

HOW MOBILE BANKING CONTRIBUTES TO PERFORMANCE OF FINANCIAL INSTITUTIONS, A CASE STUDY OF DFCU BANK WANDEGEYA, KAMPALA UGANDA. A CROSS-SECTIONAL STUDY.

Ismail Bashir Ali*, Geoffrey Tugume
Kampala University

Page | 1

Abstract

Objective

The study aimed at assessing how mobile banking contributes to the performance of financial institutions, a case study of DFCU Bank Wandegeya, Kampala Uganda.

Methodology

The study used a cross-sectional study design and was carried out from DFCU bank, Wandegeya Branch. The study was carried out for a period of Four months i.e. from September 2022 to December 2022. Sample Size of (171) Of DFCU Bank Officers and Customers/Clients. Both secondary and primary data were used for the study and were analyzed automatically using SPSS.

Results

Findings reveal that the number of females(52.6%) who participated in the survey was more than the males 81(47.4%) and the highest number 75(43.9%) of the respondents were single. 85(49.7%) of the respondents agreed that mobile banking has improved customer satisfaction, 66(38.6%) strongly agree and 20(11.7%) undecided. It is indicated that there is a strong relationship between mobile banking and the profitability of DFCU -bank. This is indicated by positive results of Pearson Correlation, where $r = 0.874$.

Conclusion

Mobile banking has improved the bank-customer relationship by rendering effective services throughout the week customers can now have access to their account outside working hours to make withdrawals to attend to their needs.

Recommendation

We suggest that the central bank removes limits on the cash withdrawn and transfers which blocks levels of transactions by customers

Regulatory authorities like the Central Bank of Uganda must stipulate standards for the banks to follow to avoid making the Ugandan Commerce Sector a dumping ground for outdated technological infrastructures.

Government Policy should guide against Money laundering, fraud, and security risks posed by net commerce is inevitable.

Keywords: Mobile Banking, Financial Institutions, Dfcu Bank Wandegeya

Submitted:2024-03-22 Accepted: 2024-03-25

Background of the study

Mobile banking is a service provided by a bank or other financial institution, which enables customers to perform a range of financial transactions over the telephone, without the need to visit a bank branch or automated teller machine (DeYoung, Lang, &Nolle, 2016). Mobile banking times are usually longer than branch opening times, and some financial institutions offer the service on a 24-hour basis. Most financial institutions have restrictions on which accounts may be accessed through mobile banking, as well as a limit on the amount that can be transacted. The types of financial transactions that a customer may transact through mobile banking include obtaining account balances and a list of the latest transactions, electronic bill payments, and funds transfers between(Ashwin D' Costa, 2024.) a customer's or another's accounts.

From the bank's point of view, mobile banking minimizes the cost of handling transactions by reducing the need for

customers to visit a bank branch for non-cash withdrawal and deposit transactions (DiMaggio & Powell, 2013). According to Duryee, Tricia (2014), Mobile banking (also known as M-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 (PDA) (*Course Hero*, 2021.).

According to Fritch (2015), in the year 2011, access to financial services continued to be enhanced, spurred by increased innovation in the delivery of financial products and services throughout the country. The country experienced an increase in population accessing financial services as a result of the adoption of innovations, particularly the mobile money revolution. Over 18 million Ugandans were using mobile phone platforms to make payments and send remittances (Freedman, 2015). This is a service provided by a bank or other financial institution, that enables customers to perform financial transactions

over the telephone, without the need to visit a bank branch or automated teller machine. Mobile banking times can be longer than branch opening times, and some financial institutions offer the service on a 24-hour basis. The study aims to find and assess how Mobile Banking contributes to financial institutions in Uganda. a case study of DFCU Bank Wandegeya Branch.

METHODOLOGY

Research Design

A cross-sectional descriptive case study design was used as a quantitative approach to establish the effect of Mobile Banking on the profitability of DFCU Bank.

Study setting

The study was carried out from DFCU bank, Wandegeya Branch. The study was carried out for a period of Four months i.e. from September 2022 to December 2022 as it was found to be adequate for content analysis. However, this study's literature was based on data gathered between a period of 2010 to 2019 as it is the period when mobile banking greatly impacted the performance of financial institutions in Uganda.

Study Population

The target population is 300 and this includes; the staff of DFCU Bank and customers.

The sample Size

Used a sample size of (171) DFCU bank officers and customers/Clients.

and this sample size was retrieved through the Slovene formula;

$$n = \frac{N}{1+N(e)^2}$$

Where;

N = required sample size

N = the population size (300)

e = the level of significance (0.05)

Therefore to get the sample size;

$$n = \frac{300}{1+300(0.0025)}$$

$$n = \frac{300}{1+(0.75)}$$

$$n = \frac{300}{1.75}$$

$$n = 171.$$

Therefore the sample size is 171 respondents

Sample size selection procedure

Sample size has been determined using Helen's assumption where she suggests if a population is above 150 and below 350 any sample size above the average is representative, Hellen, (2016).

Sampling Design

The study mainly used stratified sampling and simple random sampling methodology.

Table 1: Sample Size

Department	Sample Targeted
Managers	2
Accounts Supervisors	25
Credit Supervisors	22
Sales agents	5
Cashiers	5
Customers	112
TOTAL	171

Source: Primary data, 2022

Sampling Procedure

Here, the population was divided into groups based on relevant characteristics and then selected participants within those groups. Stratified random sampling will be used to ensure adequate representation of both males and females.

Sources of data

Two sources of data were used for purposes of research. These were primary data and secondary data.

Secondary Data Collection

Secondary data includes policy documents and abstracts of the various scholars relating to the topic of discussion in question. Secondary data for this study was obtained

from sources like libraries, archived records from the bank, and records of selected financial findings, government publications, online information, textbooks, Newspapers, and unpublished research Reports. This is because it was readily available and easier to comprehend, as it comprised extensively researched work.

Primary Data Collection

Shortcomings of secondary data sources such as outdatedness and inadequacy in terms of coverage, necessitated the use of primary sources for first data. The self-administered questionnaire will be used and this enabled the research to cover a large population quickly and at a reasonable cost.

Methods of data collection and instruments. Questionnaires

The questionnaires were equally used because the information had to be collected from a large sample in a short period yet the respondents could read and write. The questionnaire was used in the collection of data from respondents (owners of small-scale businesses). The questionnaires consist of both open and close-ended questions administered to respondents of cooperative banks.

Interviews

An interview is a dialogue between an interviewer and an interviewee. It was an organized conversation aimed at gathering data about a particular topic.

Data Processing Methods

Data processing

Data collected was checked for completeness categorized coded and entered into a computer where it was summarized into frequency tables.

Data Analysis

The data was analyzed automatically using SPSS (Statistical Package for Social Sciences). The index was selected because it measures the degree and direction of the relationship between variables.

PRESENTATION AND DISCUSSION OF FINDINGS

Demographic Characteristics.

Table 2: A table showing the Gender of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	81	47.4	47.4	47.4
	female	90	52.6	52.6	100.0
Total		171	100.0	100.0	

Source: primary data, 2022

From Table 2, findings reveal that the number of females(52.6%) who participated in the survey was more than the males 81(47.4%). Of the overall respondents of DFCU bank, the females were more than the males. This

was due to ease in the accomplishment of duties by the women as opposed to their counterparts the males when it came especially, to supervision at the workplace.

Table 3: Marital status of the respondents.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid married	45	26.3	26.3	26.3
single	75	43.9	43.9	70.2
widow	24	14.0	14.0	84.2
divorced	27	15.8	15.8	100.0
Total	171	100.0	100.0	

Source: primary data, 2022

From Table 2, findings reveal that the highest number, 75(43.9%) of the respondents were single followed by married, widows, and lastly the divorced. According to the interview carried out, the highest number of respondents were single because they preferred just to be single as they sought to further their studies since the bank was undergoing change and thus thought marriage would

derail their progress in achieving their goals while the lowest number 24(14.0%) were widowed and divorced respectively as they postulate that they had no control over what the almighty decides that they were just humans Like any other average person so they were not perfect and neither would they be.

Mobile -Banking Systems at DFCU bank

Table 4: Impact of Mobile Banking

	Frequency	Percent	Valid Percent	CumulativePercent
strongly agree	61	35.7	35.7	35.7
undecided	30	17.5	17.5	53.2
agree	80	46.8	46.8	100.0
Total	171	100.0	100.0	

Source: primary data, 2022

The table shows that 80(46.8%) of respondents agreed opinion that the mobile banking system has made commerce transactions easier and has brought a high positive impact on commercial bank profitability, 61(35.7%) strongly agreed while 30(17.5%) undecided

and none of the respondents is either of disagree or strongly disagree opinion. From the data, it indicates that commerce transactions have been made easier with the introduction of mobile banking.

Table 5: Mobile Banking Training Program

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	40	23.4	23.4	23.4
Undecided	30	17.5	17.5	40.9
Disagree	14	8.2	8.2	49.1
Agree	87	50.9	50.9	100.0
Total	171	100.0	100.0	

Source: Primary data, 2022

On the assessment of the training program of DFCU Bank Uganda. The table 5 shows that 87(50.9%) of the respondents agreed with the opinion, 40(23.4%) strongly agree, 30(17.5%) Undecided and 14(8.2%) disagree and

no respondent opened on strongly disagree. This is an indication that the banks have information training (electronic) development programs for their staff because 74.3% of the respondents were of the agree opinion.

Table 6: Satisfaction derived from mobile banking by the bank's customers

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	66	38.6	38.6	38.6
undecided	20	11.7	11.7	50.3
Agree	85	49.7	49.7	100.0
Total	171	100.0	100.0	

Source: primary data, 2022

Table 6 shows that 85(49.7%) of the respondents were of the agree opinion that mobile banking has improved customer satisfaction, 66(38.6%) strongly agreed 20(11.7%) were undecided and non-respondents on the

opinion of disagreed or strongly disagreed therefore, agree opinion having higher percentage shows that electronic commerce has improved customer satisfaction

Table 7: Threat to mobile banking

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid agree	171	100.0	100.0	100.0

Source: Primary data, 2022

Table 7 shows that 171 (100%) of the respondents were of the agreed opinion that their banks place more emphasis on all the electronic commerce threats to determine their effectiveness.

This viewpoint contends with that of (Houger, 2006) Who hypothesized based on the data collected, that banks have a low incidence of threat in mobile banking System pinned on the studies carried out in the United Kingdom with a cross-sectional analysis of Stanbic Bank as a case study

**Table 8: Relationship between mobile banking and bank profitability
Correlations**

	Mobile Banking DFCU banks Systems	Profitability of DFCU banks
Mobile banking systems Pearson Correlation	1	.874
Sig. (2-tailed)		.000
N	171	171
Profitability of DFCU banks Pearson Correlation	.874	1
Sig. (2-tailed)		.000
N	171	171

Source: Primary data, 2022

The testing of the relationship between the variables was tested using Pearson correlation coefficient. This was used because the Profitability of DFCU banks and the level of Mobile banking were numerical. From the table above, it is indicated that there is a strong relationship between mobile banking progression and information technology. This is indicated by positive results of Pearson Correlation, where $r = 0.874$. It therefore implies that mobile banking progression strongly affects the profitability of DFCU banks and thus, bankers should always assess its adaptability before embracing it. This is because, from the first hypothesis, the Pearson correlation was positive, which indicates that mobile banking is a healthy source of influencing banks' profitability. The result indicates that variable feedback has a weak relation with the second independent variable information technology, which is very much visible from the Pearson correlation between the two.

Conclusion

Based on the summary of the major findings the following conclusions are drawn: The adoption of mobile banking has enhanced DFCU bank efficiency by making it more productive and effective. Mobile banking also has a strong impact on the profitability of financial institutions by making workers' performance more effective and efficient.

Mobile banking has improved the bank-customer relationship by rendering effective services throughout the week customers can now have access to their account outside working hours to make withdrawals to attend to their needs.

Recommendations

The central bank should remove limits on the cash withdrawn and transfers which block levels of transactions by customers

Regulatory authorities like the Central Bank of Uganda must stipulate standards for the banks to follow to avoid making the Ugandan Commerce Sector a dumping ground for outdated technological infrastructures.

Government Policy should guide against Money laundering, fraud, and security risks posed by net commerce is inevitable.

Areas of future research

Studies in the area of cyber fraud management style in IT commerce recommend

Acknowledgment

I am very grateful to ALLAH for the life HE has given me.

I thank my supervisor Mr. Kiza Badru for the continuous support he has given me during the write-up of this book I also want to acknowledge my father and my mother for the financial support they have offered to me during stud. I wish to in an honorable manner thank my uncles and aunts for their support, socially and spiritually, that has made me grow into an outstanding personality

To all my friends I say work very hard and set good examples, remember ALLAH all the time in your life

Source of funding

No funding was received.

Conflict of interest

The authors have no competing interests to declare.


REFERENCES

- Houger, V. P. (2006). Trends of employee performance. A collaborative effort between managers and employees. Performance improvement, 45(5), 26-31.
- DeYoung, R., Lang, W. W. and Nolle, D. E. (2017). How the Internet Affects Output and Performance at Community Banks. Journal of Banking and Finance (3):251-258.
- DiMaggio, P.J. & Powell, W.W. (2013). The Iron Cage revisited: Institutional Isomorphism and Collective rationality in Organizational Fields. American Review 48:147-160
- Duryee, Tricia (2014). "Overstock hits \$1 million in sales from virtual currency". Geekwire. Retrieved 2014-05-07.
- Fritch, T.P. (2015). Dictionary of Banking Terms. New York. Hauppauge,
- Freedman, C., (2015), Monetary Policy Implementation: Past. Present and future —

- “Will Electronic Money Lead to the Eventual Demise of Central Banking?” international \
7. Ashwin D' Costa—Manager—KPMG India | LinkedIn. (n.d.). Retrieved April 22, 2024, from <https://in.linkedin.com/in/ashwindcosta>
 8. Transactions through a mobile device such as a mobile phone or Personal Digital | Course Hero. (2021.). Retrieved April 22, 2024, from <https://www.coursehero.com/file/pnttb7/transactions-through-a-mobile-device-such-as-a-mobile-phone-or-Personal-Digital/>

Publisher details:

SJC PUBLISHERS COMPANY LIMITED



Category: Non-Government & Non-profit Organisation
Contact: +256775434261(WhatsApp)
Email: admin@sjpublisher.org, info@sjpublisher.org or studentsjournal2020@gmail.com
Website: <https://sjpublisher.org>
Location: Wisdom Centre Annex, P.O. BOX. 113407 Wakiso, Uganda, East Africa.