



WOLKITE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
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ID NO. 218/10

DEC, 2020

WOLKITE, ETHIOPIA

CHALLENGES AND PROSPECTS OF ON LINE BANKING SYSTEM (IN
THE CASE OF CBE, GUBRE BRANCH)



A RESEARCH SUBMITTED TO PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR DEGREE OF BACHELOR IN MARKETING
MANAGEMENT

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DEC, 2020

WOLKITE, ETHIOPIA

Approval Sheet

This is to certify that the senior essay project entitled “ASSESSMENT OF CHALLENGE AND PROSPECT OF ON LINE BANKING SYSTEM IN THE CASE OF COMMERCIAL BANKING, GUBRE BRANCH” Submitted in partial fulfillment of the requirements for the degree of Bachelor of Arts in Marketing Management, the under Graduate program of the School of marketing management, and has been carried out by Melese Yenewa, ID NUMBER 218/10 under my supervision. Therefore, I recommend that the student has fulfilled the requirements and hence hereby can submit the project to the department

Name of Advisor

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Acknowledgement

It is the grace, mercy, charity, forgiveness, help and kindness of the almighty God- Jesus Christ that made us still alive, achieve this success and strength and to go through all the difficult time. Then, I would like to give our grateful appreciation to my Advisor Mr.Dirshye.A (MSC) for his constructive suggestions especially, his valuable and prompt advices, comments, suggestions, especially his respect great good impression to me, and encouragements. Without his assistance and guidance, this research proposal would not have been completed. Next, I would like to say thank you my friends and to my lovely relatives to support me by idea, financial and psychological to do this research proposal.

Last, I would like to thank you Gubre branch commercial bank of Ethiopia manager and employees for their permission to give the necessary information pertinent to MY proposal help which eventually made us very familiar with the practical aspect of our research topic.

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Abstract

Despite the growth of online banking adoption worldwide, Ethiopian commercial banks continue to conduct most of their banking system transactions using traditional methods. The general objective of the study was on the challenges and prospects of online banking system in commercial bank of Ethiopia in Gubre branch. From this, three specific objectives were explored. A descriptive research design was employed to conduct this study. Primary data were collected for the purpose of this study from the commercial bank of Ethiopia from the manager and employees. The primary data are collected through questionnaire and interview.

The collected data was analyzed by using descriptive analysis such as tables and percentages. From the analysis of the collected data, the findings revealed that: balance inquiry, cash Withdrawal, funds transfer within the bank, are some the major practice of online banking in commercial banks that are providing the service to their customer. The different online-banking channels by which bank are using to provide these services to their customers are ATM, debit card, Internet banking and Mobile banking. On the View point of the bank Cost reduction, reduce risks, it provide 24 hour service, provide quality service, coverage of wide geographical area, customer satisfactions are some of the prospects of using on line banking. The driving forces that initiate bank to adopt online banking services are : existence of high competition in the banking industry, desire improve organizational performance, desire to reduce transaction cost, desire to cover wide geographical area, and desire to build organizational reputation are among others. Interruption of networks, lack of skilled man power, Chances of risk, Lack of suitable legal and regulatory framework, absence of financial networks that links different banks, Low level of internet penetration and poorly developed telecommunication infrastructure, high cost of internet, security concerns are among the major challenges of on line-banking service in the commercial bank of Ethiopia in Gubre branch.

Abbreviations or acronyms

ATM	automatic teller machine
CBE	Commercial bank of Ethiopia
E-banking	electronic banking
EFPTS	Electronic fund at point of sale
EFS	Electronic fund transfer
IT	Information technology
PIN	Personal identification number

Chapter One

1. INTRODUCTION

1.1 Back ground of the study

Information technology has become a necessary tool for today's organizations and banking industry. Internet banking is modern technology based computerized system of providing banking systems to client with low cost and quick services. The new information technology (IT) is turning into the most important factor in the future development of banking, influencing banks' marketing and business strategies. In recent years, the adoption of E- Banking began to occur quite extensively as a channel of distribution for financial services due to rapid advancement in IT services. E- Banking includes the systems that enable financial distribution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet ATM , Debit card and credit card (Mishra &Kiranmai, 2009). The evolution of E- Banking started from the use of Automatic Teller Machines (ATMs) and Finland is the first country in the world to have taken a lead in internet Banking in order to provide efficient and effective service to their customers in 1990s and early 2000s (Mishra &Kiranmai, 2009).The challenges on financial institute in the advancement of technology from country to country there will be information hacker, interruption of networks and lack of IT skill man power and also the prospect That bank get from is to minimize the work load the customers are easy to access their wants to some time (Ainin ,2005). In develop and developing countries are embracing on line banking as a technology evolves, different kinds of on line banking systems immerse reaching bringing a new dimension to the interaction between user and bank. They include on line banking like e mobile banking visa card and internet banking which are reliable ,easy ,fast and time safe for the customer (Gikandi and Bloor 2000 Linoa and Chevng 2002).The challenges and prospects In commercial bank of Ethiopia gubre branch there is an interruption of networks ,lack of skill man power the customer cannot utilize and adopt on line banking facilities and the system needs serious follow up of supervisors then this paper try to address these challenges and prospects. On line Banking has been widely used in developed countries and is rapidly expanding in developing countries. In Ethiopia, however,

cash is still the most dominant medium of exchange, and electronic payment systems are at an early stage. E-Banking services in Ethiopia starts in The appearance of E-Banking in Ethiopia goes back to the late 2001, when the largest state Owned, Commercial bank of Ethiopia (CBE) introduce ATM to deliver service to the local users. In addition to eight ATM Located in Addis Ababa, CBE has had Visa membership since November 14, 2005. But, due to lack of appropriate infrastructure it failed to reap the fruit of its membership. Despite being the pioneer in introducing ATM based Payment system and acquired visa membership. CBE Lagged behind Dashen bank, which work aggressively to maintain its lead in E-payment system. As CBE continues to move at a Snail's pace in its turnkey solution for Card Based Payment system, Dashen Bank remains so far the sole player in the field of online- Banking since 2006. The face of rapid expansion of electronic Payment systems throughout the developed and the developing world, Ethiopia's financial sector cannot remain an exception in expanding the use of the system (Gardachew, 2010). Most banks in developed and some in developing parts of the world are now offering on line Banking services with various levels of sophistication (Garau,2002). Thus, almost there is complete application of on line banking in developed countries. But not in developing countries like Ethiopia. Surprisingly, in Ethiopia except Dashen Bank all other banks are too late to move with technological advancement (Gardachew, 2010).the researcher will conduct assessing challenge and prospect of online banking of commercial Bank Ethiopia, in Gubre branch.

1.2. Statement of the problem

one main advancement technology has brought to us is the introduction of on line banking .traditional and mortal bank is characterize by physical decentralization branches available around populate areas to give customers easy geographical access (Alninetal;2015)on line banking does away with the need for most visits to the bank.

According to Kayode (2008) said that customers can also access different banking services such as transfer of funds from one account to another, also do transactions of different banks customers and check their accounts balance through internet banking and e-commerce. In today modern era, every customer has computer access at their homes and they can easily browse information relat with transaction. The most popular system in online banking system is ATM (automated teller machine) which helps the customer to carry out their banking transactions and easily avail all banking information Technology is playing very important role in the competitive era of financial industry. The recent developments in the technology have creat totally new service concept and service environment. Technology has change the

nature of buying and selling of services. One of the fundamental changes in the banking industry has been the movement of consumer from traditional to e-banking such as internet, telephone and mobile phones in private banking. The economy of most developing countries is cash driven; meaning that monetary transactions are basically made through the exchange of bank notes and coins for goods and services. However, this trend is now giving way to a modern and sophisticated payment system where the currency and notes are converted to data, which are in turn transmitted through the telephone lines and satellite transponders. This is as a result of rapid technological progress and development in the financial market (Ainin 2005). There is faster delivery of information from the customer and service provider, thus differentiating Internet enabled electronic banking system from the traditional banking operation (Singhal and Padhmanabhan, 2008). E-banking has thus become an important channel to sell Products and Services; leading to a paradigm shift in marketing practices, resulting in high performance in the banking industry; (Singhal and Padhmanabhan, 2008). According to Ozuru et al.; (2010) “The importance of electronic payment system in any country can never be over emphasized, due to the dramatic transformation in technological advancements that is being experienced by the global financial industry”.

When compared with the banking industry operating in developed countries, without doubt the banking industry in Ethiopia is under development and therefore, there is an immediate need to embark on capacity building arrangements and modernize the banking system by employing the state of the art of technology being used anywhere in the world. With a growing number of import-export businesses, and increasing international trades and international relations, the current banking system is short of providing efficient and dependable services (Gardachew 2010).

Nowadays banks use different schemes so as to satisfy their customer needs. Among these approaches using card banking technology has gained wider concern. In this regard CBE being a pioneer in introducing ATM has been working day and night towards reaching a full-fledged service. With all ATMs installed at convenient places including branches, hotels, malls and other public places one can enjoy a 24 hours a day and 7 days a week service including cash withdrawals, bill payment, forex, fund transfer, mobile top up, balance inquiry and the like.. the current commercial bank of Ethiopia especially in Gubre town banking system provides little efficient dependable services and technological advancement in online banking system like ATMs, Debit cards, Credit cards, Tele banking, Internet banking and mobile banking so in order to fill the gap Researcher motivated to conduct the reason for

identify these challenges and setting important solution in order to improve the performance of the bank especially in wolkite town gubre branch.

1.3 Research objective

1.3.1 General objective

The general objectives of this study is to assess the challenges and prospects of online banking system in commercial bank of Ethiopia.

1.3.2 Specific objectives

1. To identify the challenges facing in online banking system
- 2 To assess the mechanism that should be taken to overcome those problem faces on online banking
3. To explore the current practice and extent of adoption of on line Banking service of CBE in Gubre branch.

1.4. Research question

- 1 .What are the challenges facing on the online banking system?
2. What mechanism should be taken to overcome those problem faces on online banking system?
3. What are the current practice and extent of adoption of on line banking service of CBE in Gubre branch?

1.5. Significance of the study

Based on this research the researcher improves their own performance, experience about how to work good research paper, it will improve the researcher knowledge and skills relate to the application of online banking concepts. it improves easiest accessibility for customer account any branch and , It will help the organization to know, banks in understanding the challenges and opportunities related with adoption of online banking and its advantages in providing service to their customers and to address challenges for adoption of online banking system in the bank challenges facing customers, and It may also give some insights for other organizations that want to know about online banking in general. In addition to this the study also is give direction for policy makers regarding to efficient application of online

Banking. It use for the bank to minimize the work load on supervisor access as performs. The research second paragraph is give general knowledge about the scope and prospect of on line banking; it is add some value to the research world for on the research topic, and the research can serve as a starting point for further research on the same topic.

1.6 Scope of the Study

The research is focusing on identifying the challenges and prospects of online banking system of commercial bank. This study was considered mobile banking and visa card. The researchers was collected data from manager and employees of the commercial bank of Ethiopia. This specific leads the researcher to easily analysis this information.

1.7 organization of the study

This study is organized in to five chapters. Chapter one deal about back ground of study, statement of the problem, research objective, significance of the study, and scope of the study, Chapter two review literature, Chapter three research methodology like research approach, Data type and source, data collection and procedures, census and method of data analysis and, Chapter four data analysis and Interpretation, and Chapter five conclusion and recommendation.

CHAPTER TWO

2. REVIEW LITERATURE

2.1 Theoretical literature review

2.1.1 Terms and concepts online banking system

The definition of online banking (E-banking) varies amongst researchers partially because online banking refers to several types of services through which bank Customers can request information and carry out most retail banking services via Computer, visa card, television or mobile phone (Daniel, 1999; Sathye, 1999).

Different authors have defined it in different ways based on their understanding of the Application of electronic banking. According to Daniel (1999), online banking is Electronic connection between the bank and customer in order to prepare, manage and Control financial transactions. Sathye (1999) also asserted that online banking can Be defining as a variety of the following platforms: (a) Internet banking (b) automatic teller machine or visa card, (c) mobile banking, and (e) PC banking (or offline banks). In the opinion of Daniel (1999), online banking is online banking which 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 a personal computer via the financial institution web site on the internet. For many consumers, online banking means 24-hour access to cash through an Automated Teller Machine (ATM) or Direct Deposit of pay checks into checking or savings accounts (FTC, 2006). But electronic banking now involves many different types of transactions. Online banking, also known as Electronic Funds Transfer (EFT), is simply the use of electronic means to transfer funds directly from one account to another without the physical involvement of the bank personnel, rather than by cheque or cash. By using on line banking system transfer an account holder can use:

- Salary deposited directly into bank or credit union account
- Withdraw money from account through an ATM machine with a Personal identification number (PIN), at any convenience, day or night
- Settle utility bills and other regular payments

- Transfer money between accounts
- Order payment to government offices like tax and pension
- Conduct transactions at the point-of-sale, using a credit/debit card rather than cash, credit or a personal check
- Use computer and personal finance software to coordinate to any Personal financial management process, integrating data and activities related to income, spending, saving, investing, recordkeeping, bill-paying and taxes, along with basic financial analysis and decision making.

2.2 online banking Benefit from the Bank's point of View

According to a survey by booz, Allen and Hamilton, an estimate cost providing the routine business of a full service branch in USA is \$1.07 per transaction, as compare to 54 cents for telephone banking, 27 cents for ATM (Automated Teller Machine) banking and 1.5 cents for Internet Banking. In Nordea, Finland, one online transaction costs the bank an average of just 11 cents, compare to \$1 for a transaction in a brunch (Echikson, 2001). Average payment in internet bank or via direct debit cost 4 times less than payment in brunch. On actual cost side (cost side in the bank point of view) direct debit payment cost 16 times less and payment in internet bank 7 times less than payment in brunch. This indicate that E banking contribute a significant financial benefit to banks to which implement E banking. In addition to this E banking reduce the capital expenditure and staff cost of the bank. Significant saving of time by the automation of banking service processing and introduction of an easy maintenance tools for managing customer's money.

2.3 Economic Benefit of online banking system

The impact of the new economy on the entire economy growth has been studie in several research projects. For example (Pohjola, 2002 and Gilies j,2010) shows that the contribution of the use of information communication technology to growth of output in the Finnish market sector has increase from 0.3 percent in early 1990's to 0.7 percent in late 1990's. Similarly, research conducte in Estonia (Aladwani, 2001), bank customers use bank office on average 1.235 times per month, and wait in queue in bank office on average for 0.134 hours. Simple calculation shows that making payments using E banking facilities rather than in the banks office create overall economy savings in the amount of 0.93% of GDP (Adriana 2006,Arma and Vensel, 2007).

2.4 Types of online banking system

2.4.1 Internet banking

Internet banking is a new age banking concept. It uses technology and brings the bank closer to the customer. 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 banks website, without the intervention or Inconvenience of sending letters, faxes, original signatures and telephone Confirmations (Thulani et al, 2009). For those that have access to the internet and a Computer all you need to do is proceed to your banks website and login. 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. Broadly, the levels of banking services offered through internet can be categorize in to

Three types:

1. The Basic Level Service is the banks“ websites which disseminate Information on different products and services offered to customers and Members of public in general. It may receive and reply to customers“ queries through e-mail.
2. In the next level are Simple Transactional Websites which allows customers to Submit their instructions, applications for different services, queries on their Account balances, etc., but do not permit any fund-based transactions on their Accounts.
3. The third level of Internet banking services are offered by Fully Transactional Websites which allows the customers to operate on their accounts for transfer of funds, payment of different bills, subscribing to other products of the bank And to transact purchase and sale of securities.

The above forms of Internet banking services are offered by traditional banks as an additional method of serving the customer. There are also banks that deliver Banking services primarily through Internet or other electronic delivery channels.

Some of these banks are known as virtual banks or Internet- only banks and may not have any physical presence in a country despite offering different banking services (Adriana, 2006).

2.4.2 Mobile banking

Mobile banking can be considered as a form of remote or virtual banking, which is essentially the delivery of branch financial services via telecommunication devices where the bank customers can perform retail banking transactions by dialing a touch-tone telephone or mobile communication unit, which is connected to an automated system of the bank by utilizing Automated Voice Response (AVR) technology (Balachandher et al., 2001).

2.4.2.1 Prospects of mobile banking

It allows consumers to phone their financial institutions with instructions to pay certain bills or to transfer funds between accounts (FTC, 2006). Geographical barriers as it could reach out to customers of different countries / legal.

1. It removes the traditional jurisdiction.
2. It has added a new dimension to different kinds of risks traditionally

Associate with banking, heightening some of them and throwing new risk

Control challenges.

3. It poses a strategic risk of loss of business to those banks who do not respond in time, to this new technology, being the efficient and cost effective delivery Mechanism of banking services.
4. A new form of competition has emerged both from the existing players and New players of the market who are not strictly banks.
5. Another advantage of Internet banking is that it is cost-effective. Thousands of customers can be dealt with at once. There is no need to have too many clerks and cashiers. The administrative work gets reduce drastically with Internet banking. Expenditures on paper slips, forms and even bank stationery have gone down, which helps raise the profit margin of the bank by a surprisingly large number.

2.4.3 Visa card (ATM)

ATM is also called 24-hour tellers are electronic terminals which give consumers the opportunity to bank at almost any time (FTC, 2006). ATM banking is one of the earliest and widely adopted retail E-banking services (Nyangosi et al. 2009). It is describe as a combination of a computer terminal, record-keeping system and Cash vault in one unit,

permitting customers to enter the bank's book keeping 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, 1999).

To withdraw cash, make deposits or transfer funds between accounts, a consumer needs an ATM card and a personal identification number. Once the customer logs in, access to transactions are displayed on the screen. It offers several retail banking services to customers. They are mostly located outside of banks, and are also found at airports, malls, and places far away from the home bank of customers. They were introduced first to function as cash dispensing machines (Abor, 2004). Some ATMs charge a usage fee for this service, with a higher fee for consumers who do not have an account at their institution. If a fee is charged, it must be revealed on the terminal screen or on a sign next to the screen Rose (1999).

2.4.3.1 Prospects of visa card

Visa card services have a lot of advantages. They include increase in productivity during banking hours if the service is available in addition to the human tellers. They are a cost-effective way of achieving higher productivity per period of time. Furthermore, it saves customers time in service delivery as an alternative to queuing in bank halls, customers can invest such time saved into other productive activities (Abor, 2004). In addition, ATMs continue to serve customers while human tellers in the banking hall have stopped work, thereby increasing productivity for the banks. And also reduce the work load of the employees.

2.5 Electronic Funds Transfer at Point of Sale (EFTPoS) or checks

An Electronic Funds Transfer at the Point of Sale is an on-line system that allows customers to transfer funds instantaneously from their bank accounts to merchant accounts when making purchases (at purchase points). A POS uses a debit card to activate an Electronic Fund Transfer Process (Chorafas, 1988). Point-of-Sale Transfer Terminals allow 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 your account to the store's account. Increase banking productivity results from the use of EFTPoS to service customers shopping payment requirements instead of clerical duties in handling cheques and cash withdrawals for shopping. Furthermore, the system continues after banking hours, hence continual productivity for the bank even after banking hours. It also saves customers time and energy in getting to bank branches or ATMs for cash withdrawals which can be harnessed into other productive activities (worku, 2004).

Some banks issued international cards (such as Visa, MasterCard etc.) to their customers. Such cards can be used wherever accepted, and payment on the cards can only be done through an ordinary domiciliary account of the cardholder, or any other account that may be permitted. Some of these cards are credit or debit cards.

2.6 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 (Mavri&Ioannou, 2006). A credit card is different from a debit card in that it does not withdraw money from the users account after every transaction. The issuer lends money to the consumer to be

Paid to the merchant Holders of a valid credit card have the authorization to purchase goods and services up to a predetermine amount, called a credit limit. The vendor receives essential credit card information from the cardholder, the bank issuing the card actually reimburses the vendor, and eventually the cardholder repays the bank through regular monthly payments. If the entire balance is not paid in full, the credit card issuer can legally charge interest fees on the unpaid portion.

2.7 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 (Mavri&Ioannou, 2006). In many countries the use of debit cards has become so widespread that their volume of use has overtaken or entirely replaced the cheque and, in some instances, cash transactions. Like credit cards, debit cards are used widely for telephone and Internet purchases and, unlike credit cards, the funds are transferred immediately from the bearer's bank account instead of having the bearer pay back the money at a later date. Debit cards may also allow for instant withdrawal of cash, acting as the ATM card for withdrawing cash and as a check guarantee card.

2.8 Characteristics of online-banking system

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).performance of banks is better in terms of ROE, higher commission income and lower general expenses. The adoption of mobile banking as a delivery channel has apposite impact on banks profitability measured both in terms of ROE and no statically significant impact on risk (hernando and nieto, 2005).

2.9 online Banking system Fraud

Convenience is the key reason of why millions of people are opting out of traditional banking for online banking. Banks also enjoy providing the option of online banking because they can save on operating costs. Most internet banking fraud occurs in a two-step process. Firstly, the offender must get their hands on the customer's account information, like their username and password. Secondly, the offender will use that information to move his victim's money to another account or withdraw it to make fraudulent purchases. For the first step, offenders often employ one of the many popular fraud schemes to obtain personal information. These fraud schemes include, but are not limited to:- "Over the shoulder looking" scheme: involves the offender observing his potential victim making financial transactions and recording the personal information used in the transaction.- "Phishing" scheme: stems from the two words "password" and "fishing." It entails sending e-mail spams and mail supposedly from the consumer's bank as a way to obtain the consumer' personal information, social insurance number, and in this case their online banking username and password (Kaleem& Ahmed, 2008).

2.9.1. Security Measures to avoid online banking system Fraud

Kaleem and Ahmad (2008) argue that in undertaken E-banking transactions, customers are always concerned about hackers and anti-social elements. Hacking enables the unethical hackers to penetrate the accounts of online bankers, and spend their money. Availability of confidential information which is just secured by a username and password makes it vulnerable to such threats. Most of the banks try to make their sites secured by implementing latest network security software. Learn to keep your cards, documents and passwords safe,

and monitor your accounts to safeguard yourself from bank fraud committed through identity theft. Most importantly, find out how to protect your personal information to avoid identity theft from happening to you (BSP, 2006). E-bankers should install virus scanners and keep them and their systems up-to-date especially PC banking. They should avoid practices that easily lead to security hazards in particular they should not start up arbitrary executable attachments received via electronic e-mail. Users should check fingerprints of certificates against the fingerprints that are (should be) given by the bank on official paper documents (Claessens et al., 2002; BSP, 2006).

2.10. Review of online Banking Practices in commercial bank of Ethiopia

In Ethiopia, 16 private and three state owned banks are operating till the end of Nov. 2015. 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. The use of checks is mostly limited to government institutions, NGOs and some private businesses. The common banking functions provided by public and private banks in Ethiopia are deposit Mobilization, credit allocation, money transfer and safe custody. Banks in Ethiopia are Unable to improve customer service, design flexible and customized products, and differentiate them in a market where product features are easily cloned. Ethiopian banking is unable to come from long way of being sleepy to a high proactive and dynamic and Entity.

The Ethiopian banking industry as a whole has a network of 2,502 branches (Birittu, No. 120), which is the lowest compared to the size of the country (1.1 million square Km) and number of population (more than 90 million) and this shows that the number of population hard being served by a single branch stood at around 34,373 (Birittu No. 120). With such highly scattered branch network and disintegrated working system it is To ensure efficient flow of financial resources and optimize the Contributions of the entire financial system to the development processes. Commercial banks In Ethiopia are too fast 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 information websites, which can help them To provide at least the information on financial services offered by them (NBE, 2008/09). The giant state owned commercial bank of Ethiopia had been issued only 1,

806,876 debit cards, and has mobile banking user of 290,383 and internet banking User 9,781.00 till Dec. 2014(Birittu no. 120). This is a very small number compared to the population size of the country and very scattered physical branch of the banks.

According to IMF data Ethiopia lag far behind from sub- Saharan African countries in Terms of access of finance. (Birittu No.120)Product of the Ethiopian Banking sector did not fully benefit from the current Technology advancement. Out of nineteen fully operating commercial banks there are only six of them commencing mobile banking as per the directive No FIS/01/2012? These show that how far the banking industry in Ethiopia back warded in comparison with the Current world banking industry advancement and out late offerings.

2.11. Technologies Used in the online Banking system

Nowadays, banks can use advanced technologies and internet, networks, payment cards, Automated Teller Machine (ATMs) and so on. This is one is of the prospects that Enables banks to increase the efficiency and productivity. The banking business has continued realizing the advantages of the cutting-edge Information and communication technology. It has become essential to effectively implement the appropriate technology to have faster decision support and effective data Integration in the financial intermediary process and also to look for other avenues to augment income. Concerning the sectorial outlook, there are emerging initiatives to invest in electronic Multi-service channels and also a tendency to optimally utilize the available resources in consortium, which partly supports the effective implementation of the envisaged national payment system. Additionally, the ongoing efforts of emplacing the electronic Laws focusing on the retail banking business are expected to have a positive effect on the growth of the payment card business. (worku, 2009/10) In this regard, commercial Banks are still at the early stage to implementing modern Banking technology and value-added service provision. Withstanding the prevailing long attachment of branch-based service channel, which is perceived to lead the society to only value human interaction, are succeeding in effectively implementing both the branch-based and impersonal banking service channels. Though the bank have gone through various challenges in popularizing and penetrating the market through electronic delivery channels, we are now at the level of encouraging recognition and flexibility to adopt the new habits as alternate service channels. The bank is able to reap better returns by way of increasing non-interest income from diversified service offerings and total solutions to the customers. Anticipating a further reduction in the processing time and upholding service efficient bank attempting to continue

introducing modern banking services and further leverage our technologies to provide the highest level of customer services and convenience, while keeping cost of access to the minimum. The bank resolutely pursue taking unique initiatives to reach for all relevant modern financial services and to uphold the delivery of convenience banking on a 24/7 base. Ethiopian banking system is one of the most underdeveloped compared to the rest of the world. In Ethiopia cash is still the most dominant medium of exchange and electronic banking is not well known, let alone used for transacting banking business. 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. But unlike other E banking delivery channels all most all banks has installed ATMs at Convenient locations for their cardholders. 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. (Work, 2010)To realize high quality service delivery standards, commercial Bank has kept on playing a leading role in the adoption of appropriate modern banking technologies. Accordingly, the Bank has launched its mobile banking service ‘Mod birr’. The service will entitle customers to conduct banking transactions using their mobile phones, Commercial bank of Ethiopia also implement Mobile banking. Commercial bank of Ethiopia starts internet banking to its customers in 2012 with the service of view report, check balance and print report. Till date this service does not have any improvement. Electronic Banking has been widely used in developed countries and is rapidly expanding in developing countries. In Ethiopia, however, cash is still the most dominant medium of exchange, and electronic payment systems are at an embryonic stage. In the face of rapid expansion of electronic payment systems throughout the developed and the developing world, Ethiopia’s financial sector cannot remain an exception in expanding the use of the system. Currently most of the commercial banks in Ethiopia start to offer some of the futures of E banking to its customers. Even the internet banking offered by the commercial bank of Ethiopia serve only within the bank’s branch. Still cross bank transaction through E banking not yet starts in Ethiopia. But there is a start in relation to ATM service which offers by five private commercial banks jointly.

2.12. Challenges of online banking (Mobile banking and visa card) system

According to M. M. Rahman (2008) in Bangladesh despite huge demand from the business community as well as the retail customers particularly the urban customers, electronic

banking (e-banking) is still at a budding state due mainly to a number of constraints such as unavailability of a backbone network connecting the whole country; inadequacy of reliable and secure information infrastructure especially telecommunication infrastructure; sluggish ICT penetration in banking sector; insufficient legal and regulatory support for adopting e-banking and so on. 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.

However, in true sense, e-banking includes activities like payment of bills and invoices, transfer of funds between accounts, applying for a loan, payment of loan installments, sending funds to third parties via emails or internet connections regardless of where the client is located. Leow, Hock Bee (1999) state that the terms PC banking, online banking, Internet banking, telephone banking or mobile banking refers to a number of ways in which customer can access their banks without having to be physically present at the bank branch. Therefore, e-banking covers all these ways of banking business electronically. Since e-banking offers some smart services benefiting both banks and customers compared with traditional banking system, it has become imperative to make necessary room for banks to flourish e-banking. Among others, attractiveness of e-banking includes: it lowers transaction cost; provide 24-hour services; ensure increased security and control over transactions; reduces fraud risk; performs higher volume of transactions with less time; increases number and volume of value payment through banks; allows remote transactions facilities that replace 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, indicated that incompatibility with the existing system, cost of implementation, security concerns, lack of expertise, inadequate legislation and consumer acceptance are the major challenges of online banking. But the good thing is that the benefit out weighted the challenges in many parameters. Specially country like Ethiopia which have a huge potential customers 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. In addition, as investigated by Alhaji Ibrahim H. (2009) the following are among the critical challenges of visa cards.

- **Lack of Technological Infrastructure** – the implementation of e-payment is been impeded by unavailability of ICT infrastructure. Most rural areas where majority of small and medium scale industries are concentrated have no access to visa card facilities and ICT Equipment

- **Costs** – where available, the cost of ICT is a critical factor relative to per capital income. This makes the cost of entry higher compared to developed countries.
- **Regulatory and Legal Issues** – inexistence of proper legal and regulatory framework.
- **Non-readiness of banks and other stake holders (acceptability)** – even though some have shown impressive willingness, some banks are still not fully ready to for this new payment regime.

Resistance to changes in technology among customers and staff due to:

- Lack of awareness on the benefits of new technologies
- Fear of risk among banks
- Lack of trained personnel in key organizations and
- Tendency to be content with the existing structures

People are resistant to new payment mechanisms;

- Security – where disclosure of private information, counterfeiting and illegal alteration of Payment data may be rampant. The critical challenges on mobile banking
- Frequent connectivity failure in telephone lines
- Frequent power interruption
- Wide spread Problem of internet connection

2.13 Prospects of online Banking system

According to M.s, M Rahman (2008) in Bangladesh e-banking is now a global phenomenon. Apart from the developed countries, the developing countries are experiencing strong growth in e-banking. The government's emphasis on setting up ICT park, raising allocation for developing ICT infrastructure, waiving taxes on computer peripherals and other measures including the automation program of banking sector and competition among the scheduled banks in improving customer services have accelerate the prospects of online-banking. The fact that the overall commercial banks branch in Ethiopia compared to the size of the population and the area of the country is very minimal, it creates a good advantage to expand online banking facilities and reach the wide spread population of the country through virtual

banking system. Electronic banking systems provided easy access to banking services. The interaction between user and bank has been substantially improved by deploying ATMs, Internet banking, and more recently, mobile banking (Claessens et al. 2002). Online 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). Customers prefer E-banking for conveniences, speed, round the clock services and access to the account from any parts of the world (Cheng, 2006). E-banking offers benefits to banks as well. Banks can benefit from lower transaction costs as E-banking requires less paper work, less staffs and physical branches (Cheng, 2006). E-banking leads to higher level of customers' satisfaction and retention (Aladwani, 2001). Online banking reduces loan processing time as borrower's loan application can be viewed by loan processing and loan approval authority simultaneously (Smith & Rupp, 2003). Typically, loan applications received at branch level and send to head office for approval. This documents transfer to and from branch to head office consume much time and delay loan sanction period (Riyadh et al., 2009). The benefits of online banking identified from the current literature are classified in two main categories - tangible and intangible.

Tangible benefits

- Increase automation process
- Transformation of traditional market chain
- Retained and expand customer base
- Reduced operational costs
- Acquisition of each market
- Increase business efficiency

Intangible benefit

- Enhance wellbeing and education of customers
- Competitive advantage
- Convenient banking

2.14 Empirical Review

According to MM Rahman (2008) in Bangladesh despite huge demand from the business community as well as the retail customers particularly the urban customers, electronic banking.(e-banking) is still at a budding state due mainly to a number of constraints such as unavailability of a backbone network connecting the whole country; inadequacy of reliable

and secure information infrastructure especially telecommunication infrastructure; sluggish ICT penetration in banking sector; insufficient legal and regulatory support for adopting e-banking and so on. 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. However, in true sense, e-banking includes activities like payment of bills and invoices, transfer of funds between accounts, applying for a loan, payment of loan installments, sending funds to third parties via emails or internet connections regardless of where the client is located. Leow, Hock Bee (1999) state that the terms PC banking, online banking, Internet banking, telephone banking or mobile banking refers to a number of ways in which customer can access their banks without having to be physically present at the bank branch. Therefore, e-banking covers all these ways of banking business electronically. Since e-banking offers some smart services benefiting both banks and customers compared with traditional banking system, it has become imperative to make necessary room for banks to flourish e-banking. Among others, attractiveness of e-banking includes: it lowers transaction cost; provide 24-hour services; ensure increased security and control over transactions; reduces fraud risk; performs higher volume of transactions with less time; increases number and volume of value payment through banks; allows remote transactions facilities that replace physical presence of a customer in a bank branch and; increases transaction speed and accuracy.

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Some related studies are conducted by different researchers in different parts of the world. However, there are limited numbers of studies conducted in Ethiopia on the challenges and prospects of online banking. Specifically, Gardachew (2010) conducted research on the prospect and challenges of E-banking in Ethiopia. The aim of his study was focused on analyzing the status of electronic banking in Ethiopia and investigates the main challenges and prospects 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-commerce and E- payments,

political instability in neighboring countries, high rates of illiteracy and absence of financial networks that links different banks. They felt that transactions conducted electronically were open to hackers and viruses, which are beyond their control. Lack of top management support is the other inhibiting factor in the adoption of electronic commerce applications as per their finding. The study of Shah *et al.* (2005) on critical success factors (CSF) in E-Banking conducted in United Kingdom, aims to determine the critical issues related to financial sector organizations when they establish businesses online. The survey method was used by researchers which target the financial sector in the UK. The study indicates that Understanding the CSFs in E-banking is important for senior management of banking related organizations, because it would potentially help them improve their strategic planning process.

In general, Review of Empirical studies shows that understanding the critical success factors (CSFs) in on line banking (e-banking) is important for banking industries because it would potentially help them improve their strategic planning process. The main obstacles and barriers that oppose online banking are the concerns of security, Privacy of information and technology investment cost. Also the literature indicates that according to the customers there are different challenges that influencing the performance of on line banking. Such as, perceived advantages and other factors related to the services itself & how to be accepted and used by the customers, which differ from country to country, reflecting the economic and technological development in each country. In this study, the researcher will assess the challenge and prospects of on line banking in commercial bank of Ethiopia to identify these challenges and setting applicable solutions in order to improve these prospects which provide by the bank by using survey and interview conduct to the select branches of the bank especially in Gubre branch.

CHAPTER THREE

3 RESEARCH METHODOLOGY

3.1. Description of the Study Area

The study was conducted in Wolaita town, the capital of Gurage zone of the SNNP region. Particularly the research was conducted in Gubre Commercial banks of Ethiopia.

3.2. Research design

The researcher was used descriptive type of research design the reason behind using descriptive study design because the research is interest describing situation under study. This method choose because identify challenge and prospect of on line banking system in commercial bank of Ethiopia in Gubre branch.

3.3. Target population

The target population of the study is, employee of the commercial bank of Ethiopia in Gubre branch.

3.4. Data type and source

The necessary data for the study is collect from both primary and secondary source of data. The primary source of data is collect from, customers, employs and manager from commercial bank of Ethiopia in Gubre branch through questionnaire and interview respectively. Secondary source of data is collect from different books, magazines, journal and other relevant sources.

3.5. Data collection method and procedure

The researcher was preferred to use research method for the purpose of collecting the necessary data from respondents. The reason behind to use this research method is to get the data through using both questioners and interview. It includes both open ended and close ended questions.

3.6. Sample size and sampling technique

The researcher was used non- probability sampling technique. From the non- probability- sampling technique the researcher was used census method. Census method use for

employees, because it is a few numbers of employees. According to the data obtain from commercial bank of Ethiopia in Gubre branch. The total 28 employees were taken as respondents by using census method or counting all of them. From these 25 are male and the remaining 3 are females. The study was focused on employees.

3.7. Method of data analysis

The researcher was used descriptive statistics to conduct the study. The reason for selection of descriptive research is the study need descriptive analysis tools and it is appropriate to achieve the research objective. After the relevant data collect from primary data and secondary data, the researcher analyses summarize and interpret the data using tables and percentages.

3.8. Ethical consideration

In conducting the study, the information was gathered from the respondent responsibly. And the study was tried to secure the moral and ethical value of the businesses and the information was required for academic purposes only, however it was research ethics to gather necessary information with patience till the researcher concluded everything that he needs from respondents. All information gotten from the respondents were treated with confidentiality without disclosure of the respondents' identity, no information was modified or changed, hence information gotten was presented as collected and. the researcher ensured to the respondents not to disclose their names, position and personal information. All the primary and secondary data collection in the organization was under the permission of the managers and without any offence in ethical rules during the whole research process.

CHAPTER FOUR

4. DATA ANALYSIS AND INTERPRETATION

4.1 introduction

This part of the paper deals with the analysis and discussion of data obtained through interview and questionnaires distributed to the respondents. In this initial part of the paper collected data from employees of commercial bank of Ethiopia in gubre branch in Wolkite town banking.

4.2. Response rate

Table4.1 *Response rate*

Distributed	28
Collected	23
Response	82%

Researchers Collected interviews from top management and researchers distributed 28 of questionnaires from these 23 copies are returned. Researchers analysis and interpreted through descriptive research and analysis by sub titles. The questionnaire and interviews used to know the personnel information and challenges face on the on line banking systems and prospects that the bank get from on line.

4.3 Demographic Characteristics of the Respondents in the organization

In order to have clear understanding about the result of the study, it is important to be familiar with demographic characteristics of the sample respondents who are close to gubre branch commercial bank of Ethiopia in wolkite town about challenge and prospect of online banking.

Table4. 2 *sex composition of respondents*

		Frequency	Percentage (%)

Sex	Male	20	87
	Female	3	13
	Total	23	100%

Source, on questionnaire, 2019

From the above table reveals that 87% of the respondents are males while the remaining 13% are female's. This implies that the majority of the online banking system employees in the commercial bank in gubre branch in wolkite town are males than females.

Tabel4. 3 age composition of respondents

age		Frequency	Percentage (%)
	18-25	4	17.4
26-35	18	78.26	
>35	1	4.34	
Total	23	100%	

Source, 2019 on questionnaire

According to the above table 4.2 age composition of the respondents shows that about 17.4% are in the range between 18-25, 78.26% are the range between 26-35% and the other are 4.34% On the range above 35. As per this the most of age coverage of the respondents working on the online banking employees in the commercial bank in gubre branch are in the range between 26-35 and 18-25 respectively.

Tabel4. 4 Marital status of the respondents

Marital status		Frequency	Percentage (%)
	Married	16	69.6
Un married	7	30.4	
Total	23	100%	

Source, 2019 on questionnaire

From the above table 4.3 marital status of the respondent's shows that majority of the respondents are married than unmarried such that 69.6% are married and 30.4% are unmarried .this information implies that majority of the respondents that exists or works on the bank are married.

4.4 Educational level of the respondents

Tabel4.5 Educational level of the respondents

Educational level		frequency	Percentage (%)
	Secondary school complete	0	0
Diploma	1	4.3	
Degree and	22	95.7	

	above		
	Total	23	100%

Source, on questionnaire, 2019

According to the table 4.3 indicated that the educational characteristics of the respondents, the majority of the respondents are degree which covers 95.7%. While the remaining 4.3% diploma. This data shows that majority of workers are degree and above which operates in the bank.

4.5 customer respondent on online banking over the year especially on visa card and mobile banking system

Tabel4. 6 *customer respondent on online banking over the year especially on visa card and mobile banking system*

	Frequency	Percentage (%)
Increasing	21	91.3
Decreasing	2	8.7
Remain constant		
Total	23	100%

Source, on questionnaire, 2019

According to the response of the respondents from the above table 4.5, 91.3% of the respondents says that the number of customer increase from year to year. While the remaining 8.7% are decrease the number of customers especially on mobile banking and visa card. From this 91.3% indicated that the on line banking customer are increasing from year to year because the customers are easily save time, reduce risks and they know the remaining balance in the bank .and the other point 8.7% shows the number of customer decrease from year to year Because more other private banks are formed are formed on nearest on their surrounding then the customers are shift to other banks.

4.6 The response of the respondents that money with draw by the visa card

As the response given by the respondents of the employees 10,000 birr is allowed for each individual to with draw from the ATM on per day. So this indicates that the amount with draw per day is restricting to birr10, 000.

Tabel4. 7 *Response of respondents on challenges face on mobile banking system*

	Frequency	Percentage (%)
Yes	18	78.3
N0	5	21.7

Total	23	100%
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Source, on questionnaire, 2019

According to the above table majority of the respondents such that 78.3% of respondents says that challenges face on mobile banking that hinder the day to day activities that are performed in the commercial bank of Ethiopia in gubre branch. Such challenges are interruption of networks, interruption of electricity, the code being secured if the code is unmemorable it is forget, loss the mobile itself, lack of awareness of the customer. While the remaining 21.7% of the respondents says that there is no challenges face on mobile banking.

4.7 Response of respondents on challenges face on visa card

Tabel4. 8 Response of respondents on challenges face on visa card

	Frequency	Percentage %
Yes	19	82.6
NO	4	17.4
Total	23	100%

Source on questionnaires, 2019

From the above table the response of the respondent's shows that 82.6% of the respondents deal that there is a challenges face on visa card that hinder the day to day activities. These challenges face on the visa card are the following, interruption of network, less awareness of the customer, it is not suitable for illiterate customer, interruption of electricity, less awareness of staff employee, lack of technical assistance, and also the customers do not care about the service due to these there exists relative fraud stolen of their password makes challenge .sometimes the visa card is block that means the card may expired and the amount of money with draw from the visa card is fixed per day. While the remaining 17.4% of the respondents says that there is no challenge that hinders the day to day activities of the visa card that is used in the bank.

Tabel 4. 9 response of respondents on prospects of mobile banking system

	Frequency	Percentage %
Yes	21	91.3
No	2	8.7
Total	23	100%

Source on questionnaires, 2019

According to the above table the researchers understand that majority of the respondent such that 91.3% of them are says mobile banking system are prospect that facilitate the interaction between customer and employs. Such prospects are the following cost saving, time saving, reduce work load, reduce risks, it provides 24 hour service to the customer, it easily transfers money with a few minute, it is highly secured because it has its own password that means it is not easily susceptible to theft, it used to know account balance by its personnel mobile used

to know the bank's ATM where their exists used to know the day to day checks of the Bank and used to know the amount of money left in the bank while the remaining 8.7% of the respondents says that mobile banking system have no advantage.

Tabel 4. 10 response of respondents on prospects of visa card

	Frequency	Percentage %
Yes	20	87
No	3	13
Total	23	100%

Source on questionnaires, 2019

From the above table majority of the respondents about 87% says that visa card has many advantages that used to facilitate the interaction of the customer and the bank. These advantages that the bank gets from visa card are to reduce the work load of the employees to provide or give service to the customer, it provide 24 hour service to the customer at any time at anywhere or it is accessible at any time, it saves time, it allows the customer easy transact without contacting with the bank employees, the visa card is more honesty and fast and the visa card has highly secured because it has password to differentiate ones customer to the other customer But the other respondents which covers 13% says that visa card has no advantage for the bank.

4.8 Responses of respondents on types of accounting service provided by on line banking system

Tabel 4. 11 Responses of respondents on types of accounting service provided by on line banking system

	Frequency	Percentage %
Withdrawal		
Money transfer		
Balance checking		
All	23	100%

Total	23	100%
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Source on questionnaires, 2019

According to response of the respondents all such type of accounting services are allowed by on line banking system. this information shows that such withdrawal, money transfer and balance checking which covers 100%,100%and100% respectively, are allowed by on line banking system. This all type of accounting service used to facilitate the interaction between the customers and employers of the commercial bank of Ethiopia in gubre branch.

4.9 Response of respondents on the mechanisms that the bank offered its service through on line banking

Tabel 4. 12 *Response of respondents on the mechanisms that the bank offered its service through on line banking*

	Frequency	Percentage (%)
Through visa card	12	52.17%
Through mobile phone	7	30.43%
Through internet	4	17.4%
Total	23	100%

Source on questionnaires, 2019

From the above table According to the response of the respondents 52.17% of the respondents says that the bank offered its services through visa card the remaining 30.43 and17.4%of the respondents says that the bank offered its service Mobile phone and Internet respectively. Therefore majority of the bank services are offered by using visa card.

4.10 Responses of respondents on overcoming the challenges of visa card and mobile banking system

According to the response of the respondents many challenges are faced on visa card and mobile banking system. So these challenges are overcoming by using appropriate mechanisms. These mechanisms are to remove the interruption of electricity, to communicate with responsible bodies and use generator light, to reduce the interruption of networks, to communicate with responsible body of telecommunication workers and to use 3G wireless

technology, in order to increase users awareness towards the on line banking systems, to create awareness about usefulness or the advantage of on line banking systems in the urban and rural society, in order to reduce less awareness of staff employees, the bank create awareness about these on line banking systems, to reduce lack of technical assistance, to recruit employees that have ability or knowledge on the on line banking systems and when the visa card is block, to change the visa card codes from the above lists are used to solve the problems that are faced on online banking system of commercial bank in gubre branch.

Tabel 4. 13 response of respondents on the question does the on line banking customers are comfortable with in these access

	Frequency	Percentage (%)
Yes	21	91.3
No	2	8.7
Total	23	100%

Source, on questionnaire, 2019

According to the response of the respondents majority of the respondents such that 91.30% says that the customer that are used the access of on line banking systems are comfortable with in the bank. While the remaining 8.7% of the respondents says that the online banking customers are not comfortable with the bank access.

Tabel 4. 14 response of respondents on the satisfaction of customer using online banking system

	Frequency	Percentage(100)
Very high	4	17.41
High	15	65.21
Medium	3	13.04
Low	1	4.34
Total	23	100%

Source, on questionnaire, 2019

From the above table the majority of the respondent says that the satisfaction level of customer is high which covers 65.21%. While the remaining of the respondents says that the satisfaction level of customer is very high, medium and low which covers 17.41%, 13.04% and 4.34% respectively.

Tabel 4. 15 Response of Respondents On The ATM machine Offers Service daily 24 hours Without Any Interruption In The bank.

	Frequency	Percentage%
Yes	19	82.6
No	4	17.4
Total	23	100%

Source, on questionnaire, 2019

From the above table shows that the majority of the respondents says that the ATM machine offers service 24 hours without any interruption in the bank which covers 82.6% the remain 17.4% Respondents says that the ATM machine does not provide 24 hours service without any interruption in the bank.

Primary data that are obtained from interview questions that provided for challenge and prospect of on line banking in commercial bank of Ethiopia in case of gubre branch in wolkite town.

According to the response of the manager in gubre commercial bank there exists challenges on mobile banking system. Such challenges are the following Interruption or failure of networks, less awareness of the literate people, less understanding of the employees about the system and also challenges faces on visa card are Network interruption, Interruption of electricity, less awareness of the public and less awareness of the staff employees.

According to the responses of the manager of gubre branch commercial bank there are the above Challenges but also the following prospects that the bank get from such on mobile banking system and visa card. Prospects of mobile banking the easiest to give quality service, It reduce risks and it used to transfer money and used to know the remaining balance on the account.

Prospects of visa cards are easy to get cash at any time, easiest to give quality service and it used to decrease work load for employees in the bank.

According to the response of the manager to uses any mechanism to solve or overcome the challenges faces on visa card and mobile banking systems. These mechanisms are developing Tele infrastructure, consistent awareness creation on visa card and mobile banking access users and ask for the responsible body of electricians to solve the problem that faced on visa card and mobile banking systems.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.1 conclusions

Based on the analysis made in chapter four the following conclusions are made on the assessment of the challenges and prospects of on line banking system in commercial bank of Ethiopia in Gubre branch.

ATM, Credit Card and debit card services, internet banking, mobile banking and other electronic payment systems are faces a challenge.

The study shows that network failure from internet connection is the major challenge facing on using online-banking system. However, respondents believed that considerable education and marketing of online-banking products from the bank could attract more customers. In general, commercial bank of Ethiopia is trailing behind in acquiring the required quality of banking services to effectively compete in the global market.

The main practice of online-banking among the commercial bank are providing the service have been for, balance inquiry, cash withdrawal, statement printing, PIN change, purchase goods or services, accessing his/her accounts 24 hour service and funds transfers among to others. online-banking system have the benefit of attracting high value customers, enhanced image, larger customer coverage, improvement of organizational efficiency, and load reduction etc. from the view point of the bank.

As per the findings, the major driving forces that initiate commercial bank to deliver banking services to the customer using electronic channels are existence of high competition in the banking industry, rapidly changing customers' needs and preferences , desire to improve organizational performance, desire to improve the relationship with customers, desire to reduce transaction cost, desire to cover wide geographical area, desire to build organizational reputation, desire to satisfy customers and to keep the international banking standard among others.

reduce of risk, lack of trained and efficient staff in e-banking context, absence of financial networks, low level of internet penetration and poorly developed telecommunication infrastructure, high cost of internet and security issues are the main challenges for of e-banking in Gubre commercial bank. In addition, lack of customer awareness regarding the service is another challenge in order to provide the service.

Therefore, from this, it is possible to conclude that there are challenges for the online-banking service among the commercial bank that are not yet the system and for the sufficient adoption of the service from the viewpoint of the bank. Those are currently providing the service in the country.

Finally, opportunities, commitment of the government to facilitate the expansion of ICT infrastructure, improvement in the banking habit of the society, sustainable economic growth in the country, and willingness among bank to cooperate in building infrastructure are among the major opportunities for the online-banking in the Gubre branch . Therefore, from this, it is possible to conclude that there are good opportunities for the online-banking system in commercial bank of Ethiopia in Gubre branch.

5.2 Recommendation

Online banking offers opportunities to the employees and the customers derive certain benefit from its usage.

As per the findings from the analysis of the collected data; the following Recommendations are forwarded in order to promote and develop viable online-banking system in Gubre branch. .Ongoing efforts by the Ethiopia telecommunication corporation to expand ICT infrastructure should be encouraged by the government and gradually the bank should try to reduce these online banking challenges.

Commercial Bank that is currently providing the service should promote the system in order to raise public awareness on the use of online-banking service.

Education and marketing of online banking products should be encouraged in the bank to attract more customers. It recommend promote transactions on to mobile banking should introduced to also entice more customers as in the bank.

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Appendix
WOLKITE UNIVERSITY
College of Business and Economics
Department of Marketing Management

Introduction

Research Questionnaire for bank employees and managers

First of all we would like to express our heartfelt gratitude for your willingness to provide an answer for prospective questions. The questions are on challenges and prospects of online banking system in commercial bank of Ethiopia in Gubre branch. The question is designed to help us to gather appropriate data and we believe that you would kindly collaborate in filling the questions. The question may be open ended or close ended, so you are kindly request to put circle the appropriate answer. We confirm that this study has no other intention except academic.

PART ONE demographic characteristics of respondents

- 1. Sex A. male B. female
- 2. Age A. 18-25 B. 26-35 C. >35
- 3. Marital status A. married B. UN married
- 4. Educational level A. Secondary school complete B. Diploma level
C. degree and above

PART TWO questions about online banking system to employees

- 1. How can you estimate the number of customer over the year?
A. increasing B. decreasing C. remains constant
- 2. How much amount of money withdrawn by them .on visa card system

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14. How can you measure the satisfaction level of your customer using online banking system in commercial bank? A. very high B. high C. medium D. low

15. By which mechanism the bank offered its service through on line banking in this bank? A. through visa card B. Through mobile phone C. Through Internet D .All

16. Does the ATM machine offers service daily 24 hours without any interruption in this bank? A. yes B. No

PART THREE interview questions

1. What are the challenges facing on the mobile banking system of commercial bank of Ethiopia in this bank?

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2. What are the challenges faces on visa card?

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3. What measures you are taken to minimize those challenges?

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4. What are the prospects that the bank get from visa card?

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5. What are the prospects get from mobile banking?

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Thank you once again!!