strongly agree	3	6
It decreased the need to open branches	Strongly disagree	17	34
	Disagree	16	32
	Moderate	7	14
	Agree	2	4
	Strongly agree	3	6
Provided the bank with significant source of foreign exchange	Strongly disagree	5	10
	Disagree	3	6
	Moderate	2	4
	Agree	15	30
	Strongly agree	25	50

Banks deposit mobilization has improved	Strongly disagree	0	0.00
	Disagree	3	6
	Moderate	2	4
	Agree	27	54
	Strongly agree	18	36
The banks income has increased	Strongly disagree	0	0.
	Disagree	0	0
	Moderate	2	4
	Agree	18	36
	Strongly agree	30	60
It assisted the bank in reducing of the risk of fraud	Strongly disagree	3	6
	disagree	4	8
	Moderate	4	8
	Agree	20	40
	Strongly agree	19	38
The bank has been able to	Strongly disagree	4	8
	disagree	3	6

minimize stationary costs	moderate	5	10
	agree	19	38
	Strongly agree	19	38
It has decreased banks storage cost	Strongly disagree	0	0
	disagree	2	4
	moderate	5	10
	Agree	17	34
	Strongly agree	26	52

4.6 Impacts of E-banking for customer satisfaction

Customer satisfaction is a measure of how products and services provided by a company in order to meet or surpass customers expectation. The researchers (Parasuraman, 1988) proposed that when perceived service quality is higher than customer expectation, then it will lead to improve in customer satisfaction.

Respondents were asked if whether E-banking make CBE preferred bank by the customers 60% of them strongly agreed that their customer started to prefer the bank to others after E-banking was introduced while 28% agreed and 8% stayed neutral while the rest 2% disagreed.

For the question on whether e-banking helped the bank to attract customers 66% of the employees strongly agreed while 24% agreed, 6% stayed neutral and the rest 4% disagreed. And

a question was asked if e-banking helped the customers living in remote areas and 59% of the respondents strongly agreed and 31% agreed while the rest or 10% remained neutral.

They were also asked if e-banking helped them in attracting new customers and corporate clients, majority of them strongly agreed while only some them disagreed and stayed neutral.

This explains that E-banking has helped the company on customer satisfaction a lot.

Table 4- 9 Employees answer on impacts of E-banking for customer satisfaction

E-banking		N = 50	100 %
Contributes to CBE as preferred bank	Strongly disagree	0	0
	Disagree	2	4
	Moderate	4	8
	Agree	14	28
	Strongly agree	30	60
The bank has been able to attract customers	Strongly disagree	0	0
	Disagree	2	4
	Moderate	3	6
	Agree	12	24
	Strongly agree	33	66
The bank has been able to provide banking services to customers who	Strongly disagree	0	0.00
	Disagree	0	0.00
	Moderate	2	10
	Agree	8	31

live in remote areas			
Banks deposit mobilization has improved	Strongly disagree	2	4
	disagree	3	6
	moderate	7	14
	Agree	10	20
	Strongly agree	28	56
The banks income has increased	Strongly disagree	0	0
	Disagree	2	4
	Moderate	6	12
	Agree	15	30
	Strongly agree	27	54
It helped the bank to attract new merchant customers	Strongly disagree	0	0
	disagree	0	0
	Moderate	5	10
	Agree	15	30
	Strongly agree	30	60
Online salary transfers and other services has helped the bank to attract	Strongly disagree	0	0

corporate clients	disagree	2	4
	moderate	3	6
	Agree	10	20
	Strongly disagree	35	70

CHAPTER FIVE

5. SUMMARY CONCLUSIONS AND RECOMMENDATION

5.1SUMMARY

According to the descriptive analysis it can be concluded that among the majority of current E-banking users, male employees are dominant, in accordance to the age group the majority of CBE employees are between 26-35, In accordance to the educational level degree holders are the major ones., finally in accordance to work experience the majority have an experience of 6-10years and as it has been seen on the data most part of the society support the adoption of e banking system regarding Impacts of E-banking for business efficiency many of the respondents have positive attitude on the system for a better efficiency of work regarding Impacts of E-banking for customer satisfaction many of the respondents have been satisfied with the system implementation and finally impact of E banking on service and quality many respondents above 60% responded that their system is operational so this system make a better and easy environment for the customers of commercial bank of Ethiopia

5.1. Conclusions

This study aims at investigating the evaluation of e banking on profitability of Commercial Bank of Ethiopia and user Experian's. The study tried to investigate the effect of adoption of E banking services by CBE on its performance in general and on service quality, business efficiency, and customer attractions in particular.

Customers are not affected by system failures to access e banking services because the Commercial Bank of Ethiopia's main banking and e banking systems were active and accessible on a weekly basis.

According to the study's findings, CBE's E banking services have a good influence on minimizing transaction processing mistakes, saving time, lowering the risk of cash handling, and enhancing the bank's operational reliability. As a result of the services' acceptance, the bank's service quality and customer satisfaction have improved.

The finding of the study reveals that adoption of E banking services by CBE has relatively lower importance on reduction of human resource requirements of the bank and the need to open new branches.

All categories of CBE employees considered that Electronic banking needs expertise and training, has many legal and security issues and has the chance of fraud as very serious concerns Whereas e-banking has the chance of data loss and chance of government access are given just about average importance.

The study indicates that internet banking, point of sales, automatic teller machine, mobile banking and size of the bank significantly influence financial performance (profitability) of commercial bank of Ethiopia..

5.2. Recommendations

E-banking is a recent financial development in Ethiopia, and specifically in CBE. Ethiopia's Commercial Bank is a catalyst for the country's economic prosperity and development. E banking is a significant issue since it has a significant impact on the bank's overall system and performance. The researcher suggests the following points:

- In order to reap the benefits of the E-banking system, the bank must educate its customers about the system's processes and benefits.

- The bank should focus on providing excellent service to consumers by utilizing a user-friendly E-banking system that is easily accessible.
- CBE must provide intensive training to its personnel on how to use the services effectively and how to promote them to their clients.
- To realize the benefits of its investment, Commercial Bank of Ethiopia must shift away from traditional retail bank competition and toward a new technology-based form of competition that focuses on cost reduction, customer retention, awareness, credibility, security, ease of use, and a broader range of products and services.
- In order for e-banking to be effective, it must be based on good risk management principles.

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Appendices

Table 1 -Time schedule

activities	FEB		MARCH	APRIL		MAY
Submission of draft proposal						
Data collection						
Data processing						
Data analysis						
Report generation						
Submission of first draft						
Submission of final draft						

Table 2 -cost budget

Resource	quantity	Unit cost	amount
Paper and printing	120 pages	1.5	100
Binding	2	15	30
Transportation	10 days	15	150
Internet and phone bills			600
Miscellaneous			400
Total			1280 birr

Annex

Questionnaire

Questionnaire to be filled by Commercial Bank of Ethiopia's Employees

Research Topic: Effect Of E-Banking on Performance of Commercial Bank of Ethiopia in the Case of 5 Branches in Addis Ababa. Dear Respondents, I would like to express my sincere appreciation for your time, honest and prompt responses.

Objective

This questionnaire was created to conduct research on the effects of E-Banking on the performance of Commercial Bank of Ethiopia's 5 branches, with the goal of determining the impact of implementing E-banking services on delivering quality services, increasing efficiency,

and attracting more customers to the Commercial Bank of Ethiopia. The information you provide in this survey will be utilized as primary data for a thesis. As a result, the study is expected to look into the impact of the bank's technology investments on its performance as well as future decisions to adopt more advanced and up-to-date technologies. As a result, your participation is valued as a significant contribution to the research's quality. As a result, I respectfully suggest that you tackle all of the questionnaire's questions. Your sincere and considerate response is quite useful.

Confidentiality

Please be assured that this questionnaire is solely for the purpose of academic research. Any information supplied will be treated with the highest confidentiality and used solely for the stated purpose. Please accept my heartfelt gratitude in advance for your kind help., I remain.

- There is no need of writing your name on the questionnaire.
- In all cases, where answers to options are available, please tick (✓) in the appropriate box

Background Information.

1. Sex: Male Female
2. Age 18-25 26-35 36-45 46-55 56-65 66 or above
3. Educational qualification: 12 Complete Diploma Degree Masters and above
4. Current professional position? Clerk Officers Managers Director Executives
5. Working experience at CBE? A. Less than 2 years B. 2 to 5 years C. 6 to 10 years D. More than 10 years
- 6 Which types of E banking products/services does your branch offer (you can check more than one box). Internet Banking POS Banking Mobile Banking SMS Banking ATM

Banking [] Debit Card [] Credit Card [] Electronic Fund Transfer [] others:

7. CBE e-banking services are operational throughout the time and rarely stop due to system issues.

A. Strongly Disagree []

B. Disagree []

C. Moderate []

D. Agree []

E. Strongly Agree []

		STRONGLY DISAGREE	DISAGREE	MODERATE /NEUTRAL/	AGREE	STRONGLY AGREE
1.	E-BANKING SERVICE AND QUALITY					
1.1.	Adoption of E banking services by CBE improves its operational Reliability.	[]	[]	[]	[]	[]
1.2.	Adoption of E banking has a positive impact on Error Reduction	[]	[]	[]	[]	[]

1.3.	E-banking has aided in the reduction of the inconveniences associated with providing banking services to customers.	[]	[]	[]	[]	[]
1.4.	CBE's introduction of E banking services has helped the bank save time that would have been wasted if the services were provided by bank employees.	[]	[]	[]	[]	[]
1.5.	The bank's introduction of E banking services has enhanced client satisfaction with its financial services.	[]	[]	[]	[]	[]
1.6.	The bank was able to reduce the danger of holding cash by switching from traditional banking services to electronic banking services.	[]	[]	[]	[]	[]
1.7.	Customers will be more loyal to the bank if technology banking services are adopted	[]	[]	[]	[]	[]
2.	E BANKING & BUSINESS EFFICEINCY					

2.1.	The use of electronic banking services allows the bank to reduce the number of employees hired and replace them with technology services such as ATMs, POS devices, and Internet and SMS banking.	[]	[]	[]	[]	[]
2.2.	The introduction of electronic banking services such as ATMs and point-of-sale terminals has decreased the need to open branches all across the country.	[]	[]	[]	[]	[]
2.3.	E-banking products and services, such as ATMs and point-of-sale terminals, have provided the bank with a significant source of foreign exchange.	[]	[]	[]	[]	[]
2.4.	The bank's deposit mobilization has improved as a result of e-banking.	[]	[]	[]	[]	[]
2.5.	The bank's income has increased as a result of service charges earned through the use of E	[]	[]	[]	[]	[]

	banking services.					
2.6.	Electronic banking services have assisted the bank in reducing the risk of fraud perpetrated by some consumers and bank employees.	[]	[]	[]	[]	[]
2.7.	By making transactions paperless, the bank has been able to minimize its stationary costs through the use of E banking services.	[]	[]	[]	[]	[]
2.8.	The adoption of E banking services has decreased the bank's storage costs by eliminating paper transactions.	[]	[]	[]	[]	[]
3.	E BANKING & CUTOMER CHANGE					
3.1.	The availability of electronic banking contributes to CBE's status as a preferred bank among customers.	[]	[]	[]	[]	[]

3.2.	The bank has been able to attract customers from outside the country thanks to the introduction of electronic banking services such as Internet banking.	[]	[]	[]	[]	[]
3.3.	The bank has been able to provide banking services to customers who live in remote areas of the country thanks to the introduction of electronic banking services.	[]	[]	[]	[]	[]

3.4.	E banking products such as POS machines has helped the bank to attract new merchant customers by mutually benefiting from payment facilitation	[]	[]	[]	[]	[]
3.5.	Online salary transfers and other e-banking services have helped the bank attract corporate clients.	[]	[]	[]	[]	[]

1. Please include your general thoughts and/or suggestions on the implementation of electronic banking services and how to improve their impact on CBE

performance. _____
