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## COLLEGE OF BUSINESS AND ECONOMICS

## DEPARTMENT OF ACCOUNTING AND FINANCE

# The Assessment of Challenges and Prospect of **e**-Banking in Commercial Banks in Ethiopia (Case area of selected commercial banks in wolkite town)

A Research paper submitted in partial fulfillment to the requirement for BA Degree in accounting and finance

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**WOLKITE ETHOPIA**

# DECLARATION OF AUTHENTICITY

We Declare that this study entitled (Assessment of challenges and prospects of electronic banking system the case of commercial bank of Ethiopia in wolkite town) is my own work. We have carried out independently the research with the guidance and support of the research advisor. This study has not been submitted to any degree, diploma or any institution. It is done for partial requirement and the B.A degree in Accounting and Finance.

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# ABSTRACT

*Even if the there is insufficient internet, facility and unclear level of customer's attitude towards on the use of e-banking Ethiopian banks including commercial banks in Wolkite town started e-banking services .Therefore, this research attempts to assess the challenges and prospect of inhibiting acceptance of e-banking in commercial banks in Wolkite town.*

*This research was conducted in three selected commercial banks in Wolkite town. The general objective of the study was assessment of opportunities and challenges for the adoption of e-banking service in these selected commercial banks in Wolkite town. From this general objective, three specific issues were explored.*

*The study used data from primary source and some secondary source as a supplement. The data are obtained from the selected respondent from the sample banks. This research focus on describing the current situations of the problem and examining the main challenges and opportunities of e-banking on the selected banks. Mainly this research aims to describe the phenomenon and assess the current situations of e-banking. Therefore, descriptive research is used to fulfill the objectives. The collected data was analyzed by using descriptive analysis such as table, percentages and charts.*

# ACRONYMS

ATM: Automated teller machine E-banking: Electronic banking POS: point of sales

EFT: Electronic fund transfer

UK: United Kingdom

USA: United States of America

SMES: Small and Medium Scale Enterprises

CBE: Commercial Bank of Ethiopia

ICT: Information Communication Technology

PC- Personal Computer

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# CHAPTER ONE

# 1. INTRODUCTION

## 1.1 Background of the study

Nowadays modern technology is being introduced in all fields and it is changing the world with full of innovations. For this reason, traditional banking services are getting modernized by the use of electronic banking.

Banks are focusing on their electronic banking activities and are globally expanding e-banking activities exploring the use of wireless networks and venturing into some new areas of electronic commerce. Banks offer e-banking services to expand market share or as a cost-saving strategy to reduce paperwork and personnel (WWW.ehow.com).

E-banking is defined as the provision of retail and small-value banking products and services through electronic channels. It implies a service that allows customers to use some form of computer to access account banking including various banking activities conducted from sites other than a physical bank location. For instance, all over the world customer rely on ATMs to withdraw money from their demand deposit accounts at any hour (Mescon,2017).

E-banking started in early 1980 both in USA and UK. It really took off with the arrival of the World Wide Web. The evolution of e-banking started with the use of automatic teller machines (ATMs) and online banking. ATMs represent a significant change in the banking industry because they offer a method of delivering bank services to customers without the need for contact between customers and staff. (Handerson, 2016).

Electronic fund transfer (EFT) is another form of electronic banking. These computerized systems allow users to conduct financial transactions efficiently from a remote location. (WWW.eurojournals.com).

In addition to ATMs and EFT, most major banks and money thrifts, and community banks now offer internet or online banking to accommodate the growing number of individuals and businesses that want to transfer money between accounts, check account balance, pay bills, apply for loans, and handle other transactions at any hour. Online banking is not only fast and easy for customers but also extremely cost-efficient for banks. (MichaelH. Mescon,2017). Commercial bank Ethiopia have provided e-banking services for their users. Some of the electronic technologies that have been provided by the bank are automated teller machine technology, internet banking, point of sale, and mobile banking.

In this context, the study was attempt to trace the present status of e-banking in Commercial banks in Ethiopia in those selected commercial banks in the Wolkite town, visualize the opportunities, and looks at the challenges faced in providing the service.

## 1.2 Background of the Organization

The commercial bank of Ethiopia was incorporated as Share Company on proclamation no, 207 /95 October 2003 to take over the commercial banking activities of the former state bank of Ethiopia under this name; it began operation on January 1, 2003 with a capital of Eth, 20,000,000 and served for about 6 years.

According to this proclamation, the main objectives of the commercial bank of Ethiopia are as follow: -

1. To extend commercial bank services throughout the country

2. To encourage the mobilization of saving by making the people aware of the use of banking

3. To extend loans, credit and all other banking facilities to any person for specific purpose and periods.

4. To spread widely banking habits among the people.

VISION: -The bank inspires to become a world-class commercial bank by the year 2025.

Mission: -The bank is committed to maximizing shareholders value through enhanced financial intermediation and customers' satisfaction.

## 1.3 Statement of the problem

One main advancement technology has brought to us is the introduction of e-banking. The internet and different things can do to uplift business procedures, products and services is a current necessity for business. One of the internet's products is e-banking. It is a faster way for clients to transact without the bank's personnel. E-banking service expands market share or is a cost-saving strategy to reduce paperwork and personnel. The internet infrastructure in major cities of Ethiopia is even insufficient; due to a lack of internet facilities (http; ivy thesis, typepad.com). Most of the people of Ethiopia is a customer of traditional banking which is characterized by physical decentralization, with branches scattered around populated areas to give customers easy geographical access (Ainin et al., 2017). Nowadays an electronic banking service is coming into existence. But it is not clear whether all customers are comfortable with e-banking or not (Daniel &Storey,2013).

Even if there is insufficient internet facility and an unclear level of customer attitude towards the use of e-banking, Ethiopian banks including Commercial banks in the Wolkite town started e-banking services. So, this research will attempt to assess the influencing challenges and prospects of inhibiting acceptance of e-banking in Ethiopian commercial banks in the Wolkite town.

## 1.4 Research question

The research attempt to answer the following questions:

1.What are the benefits of adopting e-banking services from the viewpoints of banks?

2.What are the major challenges of the adoption of e-banking in commercial banks in Ethiopia in the Wolkite town?

3.What are the accessible opportunities for the adoption of e-banking services in commercial banks in Ethiopia in the Wolkite town?

## 1.5 Objective of the study

### 1.5.1. General Objective

The main objective of the study is to determine the prospect and challenges of e-banking on commercial banks in Ethiopia particularly in the Wolkite town.

### 1.5.2. Specific Objectives

The specific aims of the study are;

1. To find the benefits realized by commercial banks in the adoption and practice of e-banking.
2. To assess the major challenges of the adoption of e-banking services in commercial banks.
3. To assess the accessible opportunities for the adoption of e-banking services in commercial banks

## 1.6 Significance of the study

This study plays a significance to provide relevant information to public and private banks as well as to the concerned bodies in addressing the challenges and prospects of e-banking in commercial banks in Ethiopia. The study also uses as an initiation for those who are interested to conduct a detailed and comprehensive study regarding the challenges and prospects of e-banking in commercial banks in Ethiopia.

## 1.7 Scope of the study

This study is conducted at three selected commercial banks in Wolkite town. The Bank is Commercial Bank of Ethiopia, at the Wolkite branch, yejoka branch and bekur branch. It would not include other commercial banks in Wolkite town. We select these three banks under consideration of cost and time and under the assumption that they have better e-banking applications than other commercial banks in the Wolkite town.

## 1.8. Limitation of the study

The researcher is faced many problems in doing this research paper, especially in the case of data collection some respondents are unwilling to give true information that is needed for the study. The reason due to the confident of the information. In addition to this, the study has financial and time constraint, experience on the study of the research.

## 1.9 Organization of the study

The research report is organized into five chapters: Chapter one focuses on the background of the study, problem statement, objectives, significance, and scope of the study. In chapter two, a range of literature reviews are captured there to gather relevant information concerning online banking.

In chapter three, a detail of the methodology follows to achieve the resulting outline. It is including the study design, source of data, target population, sampling, data collection instrument, and statistical analysis. Chapter four contains data analysis and presentation interpretation from the study. Chapter five focuses on the conclusions, summary, and recommendations of the study.

# CHAPTER TWO

# 2 REVIEW OF RELATED LITERATURE TERMS AND CONCEPTS OF E-BANKING

## Introduction

This chapter contains both the theoretical and empirical review of the study. The theoretical framework includes: introduction to E-Banking, definition of E-Banking, evolution of E-Banking, E-Banking channels, importance of E-Banking, E-Banking risks and banking in Ethiopia respectively. In addition, it also includes empirical review of the study from different researchers in different countries.

## 2.1 Theoretical review

### 2.1.1 Definition of Electronic banking

Electronic banking is a modern topic in the era of science and technology. Though electronic banking started in the 1980s the revolution has taken place in the 20$^{th}$ century. Since then electronic banking concept is flourished with a populous model, theory, and practical concept. So, before going to discuss any core content of electronic banking, it is good to memorize the fundamental concept of electronic banking which helps to realize the basic concepts of electronic banking.

Electronic banking is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick-and-mortar institution. Therefore, transaction related to bank activities via Electronic mean and medium is called electronic banking (Handerson, 2016).

Different authors have defined it in different ways based on their understanding of the application of electronic banking. According to Daniel (2013), electronic banking is an electronic connection between the bank and the customer in order to prepare, manage and control financial transactions. In the opinion of Daniel (2013), e-banking is online banking (or Internet banking) that allows customers to conduct financial transactions on a secure website operated by their retail or virtual

bank, credit union, or building society. This implies that E-banking is a service that allows an account holder to obtain account information and manage certain banking transactions through the personal computer via the financial institution (Robert Rodriguez marketing new invention) website on the internet.

### 2.1.2 Electronic banking classification

From the viewpoint of use and access media, electronic banking can be classified into three narrow sections (Mescon, 2017).

- Telephone banking (the oldest and poorest one)
- Internet banking (online banking)
- Mobile banking

#### *2.1.2.1 Telephone banking (Telebanking)*

Telephone banking is a service provided by a financial institution that enables customers of the financial institution to perform financial transactions over the telephone, without the need to visit a bank branch or automated teller machine.

It allows consumers to phone their financial institutions with instructions to pay a certain bill or to transfer funds between accounts (FTC, 2006). Bank's point of view, telephone banking reduces the cost of handling transactions by reducing the need for customers to visit a bank branch for non-cash withdrawal and deposit transactions.

#### *2.1.2.2 Internet 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 the bank's website, without the intervention or inconvenience of sending letters, faxes, original signatures, and telephone confirmations (Thulani et al, 2015). For those that have access to the internet and a computer, all you need to do is proceed to your bank's website and log in. From there you have access to all of your accounts that you have at that bank. Transfer funds between your accounts with ease. You can also use online banking to see how much money you have in your accounts and where the money you have spent has gone. Internet banking allows customers of a financial institution to conduct financial transactions on a secure website operated by the institution, which can be a retail or virtual bank, credit union, or society. It may include any transactions related to online usage.

#### *2.1.2.3 Mobile banking*

Mobile banking is a term used for performing balance checks, account transactions, payments, credit applications, and other banking transactions through a mobile device such as a mobile phone or personal digital assistant (Michael H. mescon, 2017). Mobile banking is used in many parts of the world with little or no infrastructure, especially in remote and rural areas. Customers can make their transactions anywhere via mobile.

#### *2.1.2.4 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. For instance, Automated Teller Machine (ATM) and Point-of Sales (PoS) terminal are used to authorize payment to the merchant or seller (James, 2008).

The various types of electronic cards include debt, credit cards; releasable cards require visiting banks for replenishment. Debit cards are linked to local bank accounts and offer immediate confirmation of payment. Credit cards can be used to link a customer to a credit line and can also be used for accessing local and international networks and are 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 (James, 2008).

### 2.1.3 Advantages of electronic banking

After getting the number of services provided by the Ethiopian banks through electronic banking it is easy to what advantages we are getting by establishing and using electronic banking. The advantage can be classified into three categories, these are; National point of view, Banks' point of view, and Customers' point of view (Robert,2002).

Electronic banking systems provided easy access to banking services. Electronic banking (e-banking) reduces the transaction costs of banking for both Small and Medium Enterprises (SMEs) and banks. SMEs need not visit banks for banking transactions, providing round-the-clock services (Cheng, 2006). Banks can benefit from lower transaction costs as E-banking requires less paperwork, less staff, and physical branches (Cheng, 2006) `

### *2.1.3.1 Banks 'point of view*

From the banks' viewpoint, banks are getting some specific advantages after starting electronic banking services. These benefits are; E-banking reduces the capital expenditure and staff cost of the bank.

"Profit maximization; the main goal of every company was to maximize profits for its owners and banks were not any exception. Banks are increasing their profit by reducing the cost of paper, time, etc. By using electronic banking. Thus, automated electronic banking services offered a perfect opportunity for maximizing profits. "Increase services quality; features of electronic banking services include less time, complete transaction, no human conflict, and presence, etc. thus the quality of services of banks is increasing day by day.

"increased customer rate; is the most noticeable change in the bank after starting e-banking services. Customers are accepting this medium besides a traditional account. Ultimately, the profit of the bank is increased.

### *2.1.3.2 Customers' point of view;*

The main benefit from the bank customers' point of view was the significant saving of time through the automation of banking services processing and the introduction of easy maintenance tools for managing customers' money. The main benefits of e-banking were as follows;

- Reduce costs: in accessing and using the banking service
- Increased comfort and time serving: Transactions can be made even after banking hours without the physical interaction of the bank 24 hours a day
- Speed: The response of the medium was very fast; therefore, customers actually waited till the last minute before concluding a fund transfer.
- Convenience: all the banking transactions performed from the comfort of the home or office or from the place a customer wants to.
- Better cash management. E-banking facilities speed up the cash cycle and increase the efficiency of business processes as a large variety of cash management instruments is available on the internet sites of banks.
- Corporations had easier access to information as they checked on multiple accounts at the click of a button

### 2.3.3 Advantages and Disadvantages of internet banking

1. Advantage

- You can make transfers and other changes while the bank is closed.
- To reconcile your statement with your financial management software It is easy to view recent transactions and monitor your account
- It removes the traditional geographical barriers as it could reach out to customers of different countries / legal jurisdictions
- Thousands of Customers can be dealt with at once.

2. Disadvantage

- If the bank's server is down, you can't use it
- Only some places will charge you for online access
- Your internet connection must be working indoors for you to have access

### 2.1.4. Delivery channels of E-banking

E-Banking services are delivered through various electronic means collectively called electronic delivery channels. Electronic Banking is really not one technology, but an attempt to merge several different technologies. The various delivering channels for E-banking are discussed as follows:

#### *2.1.4.1 Automated Teller Machines (ATMs)*

ATMs also called 24-hour tellers are electronic terminals that give consumers the opportunity to bank at almost any time (FTC, 2006).

It is described as a combination of a computer terminal, record-keeping system, and Cash vault in one unit, permitting customers to enter the bank's bookkeeping system with a plastic card containing a Personal Identification Number (PIN) or by punching a special code number into the computer terminal linked to the bank's computerized records 24 hours a day (Rose, 2014).

To withdraw cash, or transfer funds between accounts, a consumer needs an ATM card and a personal identification number. Once the customer logs in, access to transactions is displayed on the screen. It offers several retail banking services to customers.

1. Advantages of ATMs for the banks

- There is a saving in costs because the staff is not needed for routine tasks.
- The machines have the capacity to handle a very high volume of work.
- Outlets for banking services can be provided in a wide choice of locations, not restricted to branch sites.

2. Disadvantage of ATMs for the banks

- There is a loss of personal contact with customers which may make selling other services more difficult.

3. Advantage of ATM for customers

- Service is very quick
- Machines are available in many locations and also in operation when branches are shut

4.Disadvantage of ATMs for customers

- Services are impersonal.
- May be difficult to keep track of transaction because machines don't always web (Handerson,2016)

### *2.1.4.2 Personal Computer Banking Services*

PC-Banking is a service which allows the bank's customers to access information about their accounts via a proprietary network, usually with the help of proprietary software installed on their personal computer. Once access is gained, the customer can perform a lot of retail banking functions. The increasing awareness of the importance of Computer literacy has resulted in increasing the use of personal computers. This certainly supports the growth of PC banking which virtually establishes a branch in the customers' home or office, and offers 24-hour service, seven days a week. It also has the benefits of Telephone Banking and ATMs (Abor, 2004).

It offers consumers the convenience of conducting many banking transactions electronically using a personal computer. Consumers can view their account balances, request transfers between accounts and pay bills electronically from home.

#### *2.1.4.3 Point of Sale (POS)*

POS is an online system that allows customers to transfer funds instantaneously from their bank accounts to merchant accounts when making purchases (at purchase points). It is an electronic payment type that allows credit/debit card holders to make payments at sales or purchase outlets. It allows customers to perform the following services: Retail Payments, Cashless Payments, Cash Back Balance Inquiry, Airtime Transaction, printing mini statements, etc. (Kuma)

#### *2.1.4.4 Credit Cards*

A credit card is a small plastic card issued to users as a system of payment. It allows its holder to buy goods and services based on the holder's promise to pay for these goods and services. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user (Ioannou, 2006).

#### *2.1.4.5 Debit Cards*

A debit card (also known as a bank card or cheque card) is a plastic card that provides an alternative payment method to cash when making purchases. Functionally, it can be called an electronic cheque, as the funds are withdrawn directly from either the bank account or from the remaining balance on the card. In some cases, the cards are designed exclusively for use on the internet, and so there is no physical card (Ioannou, 2006).

### 2.1.5 Characteristics of E-banking

E-banking includes the systems that enable bank customers to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet. Customers' access E-banking services using an intelligent electronic device, such as a Personal Computer (PC), Personal Digital Assistant (PDA), Automated Teller Machine (ATM), telephone (Ibrahim et al 2006).

### 2.1.6. Challenges of e-banking

The concept of e-banking includes all types of banking activities performed through electronic networks. It is the most recent delivery channel of banking services, which is used for both business-to-business and business-to-customer transactions.

Since e-banking offers some smart services benefiting both banks and customers compared with the traditional banking system, it has become essential to make necessary room for banks to increase e-banking. Among others, the attractiveness of e-banking includes: it lowers transaction costs; provide 24- hour services; allows remote transactions facilities that replace the physical presence of a customer in a bank branch, and; increases transaction speed and accuracy. On the other hand, traditional banking is time-consuming and more costly, and therefore, e-banking is replacing traditional banking all over the world.

Banking in Ethiopia faces numerous challenges to fully adopt and adapt e-banking applications and seizes the opportunities presented by ICT applications in general.

Key challenges for e-banking g applications are:

- Low level of internet penetration and poorly developed telecommunication infrastructure: lack of infrastructure for telecommunication, internet, and online payments slow down smooth development and improvements in e-commerce in Ethiopia. Most rural areas of the country, where the majority of small and medium-scale businesses are concentrated, have no internet facilities and are unable to engage in e-commerce activities.

- High rate of illiteracy: low literacy rate is a serious obstacle to the adoption of e-banking in Ethiopia as it hinders the accessibility of banking services. For citizens to fully enjoy the benefits of e-banking. There should not only know how to read and write but also possess basic ICT literacy.
- Lack of Technological Infrastructure – the implementation of e-payment is been impeded by the unavailability of ICT infrastructure. Most rural areas where the majority of small and medium scale industries are concentrated have no access to internet facilities and ICT Equipment
    - Costs – where available, the cost of ICT is a critical factor relative to per capita income. This makes the cost of entry higher compared to developed countries.
    - Regulatory and Legal Issues – inexistence of proper legal and regulatory framework. Resistance to changes in technology among customers and staff due to:

- Lack of awareness of the benefits of new technologies
- Lack of trained personnel in key organizations and
- -Frequent connectivity failure in telephone lines
- Frequent power interruption: lack of reliable power supply is a key challenge for smoothly running e-banking in Ethiopia.

### 2.1.7 Prospects of e-banking

Apart from the developed countries, developing countries are experiencing strong growth in e-banking. The government's emphasis on setting up an ICT park, raising allocation for developing ICT infrastructure, waiving taxes on computer peripherals, and other measures including the automation program of the banking sector and competition among the scheduled banks in improving customer services have accelerated the prospects of e-banking.

specially countries like Ethiopia which has a huge potential customer for such service coupled with a fast-growing economy will be the main advantages of the banking service to offer different products with the help of technology to their customers. The fact that the overall number of commercial banks branch in Ethiopia compared to the size of the population and the area of the country is very minimal, creates a good advantage to expand e-banking facilities and reach the wider population of the country through a fundamental banking system.

We can see the following as some of the prospects of e-banking:

Opportunities offered by ICT through e-learning programs: the school net program introduced in Ethiopia to connect more than 500 schools creates opportunities to citizens to be familiar with ICT applications and increases the awareness of the public (Yayehyirad Kitaw,2015)

Late adopter opportunities: the commercial banks in Ethiopia should take advantage of already developed best and existing software applications.

Commitment of government: the Ethiopian government considers ICT as an indispensable tool to alleviate poverty and facilitate state transformation aiming an effective and efficient service delivery.

### 2.1.8 Risks in E-Banking

Despite its major prospects e-banking have different risks. The major risks that E-banking faces are as follows: -

**Strategic Risk-** A financial institution's board and management should understand the risks associated with e-banking services and evaluate the resulting risks management costs against the potential return on investment prior to offering e-banking services. Poor e-banking planning and investment decisions can increase a financial institution's strategic risk. Banks should respond to these risks by having a clear strategy driven from the top and should ensure that this strategy takes account of the effects of e-banking, wherever relevant. Such a strategy should be clearly disseminated across the business, and supported by a clear business plan with an effective means of monitoring performance against (Teju Kujur & Mushtaq Shah, 2015).

**Business Risk**- Business risks are also significant. Given the newness of e-banking, nobody knows much about whether e-banking customers will have different characteristics from the traditional banking customers. They may well have different characteristics. This could render existing score card models inappropriate, this resulting in either higher rejection rates or inappropriate pricing to cover the risk (Teju Kujur & Mushtaq Shah, 2015).

**Transactional/Operational Risk-** Transactional/Operational risks arises from fraud, processing errors, system disruption, or other unanticipated events resulting in the institution's inability to deliver products and services. This risk exists in each product and services offered. The level of transaction risk is affected by the structure of the institution's processing environment, including the type of service offered and complexity of the process and supporting technology. In most instances, e-banking activities will increase the complexity of the institution's activities and the quantity of its transaction/operations risk, especially if the 12 institution is offering innovative service that have not been standardized (Teju Kujur & Mushtaq Shah, 2015).

**Credit risk** – Generally, a financial institution's credit risk is not increased by the mere fact that a loan is originated through an e-banking channel. However, management should consider additional precautions when originating and approving loans electronically, including assuring management information systems effectively track the performance of portfolios originated through e-banking channels (Teju Kujur & Mushtaq Shah, 2015).

**Liquidity, Interest rate, Price/Market Risks-** Funding and investment –related risks could increase with an institution's e-banking initiatives depending on the volatility and pricing of the

acquired deposits. The Internet provides institutions with the ability to market their products and services globally. Internet –originated deposits have the potential to attract customers who focus exclusively on rates and may provide a funding source with risk characteristics similar to brokered deposits. An institution can control this potential volatility and expanded geographic reach through its deposit contract and account opening practices, which might involve face-to-face meetings or the exchange of paper correspondence (Teju Kujur & Mushtaq Shah, 2015).

**Reputational Risk-** This is considerably heightened for banks using the internet. For example, the internet allows for the rapid dissemination of information which means that any incident, either good or bad, is common knowledge within a short space of time. The speed of the internet considerably cuts the optimal response times for the both banks and regulators to any incident. Any problem encountered by one firm in this new environment may affect the business of another, as it may affect confidence in the internet as a whole. There is therefore a risk that one rogue e-bank could cause significant problems for all banks providing service via the internet. This is a new type of systematic risk and is causing concern to e-banking providers. Overall, the internet puts an emphasis on reputational risks. Banks need to be sure those customers' right and information needs are adequately safeguarded and provided for (Teju Kujur & Mushtaq Shah, 2015).

## 2.2 Empirical Review

Several studies have been conducted on e- banking and the performance of commercial banks overall the world. From those studies, the researcher tried to review some from Ethiopia, Africa and the rest of the world.

Some related studies were conducted by different researchers in different parts of the world. However, there are limited numbers of studies conducted in Ethiopia on e-banking technology. Specifically (Garda chew, 2010) conducted a research on the opportunities and challenges of E-banking in Ethiopia. The study was focused on analyzing the status of electronic banking in Ethiopia and investigates the main challenges and opportunities of implementing E-banking system. The author conducted a survey on the existing operating style of banks and identifies some challenges of using E-banking system, such as, lack of suitable legal and regulatory frame works for E-banking and E- payments, political instability in neighboring countries, high rates of illiteracy and absence of financial networks that links different banks

**Kalkidan Gezahegn (2016),**

studied on factors influencing usage of e-banking in Addis Ababa, Ethiopia. Her study tried to build on two widely used models for technology adoption, the Technology Acceptance Model (TAM) and Innovation Diffusion Theory and to identify factors influencing customer's usage of e- banking. The research results found relative advantage, compatibility, perceived trust, perceived usefulness, and perceived risk as major influencing factors for e- banking adoption whereas perceived ease of use and awareness were found to have insignificant effect on e- banking usage for bank customers located in

Addis Ababa, Ethiopia. The study recommended banks to consider investing in campaigns and arranging information sessions to demonstrate the features of e- banking services, and its benefits over traditional channels.

**Pako Maradung (2013),**

also studied on Factors affecting the adoption of e-banking services in the banking and financial industries of Botswana. His study set out to investigate factors affecting the adoption of e-banking services in the banking and financial industries of Botswana in the light of the Technology Acceptance Model (TAM) and demographic variables(that is, age of individuals, income, education level, bank account) from e-banking service adoption literature. The analysis of the results revealed that gross income and ownership of bank accounts appeared to be insignificant in determining the use of e-banking services in Botswana. However, the age of individuals did seem to be significant in determining whether an individual used e-banking services or not, with more young people preferring to use e-banking services than older people.

**Farhana Yasmin (2014),**

researched on Factors Influencing the Adoption of e- Banking: Perspective Bangladesh. The paper focused on trust, perceived cost and perceived risk including the facets of perceived risks: performance risk, security/privacy risk, time risk, social risk and financial risk. The research model includes the original variables of extended technology acceptance model (TAM). The research has found that customers will consider adopting e- banking as long as it is perceived to be useful and easy to use. But the most critical factor for the customer is cost; the service should be affordable.

Trust was found to be significantly negatively correlated to perceived risk. Thus, trust plays a role in risk mitigation and in enhancing customer loyalty. A research conducted by **James Mwendwa, Dr. Odiek** and **Dr Douglas (2014),** on The Effects of e-banking Services on the Performance of the Banking Institutions: A Case of Kakamega Town, focused on to examine how various mobile money services transactions' impact on the performance of banking institutions in Kakamega town.

From the findings of the study; it can be inferred that the introduction of e banking services has contributed positively to the financial performance of the banking institutions. Convenience and reliability of various e-banking services has largely led to increased customer satisfaction and loyalty despite occasional technical itches that prove disappointing to the customers.

Basing on the study findings, the following recommendations are forwarded;

The bank should conduct research on other possible e-banking services packages that are user friendly and develop them so as to enable deposit/withdraw of money using mobile phone which will meet different customer requirements and capture market niches that competitors have not identified hence expand on the market share leading to improved financial performance. Free training and refreshing training should be provided to staff of the financial institution and if possible, to customers to equip them with skills in the ever-changing technology. A research conducted by **RACHAEL W. MUTUA,** in Kenya.

**Effects of e-banking of the financial performance of commercial banks in kenya**

focused on determining the effect of e- banking on the financial performance of commercial banks in Kenya. The researcher used descriptive research design. The study found that there exists a weak positive relationship between e- banking and the financial performance of commercial banks in Kenya. The study recommends that the policy makers take e- banking awareness creation into consideration when drafting policies on the operations of banks in Kenya. This was because of the indirect relationship of e- banking and financial performance especially as the industry moves into a technologically competitive environment. The study also recommends that policy makers keep a keen eye on the developments of e- banking as it is a new platform for competition among commercial banks as the world moves into a digital age tonsure it does not lose its regulatory role.

## 2.3 Summary of literature and literature gap

There have been a number of valuable studies in the area of e- banking over the year's back in North America, Europe, Asia and some from African countries such as Kenya, Ghana, Nigeria and Zimbabwe presented evidence for a number of variables that influenced customer behavior intention to use e-banking and its challenges and perspectives, however the study of e- banking has been given little attention in literatures in Ethiopia. As per the researcher knowledge there is no study conducted with regards to assessment of challenges and prospects of e- banking in commercial bank of Ethiopia, wilkeite town. So, to specify the gap of the research,

The previous researches were conducted mainly outside Ethiopia like Africa and Asia and the studies conducted in Ethiopia mainly focus on urban areas like Addis Ababa.

The scope of previous studies is vast and intended to cover large scale of geographical area. But this study covers only challenges and prospects of e-banking CBE wilkeite branch.

## 2.4 conceptual framework of the study

Based on the theoretical and empirical literature evidences, the conceptual framework for this study developed as follows considering the type of e-banking, challenging and prospect of e-banking.

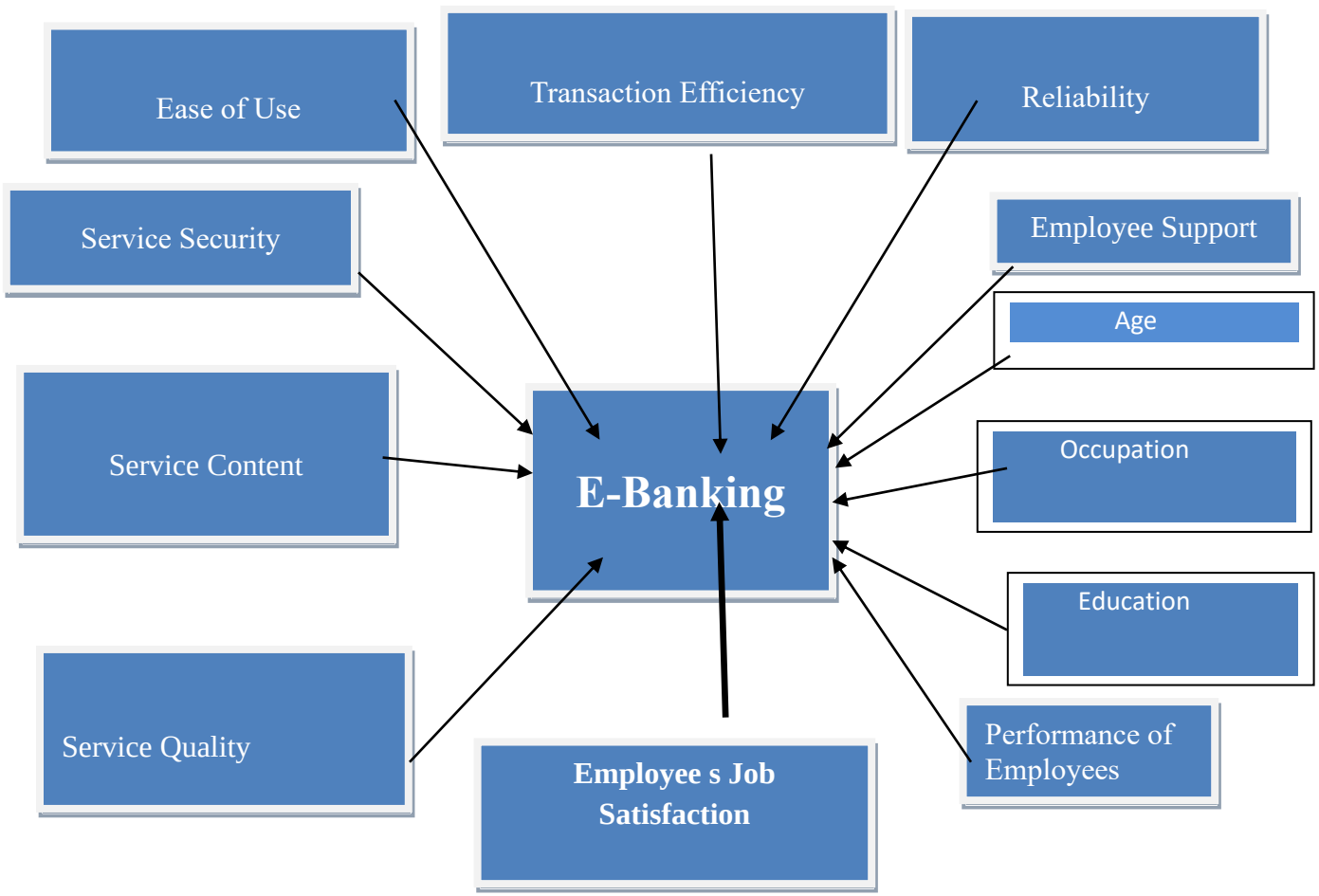
Challenges of E-banking

- The customer and employees challenge are demographic character and user level knowledge.
- Organizational challenge is difficulty in changing the procedure and high employees turn over
- Economic challenge are high cost of technological equipment's and internet and high repair and maintenance cost.
- Technological challenge are unreliable source of power and slow internet speed and connection failure.
- Security related challenge and security breach or fraud and threat from computer virus.

**Theoretical frame work of the model**

**Prospects of E-banking**

- Increase security on use of E-banking service
- Increasing the availability of visa cards
- Employees education and awareness creation
- Regular maintenance of machines and equipment
- Increasing advertisement and promotion
- Ensuring reliable network connections
- Ensuring reliable network connections
- Convenience
- Increased comfort and timesaving
- Increased Accountability and Transparency
- Reduced costs
- Quick service delivery
- 24×7 services including holydays, weekend and day & ni



# CHAPTER THREE

# 3. RESEARCH METHODOLOGY

## 3.1 Research Design

Research design is usually a plan or blueprint which specifies how data relating to a given problem should be collected and analyzed. It provides the procedural outlines for the conduct of any investigation.

According to Kothari (2004), the research design to be adopted depends on the nature of the study. The author has classified the research designs in to three broad categories. The first one is exploratory which is used in case of exploratory research studies, the main purpose of which is formulating a problem for more precise investigation. The second research design is experimental which is used in case of hypothesis testing research studies where in the researcher tests the hypotheses of causal relationship between variables. The third one is descriptive, used when conducting descriptive research studies and is concern with describing characteristics of a particular individual, or of a group.

This research focuses on describing the current situation of the problem and examining the main challenges and opportunities of e-banking in commercial bank of Ethiopia. Mainly this research aims to explain the phenomenon and assess the current situation of e-banking. Therefore, a descriptive research design is used to fulfill the objective.

## 3.2 Sources of Data

There are two types of sources when collecting data; primary and secondary data sources. Primary sources are directly relating to the study purpose. Primary data consists of all the data collect throughout the study. Secondary data on the other hand, contains relevant data that has been collect for a different purpose but from which the conclusion is valuable for the purpose. The study will be use data from primary sources and some secondary sources as a supplement. The secondary source of data includes different documents, reports, and financial statements. The data are will be obtained from those selecting respondents from selected commercial banks.

## 3.3 Target Population

The target population is the collection of elements or objects that possess the information sought by the researcher and about which inferences are to be made. The target population will be defined in terms of elements, sampling units, extent, and time. In this research, the target populations are employees of commercial banks in the Wolkite town. The collected from three selected branch in commercial bank of Ethiopia that are found in Wolkite town (wolkite branch, yejoka branch and bekur branch) in order to get the required data. Totally from those three branches there are 55 employees.

## 3.4 Sampling and Sampling Technique

Sampling: involves the selection of a number of study units from a defined study population. Sampling - is the statistical process of selecting a subset (called a "sample") of a population of interest for the purposes of making observations and statistical inferences about that population.

The targeted population of the study includes managers and employees of commercial bank of Ethiopia Wolkite town selected three branches. The total numbers of employees are 55, among the total numbers of employees the researchers would be selected 16 who have direct related to the electronic banking system

The sample for this study is those three banks in the Wolkite town would be selected; commercial banks of Ethiopia, at Wolkite town selected three branches by using a convenience sampling method. This method is often used to because of save time and resources.

## 3.5 Data collection instruments

We rely on both primary and secondary data sources. The following instrument will be use in the study.

Questionnaire-it will prepare accurately and distribute to the respondents to get an adequate answer for the data that the researcher needs. Open-ended and closed-ended questions are will use for the research

Interview-it will conduct with the related employees and bank managers of those selected banks. As a supplement to the questionnaire, the researcher will be use interviews to make out some of the information that couldn't be assess using the questionnaire. We use the literature review and other related reports as secondary sources.

## 3.6 Data analysis

In order to meet the stat research objectives, the collect data analyze based on the nature of the objective, accordingly since all the information that are collect are qualitative in nature.

The researcher would be received data after was been collected from the interview and questionnaire are process and analysis with the use of tables, charts and percentage.

# CHAPTER FOUR

## 4 Data analysis, presentation and interpretation

This chapter deals with discussion, presentation and interpretation of data collected from various sources by using different data collection instruments. Questionnaire is used as a primary data collection method to gather the required information. In addition, in order to validate the result obtained from the questionnaire, interview is made with bank managers. Secondary sources were also collected from various books, documents in the bank and from review of literature. Questionnaire were distributed to 16 commercial bank employees who were selected using convenience sampling method out of these 16 questionnaires 14 were completed and collected as a result of this the response rate is 88.89% Generally the collected data is analyzed as follows.

### 4.1 Analysis of questionnaire questions

**Table 1: demographic profile respondent**

| No | Demographic profile | | Frequency | Percentage |
|---|---|---|---|---|
| 1 | Sex | Male | 9 | 64.29% |
| | | Female | 5 | 35.71% |
| 2 | Age | 18-24 | 1 | 7.14% |
| | | 25-35 | 10 | 71.43% |
| | | 36-50 | 3 | 21.43 |
| | | 51-60 | 0 | 0% |
| | | Above 60 | 0 | 0% |
| 3 | Marital status | single | 8 | 57.12% |
| | | Married | 6 | 42.88% |

| | | | | |
|---|---|---|---|---|
| | | Divorced | 0 | 0% |
| | | Widowed | 0 | 0% |
| | | University degree | 12 | 85.71% |
| | | Master degree | 2 | 14.29% |
| | | Above master degree | 0 | 0% |
| | | | | |
| 5 | Religion | Christian | 6 | 42.85% |
| | | Muslim | 8 | 57.15% |
| | | Other | 0 | 0% |

Source own survey 2015 E.C

Based on the above table it shows that most of the bank's employees are working on the sample banks are males. This clearly shows there is a smaller number of females. In this regard, the percentage of males is 64.29% and the female is 35.71% this show the number of males is greater than the number of females.

In the case of classification of respondent by the age above that the highest percentage of participants are founded in the range between the ages of 25-35 whom from 71.43%of the total respondents. In infers that the bank can maximize its customers through fast service as compare with old age employees.

From the above table we can see that the highest percentage of employee is single, which compromise 57.12% of total sample. Moreover, of the employees is neither divorce nor widowed. Regarding the education level of participants, the highest percentages of them have university degree that form 85.71% of total bank employee participants. The results indicated that all respondents had high level of education and know how about the essence of banking.

AS indicated in above table the highest percentages of the respondents are Muslims, which covers 57.15% of the total respondents and Christians number, which covers 42.85% of respondents.

**Table 2; types of banking service applied in these commercial banks.**

| No | | | Frequency | Percentage |
|---|---|---|---|---|
| 7 | Types of banking service | Only traditional | 0 | 0% |
| | | E banking | 8 | 57.14% |
| | | Both type | 6 | 42.86% |

Source; Own survey 2015 E.C

There are two main types of banking services namely, traditional and E-banking services. The results of the study in table two indicated that majority of the respondent 57.14% were provide their response as their bank apply e-banking services in their bank. The results further indicated that none of the respondent s describe as they only the traditional banking services, while 42.86% also said that their bank apply both types of bank service .Therefore, based on the sampled result we can infer that banking services of commercial banks in Wolkite town mostly applied e-banking service system .This indicates that there is a great progress of e-banking services system in commercial banks in Wolkite town.

**Table 3; Type of delivery channels applied by these selected banks;**

| No | | | Frequency | Percentage |
|---|---|---|---|---|
| 7 | If yes which delivery channel is applied | ATM | 14 | 100% |
| | | POS | 14 | 100% |
| 7 | | Mobile banking | 14 | 100% |
| | | Internet banking | 14 | 100% |

| | | | | |
|---|---|---|---|---|
| | | All of the above | 14 | 100% |

Source: Own survey 2015 E.C

As indicated in the above table all respondents (100%) respond as their bank applied such listed delivery channels. Therefore, based on the information that is described in the above survey table three we can understand that electronic banking is not one technology but an attempt to merge several different technologies like ATM, POS, Mobile banking, and internet banking. From this survey data, we can understand that the banks are aiming to maximize its customer and profit through fast and quality service.

**Table4: Frequency distribution of the benefits realized by using e-banking service.**

| No | | | Frequency | Percentage |
|---|---|---|---|---|
| 9 | What benefits do the banks to realize by using e banking delivery channels | Attracting high value customers | 13 | 92.86% |
| | | Increased revenue | 12 | 85.71% |
| | | Cost reduction | 12 | 85.71% |
| | | Capacity for handling high volume of work | 13 | 92,86% |
| | | All of the above | 12 | 85.71% |
| | | other | 2 | 14.29% |

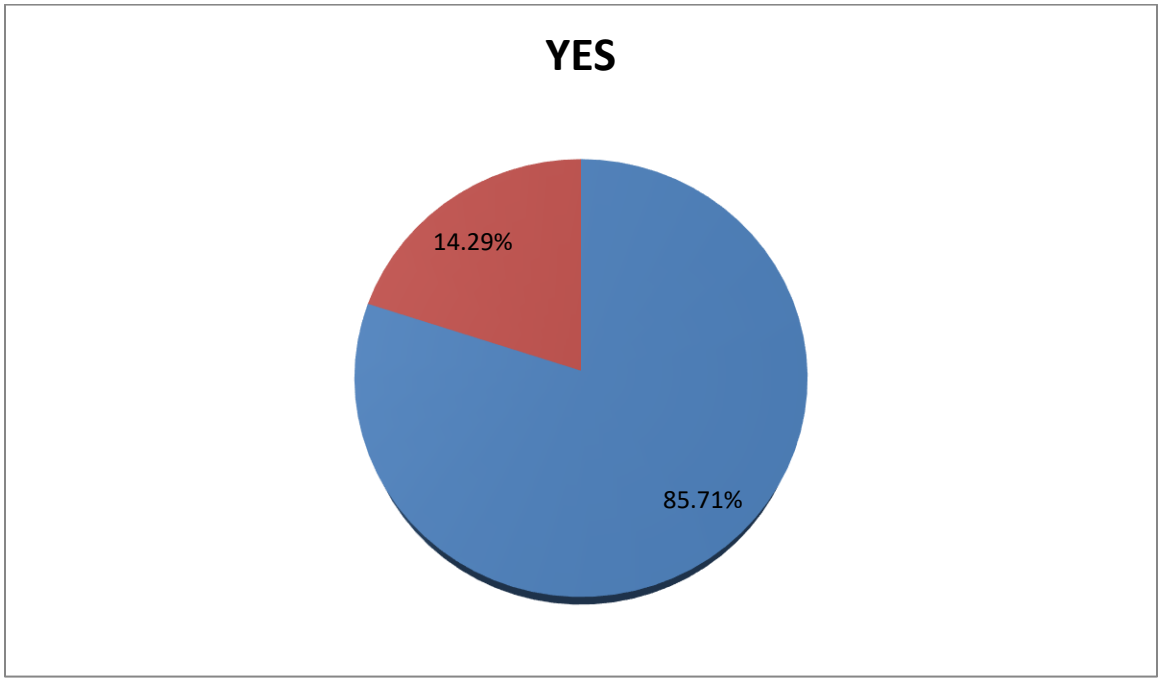
Source: Own survey 2015 E.C

As indicated in the above survey table the majority of the respondents above said, that bank realized the benefit of attracting high value of customer ,increased revenue ,cost reduction and

capacity of handling high volume of work with respective of 92.86%,85.71%,85.71%,92.86%,and 85.71% by adopting e-banking services .In addition ,14.29%of the total respondent listed adding real value to the shareholder interest ,and enhance saving culture of the society as other benefit realized by these banks through adopting e-banking services. Generally based on our survey we can infer that e-banking service play a crucial role for the realization of benefit in terms of time, cost, and customers' satisfaction.

Chart 1; is there any challenge for the adoption of e-banking Question: 9

Yes: 12 No: 2




Source: Own survey, 2015 E.C

The result which is indicate on the chart above shows that the highest percentage 85.71% of the total sample population make yes response for the question given in the question number 9. However, the reverse 14.29% of the total respondent filled no response of for the question asked. There for based on their response indicated on the chart above we can infer that those selected commercial bank in Wolkite town faced challenges in adoption of E-banking service.

**Table 5: respondent's frequency distribution about the challenges faced in adoption of e banking**

| No | | | Frequency | Percentage |
|---|---|---|---|---|
| 11 | If yes, what challenges are faced in your bank | Lack of technological infrastructure | 11 | 78.58% |
| | | Frequent power interruption | 12 | 85.71% |
| | | Lack of awareness on the benefit of new technology including e banking | 11 | 78.56% |
| | | Low internet service speed | 13 | 92.86% |
| | | Cost of adopting ICT service to the bank | 11 | 78.56% |
| | | High level of illiteracy from customer side | 13 | 92.86% |
| | | All list above | 10 | 71.42% |
| | | Other challenges | 0 | 0% |

As indicated in the above table five in this study most respondent (92.86%) filled that the main challenge facing E-banking system in commercial banks in Wolkite town in low internet service

speed and high level of illiteracy from customer side. Furthermore, frequent power interruption was also another higher challenge next to low internet service speed and high level of illiteracy from customer side according to some respondent. Lack of awareness on the benefit of new technologies including E- banking, cost of adopting ICT service to the bank and lack of awareness on the benefits of new technology including e-banking with respect the same percentage (78.56%) were, also seen as challenge by those respondents listed respectively with their percentage. In addition to this 71.42% of the respondents were seen all challenges list above are faced in this selected commercial bank in Wolkite town. Generally based on the above table we can understand that there are many challenges which need to be solved faced in the adoption of E-banking service. It is implication is the existing infrastructure facilities and knowledge of the society about their attitude in E-banking is not much enough to apply E-banking well.

Questionnaire number ;13

**Table 6 Bank service improvement because of e banking**

| No | | | frequency | Percentage |
|---|---|---|---|---|
| 13 | Is there bank service improvement because of e banking? | Yes | 11 | 78.58% |
| | | No | 3 | 21.42% |

Source own survey 2015 EC

As indicated in table 6 the highest percentage (78.58%) of the total sampled respondents said yes. However, the lowest percentage of respondents said no bank service improvement because of the adoption of e banking. Therefore, based on information indicated on survey table we can infer that as of majority of respond ants said there is an improvement of bank service because of the adoption of e banking service.

**Table 7: open ended question**

| | |
|---|---|
| No 14 | If your answer for question number 13 is yes, what is the reason? |

As the question by itself portrays this question were filled by those respondents who said yes, for question number 13. Various respondents for this forwarded the following answers these respondents said there is bank service improvement because of the adoption of e banking service due to the following reasons because:

1. It is so time saving and increase the speed of service
2. It increases customer satisfaction and initiate the saving habit of the customer
3. Its service delivery is 24 hrs. accesses
4. It is easier for usage

   Generally, the respondents put this listed point as a reason for the improvement of e-banking service because of the adoption of e banking service

**Table 8 opportunities for the adoption of e – banking**

| | | | Frequency | Percentage |
|---|---|---|---|---|
| 11 | Is there are opportunity in adapting e- banking? | Yes | 11 | 78 58% |
| | | No | 3 | 21.42%% |

Source own survey 2015 EC

As the above table shown that the majority of respondent (78.58%) of the total respondent said that there is an opportunity for the adaption of e banking service in their bank. But the remaining (21.42%) of the respondents said, the reverse of the majorities. therefore, based on the survey table we can infer that even though there are some respondents who said, no opportunity for the adaption based on the majority we can infer that there is an opportunity for the adoption of e banking service

Table 9 the opportunity for the adoption of E – Banking service

| No | | | Frequency | Percentage |
|---|---|---|---|---|
| 12 | If yes which one is an opportunity | Government support | 11 | 78.58% |

| | | | | |
|---|---|---|---|---|
| | for the adoption of e banking | Late adopter opportunities | 7 | 50% |
| | | Opportunities offered by ICT through e learning | 11 | 78.58% |
| | | All listed above | 7 | 50% |
| | | Other opportunities | 1 | 7.14% |

Source: Own survey 2015 E.C

This table shows that the most of the respondents explain as all these listed opportunities like, government support, and opportunities offered by ICT through e-learning are opportunities for the adoption of e-banking service. Some respondents were tried to explain government support as improving the infrastructure of the town. In general, we can infer that such opportunities contribute for commercial banks for their adoption of e-banking service.

## 4.2 Analysis of interview questions

Under this section, we include summarized questions presentation of idea that the interview (the management body of each branch under sample) in our case. Researchers asked some questions to be explained orally by managers. The managers answered each of the questions. So, this section will present you a summary of what the management said about challenges for the adoption of e-banking, the opportunities for the adoption of e-banking system, and benefits realized by the bank because of the adoption of e-banking.

### 4.2.1 About challenges for the adoption of e- banking

As the managers said, there are many challenges faced in commercial banks in Wolkite town in the adoption of e-banking service system. They explain the following as a challenge in the adoption of e-banking service system.

**1. Customers awareness towards e- banking:**

According to the managers for the achievement of electronic banking to be successful ,it is very important that customer should be aware of what electronic banking is and what kind of benefits one can take from using electronic banking .According to them ,all the important information was provided on the bank's website for customers to enhance the customer awareness ,but customers are not much aware about the usage of electronic banking services that the bank is providing .AS far as the managers said ,this can be regarded as a very negative aspect that discourages customers from visiting the bank's website .

**2. Lack of technological infrastructure:**

As the managers said in order to adopt and apply e-banking technological infrastructure plays a great role .However, it is at low stage of technological infrastructure in Wolkite town and this makes great challenge to adopt e-banking easily .Most of the time there is no access of internet facilities .As they said, the availability of electric infrastructure is also a full of interruption or there is lack of reliable power supply.

According to the managers ,if a given customer wants to make transaction –using mediums of electronic banking , the login time to connect to his account requires to wait longer times due to slow connectivity .This might also have happened when he tried to logout from his account .for this reason ,customers are very unhappy and reluctant to use electronic banking because they think as they are wasting their time mainly due to the slow internet connection .The infrastructure of internet service is very poor which is becoming the major hindrance against the adoption of electronic banking .

**3. Costs;**

As the managers, this is another challenge for the development of electronic banking which is economical problem of individuals .Due to financial constraints, customers cannot afford to buy personal computers or other devises that enable to use electronic based banking .In addition, internet power interruption ,lack of ICT training ,do not know –how the use of technique ,are another challenges of e-banking.

### 4.2.2: Interview analysis on opportunities for the adoption of e- banking:

As managers said that the overall commercial banks in Wolkite town compare to the size of the population and the area of the town is very minimal, it creates good opportunities to expand E banking facilities and reach the wide spread population of the through effective banking system.

The government's emphasis on setting up ICT Park, raising allocation for developing ICT infrastructure, and other measures including the automation programs of banking sector and competition among the banks in improving customer services have accelerated the prospects of e-banking.

Later adopter's opportunities, commitments of the government to facilitate the expansion of ICT infrastructure, improvement in the banking habit of the society, increment of tourist inflow to the town. The rapid growth of global ICT: As the manager said in today's world ICT growth is very high and this create good opportunities to adopt e- banking system.

Opportunities offered by ICT through e-learning programs: the managers of the banks said that, the school net program introduced in Ethiopia creates opportunities to citizens to be familiar with ICT applications and increases the awareness of the public .Moreover; this creates a great opportunity for the banks to adopt e-banking service system. Late adopter opportunities: As the managers said, the commercial banks in Wolkite town had taken an advantage of already developed existing software applications. This makes easily adoption and applying of e-banking service to the customers. Commitment of government: As the manager said, that the Ethiopian government considers ICT as the necessary tool to alleviate poverty and facilities state transformation aiming an effective and efficient service delivery. This also plays a great role for banks in order to adopt and apply e-banking service delivery system.

As the managers said there is an existence of some driving forces in which banks was initiated to provide e- banking services to the customer. These factors are

- The existence of high competition in the banking sector,
- rapidly changing customers' needs and preferences,
- desire to reduce transaction cost,
- desire to build organizational reputation and

- Desire to satisfy customers are the major common driving forces that the initiate banks for the adoption of e-banking as a means of service delivery to the customers.

### 4.2.3 Analysis about benefits realized by the bank because of the adoption of e-banking:

As the managers of each selected banks said, there a great advantage, which, is realized because of the adoption, and applying of e-banking service delivery system. The following are benefits realized by these commercial banks by adopting e- banking delivery system.

- ✓ It improves the saving habit of the society.
- ✓ It creates cashless society.
- ✓ Speed up banking service.

Service quality is higher because can get at the time they need and at the place, which is near to where he or she lives or can get at the time and place what they need.

Generally, adoptions of e-banking service have the benefit of attracting high value customers, enhance image, larger customer coverage, improvement of organizational efficiency, and load reduction etc. from the viewpoint of the bank.

# CHAPTER FIVE

## 5.Conclusion and Recommendation

This chapter as a whole presents the concluding remarks for the main findings in the chapter four and important recommendation as per the main problems investigated in this research study respectively.

a. CONCLUSIONS

Based on the analysis made in the chapter four the following conclusions are made on the assessment of the opportunities and challenges for the adoption of e banking service in Ethiopia in case of commercial bank in Wolkite town.

Based on the analysis about the benefits realized because of the adoption of e banking we put the following conclusion that there are great benefits like improving the saving habit of the society, creating cashless society speeding up banking service, attracting high value customers, larger customer coverage, improvement of organizational efficiency, load reduction etc., from view point of the bank.

As per the findings we conclude that low level of internet penetration and poorly developed telecommunication infrastructure, high cost of internet and lack of awareness on benefits of new technologies, high level of illiteracy from customer side as main challenges for adoption of e banking service from view point of those banks that are currently providing the service in the town. Generally, the existing public awareness, ICT infrastructures and internet access are not enough to adopt and apply e banking well.

Finally, late adopter opportunities commitment of the government to facilitate the expansion of ICT infrastructure, improvement in banking habit of the society, increment of tourist inflow to the town and rapid global ICT development among the major opportunities for the adoption of e banking in the town. Therefore, from this we can conclude that there are good opportunities for the adoption of e banking

Generally, even if there are opportunities and benefits in the adoption of e banking system it is also a full of challenges in the town that hinders to adopt and apply e banking in efficient and effective way.

## 5.2 RECOMMENDATION

As per the findings from the analysis of the collected data following recommendations are forwarded in order to promote and develop viable e banking service in Wolkite.

- Proper awareness can produce more results by enhancing awareness level of people to use the electronic banking facility. In this regard, these commercial banks need to work further to create awareness how to use e banking especially delivery channels like pos, mobile banking, and internet banking

- For successful implementation of e banking system telecommunication infrastructure is major prerequisite. Therefore, Ethion-Telecom need to be improved their service for banks so as to minimize network interruption, by doing so, the existing internet connection problem will be improved and successful implementation will be achieved.
- The north western region ethion- electric power authorities need to improve the electric power supply of the town in order to solve the service interruption and the consequence of un reliable service of banks due to power interruption.
- In order to solve the problem of bank service interruption because of electric power interruption the bank should use other alternatives like programmed generator to place as soon as electric power interrupts to perform activities effectively and efficiently.

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# APPENDICES

**WOLKITE UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF ACCONTING AND FINANCE**

This questionnaire is designed to do a research on the challenges and prospects of e-banking in commercial banks in Ethiopia particularly in Wolkite town as a partial fulfillment of the requirement for the BA Degree in accounting and finance.

We honestly request you to attempt all the questions provided here to meet the objective of the study. Whatever information provided will be used for academic purpose only.

No need to write your name. Thank you!

**Demographic Information**

Please put this mark (✓) on the box provided.

1.Respondent's: Male ☐ Female ☐

2.Age: 18-24 ☐ 25-35 ☐ 36-50 ☐ 51-60 ☐ Above60 ☐

3.Marital Status: Single ☐ Married ☐ Divorced ☐ Windowed ☐

4.Educational Level: Diploma ☐ University Degree ☐ Master Degree ☐

Above Master Degree ☐

5.Religion: Christian ☐ Muslim ☐ None ☐ If any please specify_____

_____

6.Which type of banking service does your bank provide?

Traditional ☐ E-banking ☐ both traditional and e-banking ☐

7.**Which type** of e- banking service delivery channel is applied in your bank?

ATM ☐ POS ☐ Mobile banking ☐ Internet banking ☐ all listed above ☐

8.What benefits do the bank realized by using e-banking service delivery channels? You can choose more than one. Attracting high value of customers ☐ increased revenue ☐ Cost ☐ reduction ☐

Capacity to handle with high volume of work ☐ all listed above ☐

Others benefits please specify----------
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9.Is there any challenge the bank faces in the adoption of e-banking services?

Yes ☐ No ☐

10.If your answer for question no.9 is yes; what challenges are faced? You can choose more than one.

Lack of technological infrastructure ☐ Frequent power interruption ☐

Lack of awareness on the benefits on of new technology including e-banking ☐

Low internet services speed ☐ Cost of adopting ICT service to the bank ☐

High level of illiteracy from customer side ☐ all listed above ☐

Others Challenges please specify----------
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11.Is there any opportunity for the bank on the adoption of e-banking system?

Yes ☐ No ☐

12.If your answer of question no.11 is yes, what are those opportunities? You can choose more than one.

Government support ☐ Late adopter opportunities ☐

Opportunities Offered by ICT through e-learning ☐ All listed above ☐

others opportunities, please specify----------
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13.Have you seen an improvement in the usage of e-banking in banks comparing to manual system?

Yes ☐ No ☐

14.If your answer for question number 13 is yes what is the reason?

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## Interview designed for the bank managers

1 what are the major challenges for the adoption of e- banking?

2 what are the major opportunities for the adoption of e- banking?

3 what are the major benefits realized by the bank because of the adoption of e-banking?

Thank you for your cooperation!