

# **THE IMPACT OF DIGITAL TRANSFORMATION ON TRADITIONAL BANKING EFFICIENCY: A CASE STUDY OF POSTBANK MUKONO BRANCH**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL  
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**UGANDA CHRISTIAN  
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## DECLARATION

I, Vanessa Tsongo Kasoki (registration number S21B05/026), hereby declare that this research dissertation submitted in partial fulfillment of the requirements for the reward of bachelor degree in Business Administration at Uganda Christian University, is my original work. All sources used for research and information have been duly acknowledged in the reference section.

I understand the university's policies on the academic integrity and plagiarism, and I have neither presented someone else's work as my own nor engaged in any form of academic misconduct while preparing this dissertation.

I also acknowledge that any violation of these principles may result in severe academic penalties, including the possibility of failing the dissertation course unit.

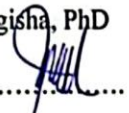
A handwritten signature in black ink, appearing to read 'Vanessa Tsongo', with a large, stylized flourish above the name.

*Vanessa Tsongo*

**APPROVAL**

I, the undersigned, hereby approve and certify that this research project has been completed to my satisfaction and it is hereby presented for examination to the School of Business at Uganda Christian University.

Henry Mugisha, PhD

Signature.....

University Academic Supervisor

Date: 4/9/2024

## **DEDICATION**

To my beloved sisters,

Laetitia Tsongo, Patricia Moloverya and Necia Moloverya,

Throughout the journey of my academic pursuits your belief in me has been one of guiding lights, illuminating the path to this accomplishment. This dissertation stands as a testament to the bond we share and the strength that comes from our family.

I dedicate this work to you my sisters, with profound gratitude and love. I expect that this work will serve as a resource and inspiration during your own academic journey, just as your affection and encouragement have been invaluable during mine.

May our shared dreams continue to flourish, and may we always find joy in each other's success.

With all my heart,

Your elder sister, Vanessa.

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May God satisfy with long life and shower the above participants with success and honor in their life.

## **ABSTRACT**

This study evaluated the impact of digital transformation on traditional banking efficiency, focusing on the Postbank Mukono Branch. Employing a mixed-methods approach, the research combined quantitative surveys and qualitative interviews to assess the effects of digital payment methods, mobile banking, and online banking on traditional banking metrics. Key metrics included customer satisfaction, a reduction in physical branch visits, and an increase in the number of new accounts opened. Findings revealed that, Postbank Mukono Branch has made notable progress in its digital transformation journey, enhancing the efficiency and convenience of banking services. By addressing the identified challenges and implementing the recommended strategies, the bank can further improve customer satisfaction and fully realize the benefits of digital banking. It will not just make the bank more competitive, but it will also help in meeting changing needs of customers in the dynamic environment of financial institutions.

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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background and Context

Efficient traditional banking operations is a serious concern for banks to establish their competitiveness in a rapidly changing industry. Digital technologies in the global banking space have compelled traditional banks to consider new operational strategies and customer service models (Gurram & Velagapudi, 2020). Traditionally, most banking businesses were operations-based in physical branches and relied on face-to-face interaction to offer services; due to the increased pressure of digital transformation, there is a resultant need to revolutionize banking services through online and mobile banking solution (Devendra G.O, 2014). Digital transformation calls for the adoption and integration of digital technologies into most operational areas, customer service, transaction processing, and product delivery within the banking business. Efficiency in traditional banking normally pertains to key performance indicators, including customer satisfaction, a reduced number of physical visits to branches, and an increased number of newly opened accounts (Lottu et al., 2023).

The global banking industry is undergoing dramatic changes as a result of the rapid digital technological development. Traditional banking players are now realizing that digital transformation is no longer an option or a necessity but has evolved into a strategic imperative to remain competitive and relevant in today's fast-moving financial environment (Abbott et al., 2021). At the very moment when banks around the world turn toward digital solutions to bring efficiency into their operations, enhance customer experiences, and increase their service offerings, the global banking industry is going through dramatic changes. The change towards digitalization is brought on by consumer preference, new technologies, and changes in regulatory requirements (Department International Monetary Fund Monetary and Capital Markets, 2020). Traditional banks have felt a need to invest heavily in digital infrastructure, including online banking platforms, mobile applications, and digital payment systems. This trend of digital transformation is also present within Uganda, where traditional banks are changing their strategies to accommodate digital channels and services. But the extent to which these digital initiatives bear implications for efficiency in traditional banking operations remains a subject of exploration. The intention of this research was to offer valuable insights

that could advise strategic decision-making in helping traditional banks, such as the Postbank Mukono Branch, optimize their digital operations.

## **1.2 Research Problem**

It is a challenge to integrate technological innovation with operational efficiency for traditional banks. While digitalization opens avenues to improve the customer experience in service provision and increasing coverage, it also adds complexities and uncertainties most often affecting the efficiency of traditional banking (KPMG, 2019). This is important at Postbank Mukono Branch because the bank was stuck between how to transition towards digital banking without compromising the status of traditional banking. This study evaluated the effect of digital banking on the efficiency of traditional banking at Postbank Mukono Branch.

## **1.3 Purpose of the study**

The aim of this study was to examine the impact of digital transformation on traditional banking efficiency.

## **1.4 Objectives of the Study**

1. To examine the impact of adopting digital payment methods on traditional banking efficiency.
2. To examine the impact of adopting mobile banking on traditional banking efficiency.
3. To examine the impact of adopting online banking on traditional banking efficiency.

## **1.5 Research Questions**

- 1) What is the impact of adopting digital payment methods on traditional banking efficiency?
- 2) What is the impact of adopting mobile banking on traditional banking efficiency?
- 3) What is the impact of adopting online banking on traditional banking efficiency?

## **1.6 Scope of the Study**

The research activities only focused on Postbank Mukono Branch in Uganda. It examined the digital transformation's impact on traditional banking efficiency, paying particular attention to digital means of payment, mobile banking, and online banking. Customer satisfaction, reduction in number of physical visits to the bank, and increased opening of bank accounts are measures for traditional banking efficiency. The time scope was the last four years: 2020-2024, covering all the major changes and major improvements in digital banking.

## **1.7 Significance of the Study**

The findings are expected to be of importance to the policymakers, including government officials or any other regulatory body that may have the mandate to make rules and regulations in the banking industry that is struggling with digitalization. Again, it is the hope that the finding of this study will be very essential to PostBank Mukono Branch and other financial institutions trying to improve their efficiency through digitalization. It is also believed that fellow students will find the findings of this study important as a reliable source of data for their research and thus contributing to their understanding.

## **1.8 Roadmap of the Dissertation**

The dissertation proceeds as follows:

Chapter 2: Literature Review- This chapter is fully dedicated to the review of the existing literature related to the topic on digital transformation within the banking sector and its implications on the efficiency of traditional banking together with some case studies.

Chapter 3: Methodology—in this chapter, the research design, methods of sampling, techniques of data collection, and analytical approaches shall be described.

Chapter 4: Data Analysis- This chapter will, therefore, present findings from the data that was collected; key trends and insights will be highlighted and the presentation shall interpret the results by pointing out their implications in the context of existing literature and this particular case of the Postbank Mukono Branch.

Chapter 5: Discussion, Conclusion, and Recommendations: It will be the last chapter and will summarize the findings, draw conclusions, and give the recommendations for policy and practice based on the outcomes of the study.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

Digital transformation in banking aims at using digital technology to enhance operational efficiency, customer experience, and innovation (Abbott et al., 2021). More and more, banks around the globe are turning to digital channels mobile apps, Internet platforms, and data analytics—in an effort to keep up with changing consumer behaviour if they wish to stay competitive in today's fast-moving marketplace (Capgemini, 2016).

#### 2.2 Effect of Adoption of Digital Payment Methods on Traditional Banking Efficiency

Most of studies have been done into how these digital payment systems bear on the efficiency of traditional banking sector and, indeed, in different economies altogether, regarding the transformative effects of technological innovations. For example, studies by, 2018 and Lefebvre & Lefebvre, 2019; find that traditional banking efficiency is being redefined by digital means of payment. The advent of digital channels, such as mobile banking applications and online payment platforms, changed the process of how financial services were provided and delivered to customers in general, resulting in an optimization process with a decreased cost of operation, whereas this experience became more convenient for the customers (, 2018; Lefebvre & Lefebvre, 2019).

Digital payment technologies create self-service options that automate most routine transactions, making it easier for customers to handle their finances without having to physically go to the bank or speak to frontline staff. For example, mobile banking applications allow customers to check their account balances, transfer funds, pay bills, and even deposit checks from remote locations, with unprecedented ease and flexibility (Kshetri, 2018).

Moreover, digital payment methods improve operational efficiency within traditional institutions of banking, primarily because routine operations are automated, reducing manual intervention. In this regard, with the seamless execution of transactions on electronic platforms, banks can optimize resources to reduce overhead costs incurred in maintaining physical infrastructure and deploy human capital to higher value-added activities (Lefebvre & Lefebvre, 2019).

Digital payment methods likewise encourage financial inclusions by increasing access to banking services, more so in most underserved or remote areas where infrastructures for

traditional banking are not adequate. Mobile money platforms and online payment gateways provide secure and convenient ways through which people and businesses can participate in the formal financial system; hence, they foster economic empowerment and power inclusive growth (Kshetri, 2018).

It is also the case that digital payment technologies improve security measures with encryption and authentication protocols about the protection of sensitive financial information. This gives consumers confidence, and thus wide usage of digital banking services reduces the risk associated with cash-based transactions.

A study by Samuel M. Takon assessed the contribution of digital payment systems toward the efficiency of the Nigerian banking sector. According to the research findings, the rise in the adoption and utilization of digital payment systems in the Nigerian banking sector contributes to improved non-interest income, return on equity, and return on bank assets. This means that with technological progress, greater operational efficiency and financial performance have started to appear. The study underlines that if there is a well-developed digital payment ecosystem, then it will at some point lead to better performance of the banking sector in general and thus economic growth.

In this line, Takon's study further advocates strategic policy formulation within banks in Nigeria, with the sole aim of enhancing access to digital payment platforms among all users of financial services. This recommendation becomes part of the broader trend of embracing digital transformations within traditional banking models in a move conceived at taking advantage of technology in enhancing operations and achieving customer satisfaction. These findings by Takon's study link into the emerging stream of literature that advocates how digital innovations reset traditional ways of banking to engender increased efficiency and competitiveness in the financial system.

### **2.3 Effect of Mobile Banking on Traditional Banking Efficiency**

Lee & Shin (2018) emphasize how the effectiveness of traditional banking has been deeply affected by mobile banking because of changed aspirations of the customers and the developing progress of digital tools. Banking apps have now, in a real sense, changed the dynamics through which customers can relate to their financial institutions by making deposits and withdrawals at any time. The better customer engagement takes place when customers visit their respective branches less frequently, and this is changing the overall operation strategy of the banks themselves.

Similarly, Smith et al. (2019) say that mobile banking is instrumental in bringing out operational effectiveness in traditional banks. According to them, while mobile banking has made account management easier for the customers, they can easily complete their routine transactions with a lot of ease directly from their smartphones or tablets, rather than going to the bank. This helps them but also rewards the banks in terms of resource optimization and reduced overhead expenses of maintenance of branches.

Further, Jones & Patel (2020) indicate that the adoption of mobile banking will lead to increased customer satisfaction and brand loyalty. The possibility of remote, personalized services and access to the relevant financial information in near real-time allows mobile banking applications to establish closer relationships between banks and their customers. Consequently, the more profound the engagement, the more significant the loyalty and retention towards that brand, ultimately pushing traditional banking towards efficiency and profitability.

Empirical research in Kenya can offer a real-world insight into the implications of mobile banking adoption. For instance, Kithaka's study in 2014 revealed that there is a strong positive correlation between mobile banking variables like transaction volume and user base and the financial performance metrics like profitability and asset quality of commercial banks. Similarly, Muisyo, Alala, & Musiega's research in 2014 brings forth the competitive advantages gained by banks through mobile money services, which include an enhanced and growing outreach to customers and a growing market share.

Not only do mobile banking technologies increase operational efficiencies, but they also extend the reach of formal financial services to underserved populations. On this note, Tchouassi (2012), affirmed that it is "mobile banking that drives financial inclusion and eventually improves the performance of commercial banks in Kenya."

#### **2.4 Effect of Online Banking on Traditional Banking Efficiency**

The impact of online banking on traditional banking efficiency has been well documented in many studies, including those by Casu and Grassi (2019). The research resonates with how digital platforms innovate principal banking processes related to account opening, loan processing, and payment settlements, among others, to realize colossal cost savings and operational efficiencies. It is in adopting online banking that traditional banks like Postbank Mukono can optimize their allocation of resources and hence improve on performance metrics, just as observed by Kshetri, 2018, and Lefebvre & Lefebvre, 2019. With further involvement

online, traditional banks have round-the-clock self-service options available on mobile apps and online platforms that have increased customer engagement and satisfaction. Lee and Shin (2018) further comment on the transformative effects of mobile banking with respect to changing customer expectations and increasing access to banking services. In the case of Postbank Mukono, with respect to the need to compete more effectively in the digital space, digital innovation through a partnership with FinTech companies comes out as a strategic way of competing effectively. However, infrastructural readiness and adoption rates in the local market need to be in place for the full benefits to be realized from online banking. This change in online banking brings opportunities to increase services and penetrate underserved markets while, at the same time, adapting to changing customer preferences and market dynamics, a common trend of digital transformation within the banking industry.

According to Omotayo, the information technology has recently been greatly integrated into banking transactions and is bringing a new revolution of computerised banking operations. It thus improved customer interaction with the bank and improved the service quality in the banking sector, as evidenced by Raza et al,2020.

The concept of online banking, which originated with “home banking” via touch-tone telephones in the 1970s (Shannak, 2013) and expanded through cable television in the 1980s (Kalakota & Whinston, 1997), reached a pivotal milestone in 1995 with the launch of the first full-service internet banking platform by Security First National Bank (SFNB) (Chou & Chou, 2000). This marked the beginning of a paradigm shift towards digital banking experiences.

Online banking services have become instrumental in improving traditional banking efficiency. Firdous (2017) highlights that the quality of online banking directly impacts customer satisfaction by offering convenient access to various financial operations, including account management, fund transfers, bill payments, and digital check mailing. This transformative practice not only streamlines banking operations but also enhances electronic customer satisfaction and loyalty, ultimately boosting business profitability (Kotler, 2011; Kotler & Keller, 2006).

In developing countries such as Nepal, the adoption of online banking gained momentum with institutions like Kumari Bank pioneering online services in 2002 and introducing Short Messaging Service (SMS) banking in 2004 (Banstola, 2008). The enactment of the Nepal Electronic Transaction and Digital Signature Act in 2006 further legalized the practice of online banking, inducing technological innovation across all commercial banks in Nepal.

Available literature shows a strong relationship between the quality of online banking services, e-customer satisfaction, and e-customer loyalty. Studies by Parasuraman et al. (2005) and Zeithaml et al. (2002) have shown that components of online service quality influencing customer satisfaction and finally loyalty include efficiency, fulfillment, system availability, and privacy. Alkhouli 2017, in his work, underlines the role of bank website service quality in driving e-satisfaction and, consequently, e-loyalty, and hence there is a need for continuous improvement in digital banking offerings.

Basically, the e-customer satisfaction has direct effects on e-customer loyalty, resulting in a loyal customer base which should be the stepping stone toward continuous success in the financial sector. Therefore, it is essential for traditional banks to elevate online service quality, attend to the needs of the customers, and enhance different types of digital experiences to remain valid amidst changing times within the digital era.

## **2.5 Summary of the literature review**

The review represents the transformation of banks at work today, backed by various studies, through streamlined processes and reduced costs with enhanced customer convenience brought forth by digital payment systems. It underlines customers' empowerment to self-service use, enabled by digital technologies and therefore financial inclusion, especially in areas unserved by banking services. A case study from Nigeria is also brought out that highlights the contribution of the digital payment system to the efficiency of the banking sector and, finally, economic growth. The review underlined the evolution of online banking and impacts on customer interactions, service quality, and satisfaction that would raise eventually electronic customer loyalty and business profitability. It has brought out clearly the exploration of mobile banking in improving operational efficiency, customer engagement, and brand loyalty of traditional banking institutions, with empirical studies in Kenya pegging the high positive relationship between mobile banking adoption and financial performance metrics; hence, its importance in extending formal financial services to underserved populations. This comprehensive review provides key insight into the digital transformation of traditional banking practice, thus underlining the opportunities and challenges brought about by emerging digital technologies in the reshaping of the financial landscape.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presented the methodological framework of the study on the digital transformation impact on the efficiency of traditional banking in Postbank, Mukono Branch. It provided insight as to why a particular research approach and design, sampling techniques, methods of data collection, and data analysis procedures were selected.

#### **3.2 Research Design**

In this study, how digital transformation affected efficiency in traditional banking was adopted using the case study research design with the Postbank Mukono Branch as the case study of the banking sector. The case study method allowed for an in-depth investigation and analysis of a given situation in its real context; hence, it gave detailed insights into the complexities of digital transformation within traditional banking. The different dimensions of digital transformation and the impact it has on traditional banking efficiency were investigated by using a quantitative approach.

#### **3.3 Sampling Design**

Given the nature of this research, which focused on understanding the perspectives of both bank employees and customers, the researcher employed purposive sampling, one of the non-probability sampling techniques. The participants were segmented by gender, age, and banking habits to ensure the capturing of all kinds of diverse preferences. Such criteria ensured a comprehensive representation of views within this research and helped capture diverse preferences and behaviors, thereby giving a holistic view pertaining to the impact of digital transformation on traditional banking efficiency.

#### **3.4 Data Collection Methods**

In this study, the researcher collected data using surveys. The survey was conducted by distributing structured questionnaires to a selected group of participants.

#### **3.5 Data Collection Tools**

For this study, the researcher used a specific tool designed to gather information effectively. Closed-ended questionnaires, aligned with the research objectives. It provided detailed insights into the experiences and perceptions of participants regarding digital transformation. This

approach helped capture standardized responses to evaluate preferences, satisfaction levels, and usage patterns associated with digital banking services.

### **3.6 Data Analysis**

Once the researcher collected data, the next step was to analyze and interpret it to derive meaningful insights. The researcher employed a careful approach to data analysis, involving quantitative technique. Statistical tools such as descriptive statistics were employed to summarize and interpret quantitative data, offering insights into trends and patterns across different participant groups.

## CHAPTER FOUR

### PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

#### 4.0 Introduction

In this chapter the researcher presents the findings obtained from the field on the impact of digital transformation on traditional banking efficiency; a case study of Postbank Mukono Branch. The data has been presented in tables and percentages. The analysis of quantitative data was made using descriptive and inferential statistic. The researcher sampled 25 respondents, including 20 customers and 5 employees, and all responded accordingly. The presentation and analysis follow the objectives but it starts with the background information of respondents

#### 4.1 Background Information of the Respondents

The background information to the study focused on age group, gender and how frequent people use banking services.

##### 4.1.1 Age group

Table 1: Age distribution

Age Group	Count	Percentage
18-25	6	24%
26-35	11	44%
36-45	4	16%
46-55	4	16%
Under 18	0	0%
51+	0	0%

Source: Primary Data

The majority of respondents (68%) are between 18-35 years, indicating a higher likelihood of digital literacy and inclination towards digital banking services. The older age group (46-55) represents 16%, suggesting diverse comfort levels with digital technologies.

#### 4.1.2 Gender of respondents

Table 2: Gender distribution

Gender	Count	Percentage
Male	14	56%
Female	11	44%

Source: Primary data

The gender distribution is nearly balanced, with 56% male and 44% female respondents, ensuring gender-balanced insights and a comprehensive understanding of customer experiences for both men and women.

#### 4.1.3 Frequency of banking service use

Table 3: Use frequency

Frequency	Count	Percentage
Daily	2	8%
Weekly	8	32%
Monthly	10	40%
Rarely	5	20%

Source: Primary data

The frequency of banking service usage indicates varied engagement levels, with a notable portion (40%) using the services monthly, and 32% engaging weekly. This data suggests that while there is a significant regular interaction with banking services, there is also a substantial proportion (20%) of users who engage rarely. The minority (8%) who use banking services

daily likely represent businesses or individuals with high-frequency transaction needs. This distribution highlights the importance of digital services in catering to different customer needs, from frequent users to those who might prefer less regular physical banking interactions

#### 4.2 To assess the effect of adopting digital payment methods on traditional banking efficiency.

The impact of digital payment methods on traditional banking efficiency was measured through various indicators in the data analysis. These indicators include transaction efficiency, reduction in physical visits at the bank and the overall convenience experienced by customers as summarized below;

Table 4: Effects of adopting digital payment methods on traditional banking efficiency

N	Statements	Count	Disagree	Neutral	Agree
1.	Has the adoption of digital payment methods (e.g., mobile wallets, and online transfers) improved your transaction efficiency with Postbank Mukono?	Frequency	5	5	15
		Percentage	20%	20%	60%
2.	Has the use of digital payment methods reduced your frequency of visiting Postbank Mukono physically?	Frequency	5	5	15
		Percentage	20%	20%	60%
3.	Are you satisfied with the convenience offered by digital payment options?	Frequency	5	6	14
		Percentage	20%	24%	56%

Source: Primary Data

The adoption of digital payment methods appears to be well-received, with 60% of respondents agreeing or strongly agreeing that these methods have improved transaction efficiency at Postbank Mukono. This indicates a positive customer perception of digital transformation initiatives aimed at enhancing transaction processes. The remaining respondents, who are either neutral (20%) or disagree (20%), suggest that while the majority find digital payments

beneficial, there is a segment of the population that has yet to fully experience these benefits or remains unconvinced of their efficacy.

A similar trend is observed regarding the reduction in physical visits to the bank, with 60% of respondents agreeing or strongly agreeing that digital payment methods have decreased their need to visit the branch physically. This indicates a shift towards digital channels for routine transactions, contributing to a reduction in branch congestion and operational load. However, the 28% who remain neutral or disagree highlight that physical presence might still be necessary for certain transactions or due to a lack of trust or familiarity with digital methods.

Satisfaction with the convenience of digital payment options is relatively high, with 56% of respondents expressing agreement or strong agreement. This emphasizes the perceived value of digital solutions in providing flexible and accessible transaction options. Nevertheless, 24% of respondents remain neutral, indicating potential areas for improving the user experience and trust in digital payments.

#### **4.3 To evaluate the impact of mobile banking on traditional banking efficiency.**

The impact of mobile banking on traditional banking efficiency was measured through various indicators in the data analysis. These indicators include engagement of customers, staff assistance, and the overall convenience experienced by customers illustrated below;

Table 5: Effects of adopting digital payment methods on traditional banking efficiency

N	Statements	Count	Disagree	Neutral	Agree
1.	Does the use of mobile banking (e.g., MTN or Airtel) enhance your engagement with Postbank Mukono?	Frequency	6	6	13
		Percentage	24%	24%	52%
2.	Have you noticed that frontline staff can assist you effectively with mobile banking-related inquiries or transactions?	Frequency	7	5	13
		Percentage	28%	20%	52%
3.	Are you satisfied with the overall convenience of mobile banking services offered by Postbank Mukono?	Frequency	5	7	13
		Percentage	20%	28%	52%

Source: Primary Data

The use of mobile banking has been reported to enhance customer engagement with Postbank Mukono, with 52% of respondents agreeing or strongly agreeing. This suggests that mobile banking applications are effective in maintaining and enhancing customer relationships by providing easy access to banking services. The 28% who are neutral or disagree indicate that there might be barriers to engagement, such as usability issues or lack of awareness about the full range of mobile banking features.

The effectiveness of frontline staff in assisting with mobile banking-related inquiries is viewed positively by 48% of respondents, reflecting confidence in the bank's support services. However, 40% of respondents remain neutral or disagree, pointing towards possible gaps in staff training or customer service quality in handling mobile banking queries.

Overall satisfaction with mobile banking services stands at 56%, indicating that a majority find these services convenient. However, 36% of respondents are neutral or dissatisfied, suggesting areas for enhancement, particularly in terms of user interface, functionality, and reliability of mobile banking applications.

#### 4.4 To determine the effect of online banking on traditional banking efficiency.

The impact of online banking on traditional banking efficiency was measured through various indicators in the data analysis. These indicators include operational Efficiency, convenience for account management, and the overall satisfaction of customers illustrated below;

Table 6: Effects of adopting digital payment methods on traditional banking efficiency

N	Statements	Count	Disagree	Neutral	Agree
1.	Do you believe that online banking has positively impacted the efficiency of Postbank operations?	Frequency	5	7	13
		Percentage	20%	28%	52%
2.	From your experience, is online banking convenient for account management purposes?	Frequency	5	6	14
		Percentage	16%	24%	56%
3.	Are you satisfied with the overall convenience of online banking services offered by Postbank Mukono?	Frequency	5	6	14
		Percentage	20%	24%	56%

Source: Primary Data

A significant portion of respondents (56%) believe that online banking has positively impacted the efficiency of Postbank operations. This demonstrates a customer perception that digital transformation initiatives are yielding tangible improvements in banking efficiency. However, 32% of respondents are neutral or disagree, highlighting that the benefits of online banking are not universally recognized or experienced, possibly due to inconsistent service quality or technical issues.

Online banking is considered convenient for account management purposes by 60% of respondents, indicating a strong customer support of online services for everyday banking

needs. The remaining 28% who are neutral or disagree may experience challenges such as navigability issues, security concerns, or a preference for in-person interactions for certain banking tasks.

Overall satisfaction with online banking services is high, with 60% of respondents expressing satisfaction. This reflects positively on the bank's efforts to provide comprehensive online banking solutions. However, the 32% who are neutral or dissatisfied suggest that there is room for improvement, particularly in areas such as user experience, feature availability, and reliability.

## **CHAPTER FIVE**

### **SUMMARY AND DISCUSSION OF FINDINGS**

#### **5.0 INTRODUCTION**

This chapter summarizes the findings on how mobile banking affects traditional banking efficiency at Postbank Mukono and discusses them. The discussion interprets how mobile banking affects customer engagement, staff assistance, and general convenience. Conclusions are drawn on what benefits and areas for improvement the use of mobile banking has. The information obtained provides recommendations on ways to improve the user experience, raise customer awareness, and train staff on the reliability of mobile banking applications in a bid to bring out the best of digital banking at Postbank Mukono.

#### **5.1 SUMMARY OF KEY FINDINGS**

The findings indicate a very positive impact of the adoption of digital payment methods on transaction efficiency in Postbank Mukono. This is evidenced by the fact that 60% of the population under study agreed or strongly agreed that digital payments have improved transaction efficiency. This depicts some sort of positive perception among clients towards the strides in digital transformation, in that such modes are effective in streamlining transaction processes. The fact that 40% of them are either neutral or disagreeing leaves room for improvement. This might mean that customers have not yet reaped benefits from the digital means of payment or are still sceptical about their efficiency.

Another indication of the impact, very positive in this aspect, would be a reduction in the number of physical visits to the bank. In this respect, 60% of the respondents agreed or strongly agreed that digital payments reduced their need to physically visit the bank branch. This shift into the digital channels relieves congestion at the branches and reduces operational load on bank staff. This trend is, undoubtedly, very positive, but 28% of respondents either remained neutral (20%) or disagreed (8%), in one way or the other indicating that getting physically to the bank was necessary for some customers. This is probably because some types of transactions require in-person verification; at the same time, some people tend to show less trust or familiarity with the digital method.

Customer satisfaction regarding the convenience of digital payment methods is relatively high, with 56% of respondents expressing agreement or strong agreement. This highlights the perceived value of digital solutions in providing flexible and accessible transaction options. However, the 24% of respondents who were neutral suggests that there are still areas for

improvement in user experience and building trust in digital payments. Additionally, the 20% who disagreed (16%) or strongly disagreed (4%) point to a segment of customers who find digital payment methods less convenient, possibly due to technological barriers or personal preferences for traditional banking methods.

Mobile banking at Postbank Mukono has positively impacted customer engagement, with 52% of respondents agreeing or strongly agreeing that it enhances their interaction with the bank. This indicates that mobile banking applications effectively maintain and strengthen customer relationships by providing convenient access to banking services. However, the 28% who are neutral or disagree suggest potential barriers such as usability issues or insufficient awareness about the full capabilities of mobile banking.

Regarding staff assistance with mobile banking inquiries, 48% of respondents express confidence in the effectiveness of frontline staff. This specifically shows a positive perception of the support services of the bank in addressing the needs of the mobile banking customers. Nevertheless, the 40% of those who are neutral or disagree responses point toward areas of improvement; probably somewhere along the line of staff training or the quality of customer service that reduce effectiveness in handling mobile banking queries.

The overall satisfaction level on the convenience of mobile banking services is high. Responses showed that 56% considered a majority of the customers to be satisfied. However, the 36% who were either neutral or dissatisfied customers spell out room for improvement. Development in user interface, functionality, and reliability of mobile banking applications will likely go to the root of such concerns and enhance customer experience.

The study evaluates the effect of mobile banking on the traditional efficiency of banking at Postbank Mukono, using indicators such as customer engagement, assistance from staff, and the overall level of convenience.

The results show that mobile banking has been positive, with 52% of the respondents acknowledging its effectiveness in increasing interaction with the bank. This may therefore mean that customer interaction has increasingly been made simpler by the mobile banking applications, which enable them to access all the product offerings in their bank. However, a large number, 28%, are neutral or disagree, which could be due to barriers such as usability issues or lack of awareness with respect to the complete set of features provided by mobile banking.

## **5.2 DISCUSSION OF FINDINGS**

Notably, adoption of the digital method of payment at the Postbank Mukono was positive in the efficiency of transactions; 60% agreed or strongly agreed that they improved the efficiency of a transaction. This finding gives support and confirms literature that associates digital payments with facilitating a change in traditional banking efficiency. Recent studies by Kshetri draw insights into how digital payment channels, which include mobile banking applications and online channels, have brought revolutions in financial transactions due to the streamlining of processes—hence cutting down on operational costs. The results also indicated that this digital method of payment effectively brought about ease of the transaction process and customer convenience at Postbank Mukono. Although it may tend to be rather subjective, the 40% who were neutral or disagreed about the perceived efficiency are, in a very good way, proportions that remain alarming in their manifestation of areas where improvement is still needed. Perhaps this could be regarding real benefits felt by some of the customers from the use of digital payment methods or still being skeptical about their effectiveness. This is consistent with findings by Zandi et al., 2018, where the learning effect and the amount of infrastructural change associated with transitioning to digital payments are less than optimal in the first year of adoption. Building digital payment options into the institutional machinery requires heavy capital investment in technology infrastructure and security, as Capgemini reported in 2016. Such investments should be made so that digital transactions are not only efficient but also safe and free from suspicion of fraud and data leakage. This also brings operational efficiency in traditional banking institutions through the automation of routine processes, minimizing manual intervention. By allowing transactions to be seamlessly executed through electronic platforms, banks are better placed to optimize resource allocation and spend less on overhead associated with maintaining physical infrastructure, freeing human capital for more value-added activities. This shift is evidenced by the results from Postbank Mukono, where a large proportion of customers reported a reduced need to physically visit the bank, now that digital payment options are available. This reduction in the physical visits to the bank is another pointer or indicator to the positive impact of digital payment methods. Here, 60% of the respondents agreed or strongly agreed that digital payments have reduced the need to visit the bank branch physically. This shift in traffic from physical channels to digital reduces congestion at the branch and lessens operational load on the bank staff. Literature supports this observation; for instance, McKinsey & Company

commented that digital payment channels reduce the rate at which customers go physically to the bank, enhancing operational efficiency and improving the overall convenience for the customer. The fact that 28% either remained neutral or disagreed may point toward the relevance of actual physical presence at the bank to some customers. This might be due to the nature of some transactions, which by default require in-person verification, or perhaps—as Bailey et al. (2017) point out—it might be out of lack of trust and familiarity with such digital means. For other demographics, this could be older customers or those who are less digitally literate, physical visits are necessitated for comfort and trust reasons. This puts more pressure on banks to provide support and education sufficient to equip all customer segments to transition without a hitch to digital means of payments. Moreover, this trend of digitalization implies the reevaluation of the role of bank branches, which may increasingly turn to the focus of providing personalized advisory services in relation to routine transactional services, according to Accenture, 2019.

There is relative satisfaction regarding the convenience of digital payment methods at Postbank Mukono, as observed in 56% of the respondents who agreed or strongly agreed. This resonates with perceptions that digital solutions are relevant in providing flexible and accessible transaction options. Nevertheless, the 24% of those who remained neutral showed that experience in use and building trust in digital payments still have a way to go. The 20% that disagreed/strongly disagreed suggest that there may be some customer groups who find digital payment methods less convenient—either due to technology-use barriers or personal preference for traditional banking means. The results were in agreement with the studies of Deloitte, 2021, that find across all channels, digital payments are particularly convenient, hence increasing customer satisfaction and loyalty. However, research by PwC, 2019, has demonstrated that for a subset of users, concerns related to user experience, such as cumbersome interfaces or concerns about security, can strongly erode this perceived convenience. In other words, banks need to pay attention to enhancing the use and safety of their digital platforms used for making payments with regards to different needs and preferences of various customers. The building of user-friendly interfaces and strong mechanisms of customer support is therefore quite necessary to allay these concerns and make sure that all customers, irrespective of their capacity with technology, are in a position to benefit from digital modes of payment.

Mobile banking at Postbank Mukono improves customer engagement; this is evidenced by the 52% of the respondents who agreed or strongly agreed that it enhances their interaction with the bank. This goes to prove that mobile banking applications maintain and strengthen the relationship that exists between customers and banks through the convenience in accessing banking services. In line with these findings, KPMG, 2018 reported that mobile banking enhances customer engagement by creating additional touchpoints and providing personalized services. The remaining 28% who either remained neutral or disagreed argued that usability issues or the lack of awareness about the full functionality of mobile banking make it unlikely to become effective. For example, some studies, such as Johnson et al. (2019), have found that in and of themselves, mobile banking products are unlikely to improve engagement drastically without proper customer education and support. This places pressure on banks to invest in customer education programs should they hope to harness the power of mobile banking. For instance, in Kenya, studies by Kithaka, 2014, and Muisyo, Alala, & Musiega, 2014, establish a positive relationship between mobile banking variables and financial performance indicators, such as profitability and asset quality, thereby showing how mobile banking can be a driver of financial inclusion and an enhancer of banks' overall performance.

Moreover, mobile banking increased general convenience for customers at Postbank Mukono, as 56% of those responding was satisfied with the convenience provided by these services. This is in agreement with literature, which constantly reveals a high level of customer satisfaction resulting from mobile banking, owing to the fact that it is always available and can be done from wherever one might be. For instance, Lee & Shin, 2018, commented that bank mobile apps changed the nature of customer relationships with financial institutions drastically by putting account information and transaction services at their fingertips anywhere and anytime. This amount of access not only increases the stickiness of customers but also reduces the reliance on branch visits, which in turn is a way of virtually changing the banks' scenario regarding their operations. This would, however, still imply that 36% of those who considered the services were only averagely or not so conveniently offered at Postbank Mukono, hence leaving room for improvement. Value addition to the user interface, functionality, and reliability of mobile banking applications could generally reduce these concerns and further enhance customer experience. This is consistent with the finding that there needs to be continuous improvement in mobile banking applications by Jones & Patel, 2020, in order to keep pace with change in customer expectations and provide seamlessness in user experience.

On staff assistance with mobile banking inquiries, 48% of the respondents at Postbank Mukono are confident in the effectiveness of the front-line staff. This indicates a positive perception of support services by the bank to help customers with mobile banking needs. However, neutral and disagree responses of 40% present areas for improvement, probably pointing out gaps in staff training or customer service quality in handling mobile banking queries effectively. According to Accenture, 2019, the role of staff in migrating customers to mobile banking is very paramount; therefore, robust training programs are necessary. Some studies, such as Gartner, 2020, however indicate that there is a lack of consistency in the assistance provided by the staff hence mixed experiences by customers. This means that the training of the staff has to be insisted on to have a continual effective and standard support system for mobile banking users by the bank employees. A study by J.D. Power, 2018, has shown that the general customer experience can be aided in its improvement by increasing the enhancement in the staff training program on digital literacy and customer service skills.

Findings about online banking at Postbank Mukono reflect trends in the literature more generally. Works such as Casu and Grassi, 2019, postulate that among the most important contributions that digital platforms make towards traditional banks include tremendous operational cost reduction and enhancing operational efficiency. On implementing online banking, the Postbank Mukono, as revealed by Kshetri, 2018, and Lefebvre & Lefebvre, 2019, will be able to make efficient use of its resources for the enhancement of its performance indicators. Besides, online banking facilitates customer engagement and satisfaction by offering self-service, available at all times on mobile apps and online platforms. Lee and Shin further stress that: "Mobile banking will bring transformative effects by shifting customer expectations and giving greater access to banking services." For Postbank Mukono, partnering with FinTech companies in the context of Postbank Mukono offers a strategic way of competing effectively in the digital age through such digital innovation. However, it has its own prerequisites in terms of infrastructure readiness and adoption rates in the local market if it is to realize the full potential benefits that online banking may have. This evolution does not only offer a possibility for increasing services and reaching underserved markets but is also compelled to adapt to the changed customer preferences and market dynamics, reflecting the trend for digital transformation within the banking sector.

Omotayo (2020) pointed out that the integration of information technologies into banking transactions has happened at such a phenomenal pace that it exposed a new frontier of

computerized operations in the banking industry. It has significantly impacted the way of interaction with customers and service quality in the banking industry (Raza et al., 2020). The potential of online banking was realized with the beginning of "home banking" through the use of touch-tone telephones in the 1970s and matured further via cable television in the 1980s. Later, in 1995, the process went to the peak with Security First National Bank's introduction of the first full-service Internet banking system.

Online banking services have become instrumental in improving traditional banking efficiency. Firdous (2017) highlights that the quality of online banking directly impacts customer satisfaction by offering convenient access to various financial operations, including account management, fund transfers, bill payments, and digital check mailing. This transformative practice not only streamlines banking operations but also enhances electronic customer satisfaction and loyalty, ultimately boosting business profitability (Kotler, 2011; Kotler & Keller, 2006). In developing countries such as Nepal, the adoption of online banking gained momentum with institutions like Kumari Bank pioneering online services in 2002 and introducing Short Messaging Service (SMS) banking.

### **5.3 CONCLUSION**

The findings suggest that the adoption of digital payment methods at Postbank Mukono has generally improved transaction efficiency, reduced the need for physical bank visits, and provided greater convenience to customers. Nevertheless, the large part of the customer base remained either neutral or negative, thus indicating that further work on improving the user experience, building trust, and educating customers with respect to the benefits and safety of digital means of payment is ahead. Mitigating these issues could bring additional improvements in customer satisfaction and maximize efficiency gains through digital transformation in banking.

The findings point to the positive contribution of mobile banking towards efficiency in traditional banking at Postbank Mukono, especially within dimensions related to customer engagement and perceived convenience. There are, however, vivid areas where improvements should be done to further boost customer satisfaction. Usability issues, awareness of the features of mobile banking, staff training, and reliability of mobile applications are critical considerations in maximizing the gains of mobile banking initiatives on efficiency.

The findings indeed point to the positive effect of mobile banking on efficiency in traditional banking at Postbank Mukono, in customer engagement, and perceived convenience. However,

it clearly shows there are areas needing improvements to the usability, awareness about the features, better staff training, and customer service quality.

#### **5.4 RECOMMENDATION**

Improved efficiency in transactions and reduced visits to the bank, hence more convenience to most customers, 60% to 56%, who respond positively to the digital payment methods adopted by Postbank Mukono. There are, however, areas for improving user experience and increasing trust, since a good number of customers remain neutral or negative. To this, the bank should enhance the overall digital user experience, educate customers on benefits and security of digital payments, and make digital methods accessible and reliable for all users.

Several key recommendations might help to maximize the impact of mobile banking at Postbank Mukono. First, enhancing the usability of mobile banking applications by improving user interfaces and functionality would go a long way in reducing the reported usability issues. Secondly, extensive awareness campaigns need to be carried out so that customers understand the myriad features of mobile banking and its manifold benefits to increase engagement and usage. Thirdly, invest in some robust training programs for staff at the front lines to enhance their capabilities in effectively helping customers with mobile banking-related inquiries, thus addressing the existing gaps in the support services. Lastly, the reliability of mobile banking applications needs to be kept under constant monitoring and improvement to install an atmosphere of trust and satisfaction among the users for the maximum efficiency and effectiveness of mobile banking initiatives within the bank.

Listed below are some of the key initiatives that can help in deriving optimum impact of mobile banking at Postbank Mukono: First, usability of the mobile banking applications can be enhanced through improvement of user interface and functionality to resolve identified usability issues and improve overall user experience. Second, awareness campaigns and education programs to equip customers with a better understanding of the features and benefits of mobile banking, for all, would increase adoption rates and levels of customer engagement. Third, building capacity through comprehensive training programs for frontline staff in handling inquiries about mobile banking and providing relevant quality customer support will address any current gaps in service delivery. Finally, the last point that should be included in the strategy is related to the fact that continuous monitoring and improvement of the reliability and performance of mobile banking applications are necessary to retain customers' trust and satisfaction by providing smooth digital banking experiences.

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## APPENDICES

### Appendix 1: Questionnaire

#### SURVEY QUESTIONNAIRE FOR THE RESPONDENTS (Customers)

Dear Respondent,

My name is Vanessa Tsongo Kasoki, pursuing a Bachelor's degree in Business Administration from Uganda Christian University, S21B05/026. You have been chosen as one of the respondents in this research entitled "The Impact of Digital Banking on Traditional Banking Efficiency," with Postbank Mukono being my case study.

Many thanks indeed for accepting to be interviewed. Your responses will enrich our study on the effect of digital transformation on traditional banking efficiency at Postbank Mukono Branch. Please go ahead to answer the following questions based on your experiences and perceptions.

All responses are for instructional purposes only and will be kept confidential.

#### INSTRUCTIONS:

Please tick the appropriate boxes and fill in the required information where necessary.

#### SECTION A: BIODATA

1. Age:

Under 18

18-25

26-35

36-45

46-55 -  56 and above

2. Gender:

Male

Female

Prefer not to say

3. How often do you use banking services at Postbank Mukono Branch?

- Daily
- Weekly
- Monthly
- Rarely

**SECTION B: DIGITAL PAYMENT METHODS**

Keys:

SD: Strongly Disagree = 1

D: Disagree = 2

N: Neutral = 3

A: Agree = 4

SA: Strongly Agree = 5

N	Statements	SD	D	N	A	SA
01.	Has the adoption of digital payment methods (e.g., mobile wallets, and online transfers) improved your transaction efficiency with Postbank Mukono?					
2.	Has the use of digital payment methods reduced your frequency of visiting Postbank Mukono physically?					
3.	Are you satisfied with the convenience offered by digital payment options?					
4.	Are you satisfied with the convenience offered by digital payment options?					

**SECTION C: MOBILE BANKING**

Keys:

SD: Strongly Disagree = 1

D: Disagree = 2

N: Neutral = 3

A: Agree = 4

SA: Strongly Agree = 5

N	Statements	SD	D	N	A	SA
05.	Does the use of mobile banking (e.g., MTN or Airtel) enhance your engagement with Postbank Mukono?					
6.	Have you noticed that frontline staff can assist you effectively with mobile banking-related inquiries or transactions?					
7.	Are you satisfied with the overall convenience of mobile banking services offered by Postbank Mukono?					

SECTION D: ONLINE BANKING

Keys:

SD: Strongly Disagree = 1

D: Disagree = 2

N: Neutral = 3

A: Agree = 4

SA: Strongly Agree = 5

N	Statements	SD	D	N	A	SA
08.	Do you believe that online banking has positively impacted the efficiency of Postbank operations?					
9.	From your experience, is online banking convenient for account management purposes?					
10.	Are you satisfied with the overall convenience of online banking services offered by Postbank Mukono?					

Thank you for your participation.

## Appendix 2: Letter for data collection



**UGANDA CHRISTIAN  
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

**SCHOOL OF BUSINESS**

13<sup>th</sup> May, 2024

**TO WHOM IT MAY CONCERN**

Name: **VANESSA TSONGO**

Reg. No **S21B05/026**

A bachelor's student who is seeking permission from your office to collect data for his/her dissertation titled

*"The impact of digital transformation on traditional Banking"*

We shall be grateful if you could render assistance to him/her in collecting the necessary data for his/her dissertation

The Uganda Christian University School of Business thanks you in advance

A handwritten signature in black ink, appearing to read 'Mukisa Simon Peter'.

Mukisa Simon Peter  
Research coordinator

# Appendix 3: Turnitin Similarity Report



## VANESSA TSONGO

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