

**DIGITAL BANKING AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS
IN UGANDA. A CASE STUDY OF DFCU BANK KABALE BRANCH**

BY

ASIIMWE FORTUNATE

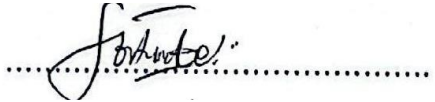
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DECLARATION

I ASIIMWE FORTUNATE declare that this research report titled “*Digital Banking and Financial Performance of Commercial Banks in Uganda: A Case Study of DFCU Bank Kabale Branch.*” is my own original work and that it has not been presented to any university for an award.

A handwritten signature in black ink, appearing to read 'Fortunate', is written over a horizontal dotted line.

ASIIMWE FORTUNATE

APPROVAL

This is to certify that this Research Proposal titled “***Digital Banking and Financial Performance of Commercial Banks in Uganda: A Case Study of DFCU Bank Kabale Branch.***” has been done under my supervision and is now ready for submission.

OSHIMERE FORTUNATE
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.....

(Supervisor)

DEDICATION

This study proposal is dedicated to Almighty God, my parents, and all well-wishers. It is also dedicated to my friends, without whom this course would still only be a dream. May the Almighty richly reward you.

LIST OF ABBREVIATION

API :	Application Programming Interface
DFCU:	Development Finance Company of Uganda
ATMs :	Automated Teller Machines
PEOU:	Perceived Ease of Use
DOI:	Diffusion of Innovations Theory
ICT:	Information communication technology
RBV:	Resource-Based View

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ABSTRACT

The study's objectives were to evaluate the relationship between digital banking services and the DFCU Bank Kabale branch's financial performance, investigate the impact of mobile banking on the branch's financial performance, and evaluate the impact of internet banking and automated teller machines (ATMs) on the branch's operational effectiveness. Sample sizes in this study were obtained through random and selective sampling techniques. Questionnaire survey, observation, and interviews were some of the methods used for obtaining data. From the analysis carried out on findings in this research, it was found out that there is a relationship between use of digital banking services and financial performance at Kabale branch of DFCU bank. The findings from the regression test showed that there exists a positive and significant relationship between digital banking services and financial performance at DFCU. Holding other factors constant, the beta coefficient of digital banking ($B=0.157$) shows that one unit increase in digital banking will lead to increase of 0.157 units in financial performance. The standardised coefficient ($Beta = 0.541$) indicates that digital banking has a comparatively significant beneficial impact on financial performance. Furthermore, the association is statistically significant ($p = 0.000 < 0.05$), indicating that the effect is not the result of chance. When digital banking services are kept at zero, the baseline level of financial performance is represented by the constant value (0.457). The study findings showed effect of mobile banking on the financial performance of DFCU bank Kabale Branch and these included mobile banking usage contributes to increased loan repayments and savings, mobile banking services have improved deposit mobilization, mobile banking has facilitated faster and more efficient customer transactions; mobile banking reduces congestion and workload inside the banking hall. The study findings also revealed the influence of internet banking and ATMS on operational efficiency and these include ATMs improve transaction speed and service efficiency, ATM services have improved accessibility to banking services, Internet banking reduces paperwork and manual errors, ATMs reduce the workload of bank tellers, Internet banking enhances customer service convenience, Internet banking has reduced long queues in the branch. The study's conclusions suggested that bank management should increase customer awareness and training regarding the usage of digital banking platforms, including ATMs, internet banking, and mobile banking. The results showed that some consumers are still hesitant to use these services because of difficulties with trust and low digital literacy.

CHAPTER ONE

1.0 Introduction

This chapter provides the study's history, problem statement, purpose, objectives, research questions, scope, significance, and definitions of operational terms.

1.1 Background of the study

1.1.1 Historical Background

Since the middle of the 20th century, technological developments in computing and telecommunications have propelled the slow development of digital banking. With the advent of Automated Teller Machines (ATMs) in the 1960s, consumers could make cash withdrawals and deposits outside of regular banking hours, marking the beginning of digital banking (Batiz-Lazo & Reid, 2011). Online banking was made possible by the widespread use of personal computers and the development of the internet in the 1980s and 1990s, which allowed users to conduct transactions from a distance using web-based platforms (Laudon & Traver, 2019). In the early 2000s, banks globally began integrating multiple digital channels—such as internet, mobile, and card-based banking into unified service ecosystems (Deloitte, 2020). The 2010s witnessed an exponential rise in mobile banking applications and FinTech partnerships as smartphones and broadband connectivity became widespread (Ozili, 2018). Today, digital banking is characterized by API-driven systems, data analytics, artificial intelligence, and blockchain solutions that enable real-time financial transactions and cost efficiency (Puschmann, 2017). These innovations have significantly transformed how customers interact with financial institutions, leading to improved convenience, lower operational costs, and enhanced profitability for banks (Laudon & Traver, 2019).

In Africa, the development of digital banking followed a unique trajectory shaped by infrastructural limitations and the need for financial inclusion. The continent leapfrogged traditional banking models with the rise of mobile money services such as M-Pesa in Kenya, launched in 2007, which revolutionized digital finance (Jack & Suri, 2011). Mobile banking and

agent networks became instrumental in offering financial services to the unbanked population, especially in rural areas (Donovan, 2012).

According to the African Development Bank (2021), digital financial services have expanded rapidly, with over 600 million registered mobile money accounts across the continent by 2020. These innovations enhanced efficiency, improved financial inclusion, and allowed banks to reach customers beyond physical branches. However, challenges such as cybersecurity threats, regulatory inconsistencies, and limited digital literacy remain critical issues (Banga & Suri, 2021).

East Africa stands as a pioneer in digital financial innovation. Countries such as Kenya, Tanzania, and Rwanda have witnessed strong collaboration between mobile network operators, banks, and regulators in developing digital banking ecosystems (Kikulwe, Wainaina, & Okello, 2014). Mobile banking platforms like M-Pesa and Airtel Money facilitated large-scale adoption of digital transactions, prompting banks to adopt interoperable systems and agency banking models (Gichuki & Mulu-Mutuku, 2018). The East African experience underscores the region's ability to integrate digital finance with everyday life, improving access to credit, payments, and savings products while influencing the overall performance of financial institutions (Ouma, Odongo, & Were, 2017).

In Uganda, digital banking has evolved as a strategic response to rising competition and technological advancement. The Bank of Uganda (BoU) introduced the National Payment Systems Act in 2020 to regulate digital financial service providers, including banks, fintechs, and mobile network operators (Bank of Uganda, 2021). Commercial banks have since diversified into mobile apps, internet banking, agency banking, and electronic funds transfer (EFT) systems to improve service efficiency and reduce operational costs (Bbaale, 2019). Digital banking adoption has led to an increase in transaction volumes, improved customer satisfaction, and a positive impact on profitability among Ugandan banks (Nkundabanyanga et al., 2022). However, infrastructural challenges and low digital literacy in rural areas remain barriers to optimal adoption (Mugume, 2021).

DFCU Bank, established in 1964, has become one of Uganda's leading financial institutions, with branches across the country, including Kabale District (DFCU Bank, 2022). The Kabale branch serves a diverse customer base, including traders, SMEs, and farmers. Digital banking in this branch manifests through ATMs, internet banking, mobile applications, and agency banking services. This study focuses on DFCU Kabale branch as it provides a microcosm of how digital banking affects bank-level financial performance in semi-urban settings—where customer adoption, infrastructure, and staff engagement play a critical role in determining profitability, cost efficiency, and revenue growth. The widespread usage of mobile money services such as M-pesa and Airtel money triggered banks to implement interoperability and agency banking to ensure wide adoption of digital financial services by customers (Gichuki & Mulu-Mutuku, 2018). The East African experience clearly shows that this region is capable of blending digital financial service with the daily routine of people, thus helping in enhancing access to credit and payment instruments and affecting the general performance of financial institutions (Ouma, Odongo, & Were, 2017).

Digital banking has been used by Ugandan commercial banks as a strategy for dealing with increased competition and technological advancement. In 2020, the Bank of Uganda introduced the National Payment Systems Act which regulates the operations of digital financial service providers including banks, financial technology firms and mobile network operators (Bank of Uganda, 2021). In response, commercial banks have diversified into provision of mobile banking applications, internet banking services, agency banking and electronic funds transfer (EFT) (Bbaale, 2019). Digital banking has positively affected Ugandan banks in terms of higher transaction volumes, customer satisfaction, and profitability (Nkundabanyanga et al., 2022). Nevertheless, issues of infrastructure and low levels of digital literacy in rural areas remain major barriers to effective implementation of this strategy (Mugume, 2021).

DFCU bank was founded in 1964 and became one of the largest financial institutions of Uganda with branches operating throughout the country including the Kabale district branch (DFCU Bank, 2022). This branch offers its services to various clients including traders, SMEs and farmers. Digital banking at DFCU Kabale branch is evident from usage of ATM, internet banking services, mobile banking applications and agency banking. The current research is

focused on examining DFCU Bank Kabale because the selected micro-bank demonstrates how the adoption of digital banking affects bank performance indicators.

1.1.2 Conceptual Background

Digital banking involves the provision of financial products and services through digital means, which enable customers to conduct transactions without needing to travel to the physical locations of the banks. Mobile banking, internet banking, ATM services, POS services, electronic funds transfer services (EFTs), and agency banking are the primary features of digital banking (Aboagye & Oteng-Abayie, 2019).

Financial performance is the aggregate measure that indicates the profitability of the bank's operations and financial position. Key financial performance measures include ROE, ROA, net profit margin, and cost-to-income ratio (Athanasoglou, Brissimis, & Delis, 2008).

1.1.3 Theoretical Framework

The Technology Acceptance Model (TAM) framework by Davis (1989), which illustrates the process of people accepting and adopting technology, will be used as the basis for conducting this study. According to TAM, the probability of adopting technological innovation is influenced by two aspects, namely perceived usefulness (PU) and perceived ease of use (PEOU) (Davis, 1989). TAM facilitates understanding of the consumers' behavior in relation to digital media such as online and mobile banking, which apply to the case of DFCU Kabale. Customer adoption levels increase if digital media are deemed useful and easy to use, influencing the amount of transactions and bank profitability.

On the other hand, the Diffusion of Innovations Theory (DOI) by Rogers (2003) addresses the diffusion process of innovations in the community. The five important attributes that influence adoption include relative advantage, compatibility, complexity, trialability, and observability (Rogers, 2003). The DOI model helps to understand how innovative digital banking services diffuse among various consumer groups in the case of DFCU Kabale. Digital platforms that are perceived to offer advantages, ease of use, and compatibility with their lifestyles would have higher chances of adoption.

1.1.4 Contextual Background

There is a fast transformation within African banking systems due to the use of digital banking approaches like mobile banking, agency banking, and partnerships with fintech companies (Banga & Suri, 2021). There are notable changes such as improved financial inclusion and bank profitability, although there are still infrastructure and cybersecurity challenges.

East African region has emerged as one of the key locations for innovation in digital financial products. In Kenya and Tanzania, mobile money transactions prevail, thus encouraging other banks in the region to provide interoperability services (Kikulwe et al., 2014). Digitalization helps banks penetrate underserved markets at lower costs.

The digital approach in commercial banking prevails in Uganda because Bank of Uganda created an enabling environment for agency banking and mobile banking. It has been proven that these trends positively correlate with financial performance of banks in Uganda (Nkundabanyanga et al., 2022).

In DFCU Kabale branch, the introduction of digital technologies is influenced by specific characteristics of the environment. Factors such as mobile Internet penetration, customers' knowledge and attitude towards new technologies influence the extent to which they are adopted. Digital solutions affect all aspects of bank performance including profitability and efficiency.

1.2 Statement of the Problem

In order to achieve efficient operations that would contribute to its improved financial performance, the DFCU Bank Kabale branch has embraced various innovations in digital banking like Internet banking, use of smartphones for banking activities, agency banking, and USSD banking. Through these initiatives, it is hoped that the branch would cut down on operational costs, mobilize deposits, widen its credit outreach, generate non-interest income, and enhance customer satisfaction (Ebong & George, 2021). In an ideal scenario, the digital

transformation would ensure efficiency, profitability, and competitiveness in addition to fostering financial inclusion in the region.

Unfortunately, although many initiatives have been rolled out, the uptake has been poor. This is mostly because the rural population has a low level of awareness and distrust towards the use of digital services. Therefore, clients still prefer to transact through physical contact and using cash payments. The inability of the branch to capitalize on digitalization initiatives in terms of enhanced efficiency, increased deposits, and cost savings is due to the challenges mentioned above (Nagaaba, 2025; Agaba & Christine, 2023). High IT maintenance costs, cybersecurity risks, and inadequate staff capacity to promote and support digital services further constrain financial performance (Koont, 2024). Thus, with a focus on the DFCU Bank Kabale branch, this study investigates the impact of digital banking on the financial performance of commercial banks in Uganda.

1.3 Purpose of the Study

The purpose of this study was to examine the effect of digital banking on the financial performance of commercial banks in Uganda, with specific reference to DFCU Bank Kabale branch

1.4 Objectives of the Study

1. To assess the relationship between digital banking services and the financial performance of DFCU Bank Kabale branch.
2. To examine the effect of mobile banking on the financial performance of DFCU Bank Kabale Branch.
3. To evaluate the impact of online banking and ATMs on the efficiency of DFCU Bank Kabale Branch.

1.5 Research Questions

1. What is the connection between digital banking facilities and the financial performance of DFCU Bank Kabale Branch?
2. What is the effect of mobile banking on the financial performance of DFCU Bank Kabale Branch?
3. What is the influence of internet banking and automated teller machines (ATMs) on the operational efficiency of DFCU Bank Kabale Branch?

1.6 Scope of the Study

1.6.1 Content Scope

The study's main objective was to investigate how digital banking affected commercial banks' financial results. In particular, it examined how financial performance metrics like profitability, efficiency, customer satisfaction, and cost reduction relate to digital banking services including online banking, mobile banking, agency banking, and automated teller machines (ATMs).

1.6.2 Geographical Scope

The study is geographically limited to DFCU Bank Kabale branch, located in Kabale Municipality, Southwestern Uganda. It is located along Kabale Kisoro road

1.6.3 Time Scope

The study was conducted between 2018 and 2024, when DFCU Bank actively implemented and promoted digital banking platforms throughout all of its Ugandan branches. The Bank of Uganda's legislative amendments regarding digital financial services as well as the technical improvements made in the banking sector makes this era relevant. Data collection and analysis will be conducted in 2025 to provide an up-to-date perspective of the effects of digital banking on the financial performance of the DFCU Bank Kabale Branch.

1.7 Definition of key terms

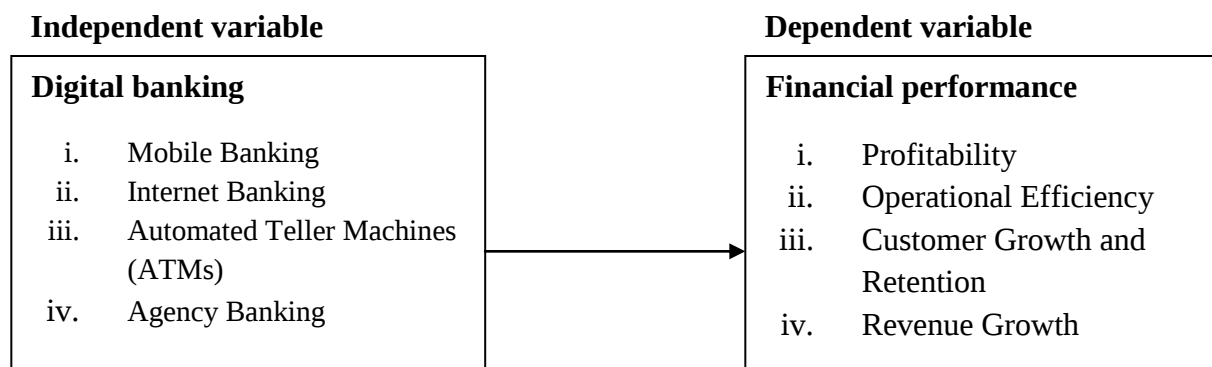
Digital banking refers to the utilization of electronic channels like mobile apps, internet banking, automatic teller machines (ATMs), and agency banking, through which financial services are offered to customers without relying heavily on physical banking branches (Kaur & Arora, 2023; Musah & Adutwum, 2021).

Financial performance refers to the capacity of a company to utilize its resources effectively to create revenues, profit, and shareholder values in a certain period of time (Alam & Uddin, 2022; Abubakar & Khalid, 2021).

Commercial banks refer to financial institutions which offer services to individuals, businesses, and governments including taking deposits, extending loans, facilitating payments, and many other financial services (Mhlanga, 2020; Mishra & Shukla, 2019).

In the context of commercial banks, financial performance refers to the ability to generate consistent earnings, maintain liquidity, manage risks and add value to stakeholders while conforming to regulations (Nyamute & Omwenga, 2021).

1.8 Conceptual frame work



Source: adapted by Abubakar & Khalid (2021)

The model shows how digital banking acts as a strategy for financial performance in commercial banks. In this case, digital banking at DFCU Bank Kabale Branch provides an easy way of doing business both for the bank and its customers.

Through cost reduction, efficiency in operations, and profitability, digital banking will improve financial performance and enhance customer satisfaction. However, there are certain moderators, which influence this relationship, and include infrastructure, consumer awareness, and cybersecurity among others. The adoption of digital banking technology can be influenced by factors such as availability of technology, laws, and consumer awareness among others, thus improving financial performance.

Hence, where these variables exist, the greater adoption and use of digital banking translates to improved financial performance of commercial banks.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

The current chapter concentrates on discussing the research done and writings or publications by other academics and scholars with regard to the issues of digital banking and performance of commercial banks in Uganda. The chapter also provides useful information regarding previous researchers in the field.

2.1 Theoretical review

Technology Acceptance Model (TAM), which was formulated by Fred Davis in 1989, shall be employed in this research to explain how people adopt and utilize new technology. In relation to digital banking, the TAM suggests that customers and bank employees should adopt digital technologies such as internet banking, mobile banking, and automatic teller machines depending on the usefulness (i.e., the extent to which digital banking enhances service efficiency) and ease of use (i.e., the simplicity of interacting with the digital system). The TAM model holds that individuals are rational beings who adopt new technologies after evaluating their usefulness and ease of use. It is assumed that consumers will embrace digital banking systems if they think these platforms will enhance their performance and are simple to use, and that these perceptions are influenced by external factors including system design, awareness, and training. The model also makes the assumption that favourable perceptions of digital banking result in real use, which eventually improves commercial banks' financial performance and operational effectiveness.

Resource Based View (RBV) theory developed by Jay Barney in 1991, stating that competitive advantage is derived from having valuable, unique, rare and irreplaceable resources in the organization, will also act as a theoretical framework of this study. Resource Based View (RBV) shows how the capability of utilizing unique digital resources like advanced ICT system, apps, cybersecurity and digital skills impacts the financial performance of digital banking.

The Resource Based View (RBV) states that firms gain competitive advantage through use of specific resources which are rare, valuable, unique and non-substitutable. The theory is premised

on the assumption that digital banking technology like mobile banking technology, fintech innovations, secure ICT systems and experienced employees are strategic resources which help in enhancing productivity and profitability. Moreover, the theory suggests that the firm having the above mentioned digital resources would always outperform other competitors in terms of financial performance due to enhanced customer services and cost reduction.

2.1 The relationship between digital banking services and the financial performance of commercial Bank

The introduction of digital banking services results in better financial indicators, including Return on Equity (ROE) and Return on Assets (ROA). For instance, Nguyen et al. (2021) demonstrate the presence of a correlation between digital banking and the improvement in ROA in Asian commercial banks, which can be explained through automation, as digital tools reduce costs and increase the number of customers. Moreover, according to Osabutey & Okoro (2020), digitalization positively affects financial performance of European banks, making them more efficient within competitive banking markets.

Regulation contributes to enhancing the impact of digital banking on banks' financial performance. As reported by the European Central Bank (2021), banks with advanced digital infrastructure were resilient during the COVID-19 pandemic and retained their financial health after closing branches. Similarly, a study carried out in the United States by Khan & Tarazi (2021) revealed the advantage of digital banks in customer acquisition and profitability.

On the one hand, digital banking serves as an effective tool for increasing profits and expanding financial services. On the other hand, adoption rates of digital banking solutions suffer from regulatory constraints and infrastructure problems. Mhlanga (2020) indicates that the use of digital banking platforms such as mobile and agency banking has had a significant impact on the growth of banks' profitability in Sub-Saharan Africa; however, financial performance remains dependent on network coverage and level of digital literacy. Additionally, Abubakar & Khalid (2021) claim that banks in Africa experience higher financial performance because mobile banking services allow them to attract higher deposit volumes.

Mobile banking plays a major role in the digital transformation of the continent. Thus, according to Akinwale (2021), Nigerian banks with mobile banking platforms showed higher customer loyalty and were more successful in deposit accumulation. Furthermore, Boateng & Sarpong (2022) found out that in Ghana, there was a positive correlation between mobile banking services and banks' net profit margins. There exist some challenges associated with digital banking in Africa, such as cyber fraud and unreliable internet connectivity. From research conducted by Mago and Chitokwindo (2021), it is evident that cyber threats negatively impact customer trust, making it impossible to achieve the objectives of enhancing the financial performance of institutions. Further, the cost of investing in ICT in African banks lowers their profits in the short run despite the availability of long-run gains.

The connection between digital banking and financial performance becomes evident from the rapid use of mobile money technology. As per Suri (2023), the adoption of M-Pesa in Kenya has transformed the banking industry since it makes financing more accessible; hence, it enables banks' financial performance through agent banking. Similarly, in Kenya, it has been noted by Ngaruiya and Muturi (2020) that banks incorporating mobile banking with credit services perform better financially compared to banks that engage in traditional banking services.

Digital banking use in Tanzania is positively impacting the financial performance of banks. For example, as established by Mushi and Isanzu (2021), mobile and internet banking have improved the customers' deposits, enhancing the banks' liquidity and profitability. In addition, Ngalawa and Massawe (2020) show that Tanzanian banks are performing better financially owing to agency banking.

Rwandan banks have been implementing digitization platforms in their operations as an important move towards financial performance improvement. According to Uwizeyimana & Habinshuti (2022), banks using mobile and online banking systems have better financial performance due to extended reach of services to rural areas. Thus, digitization has become relevant and important for the banking sector in small but developing economies.

In Uganda, digital banking systems have been adopted by commercial banks in response to competition from mobile banking services provided by telecom companies. According to Agaba

& Christine (2023), services such as internet banking, agency banking, and Automated Teller Machines (ATM) have positively impacted the banks' performances. At the same time, adoption rates have been relatively lower in rural areas. Nagaaba (2025) states that the main challenges for adoption are low literacy levels and smartphone usage, hindering banks from reaping profit from the adoption of digital banking services.

Several studies demonstrate that Ugandan banks that invest more in digital technologies outperform others. For example, Kasekende & Ssemogerere (2021) demonstrate that mobile and internet banking services have positively impacted banks' cost-efficiency and non-interest income in Uganda. Additionally, Drama (2025) claims that integration of mobile applications and digital payments helps banks acquire more customers, improving financial performance.

On the other hand, there are numerous challenges faced by the banking sector regarding digitalization. According to Koont (2024), the implementation of digital services results in higher expenses related to the use of ICT services. The same author states that cybersecurity threats and problems with reliable internet connection are detrimental for financial performance of banks. Also, Osabutey et al. (2024) indicate that mobile money services undermine commercial bank's revenues and encourage banks to develop innovations.

As far as DFCU bank is concerned, its implementation of digital platforms has been linked to positive effects on financial performance. In particular, Tumwine & Ainomugisha (2023) state that mobile banking and internet services have enabled the bank to increase deposits and efficiency of operations. However, the low adoption rate in rural branches of the bank, e.g., Kabale, has been a significant challenge in achieving better financial performance. Similarly, according to Kabagambe (2022), agency banking reduced operating costs in the bank but resulted in lower security.

To sum up, digitalization can positively impact DFCU's financial performance if certain barriers are overcome. It is necessary to mention that despite positive impacts of digitalization on the financial performance of Ugandan banks.

2.2 The effect of mobile banking on the financial performance of Bank

The most revolutionary development within the banking industry is mobile banking since it changes the entire banking process for better. Mobile banking is defined as a service or process whereby clients can perform financial transactions remotely from wherever they are using mobile technologies such as smart phones and tablets. Mobile banking is associated with increased speed, accessibility and convenience hence making it possible for banks to extend their services beyond their normal branches. The use of mobile banking by banks has been linked to improvements in financial performance, reduced costs and efficiency. Several services are offered under mobile banking including loan application, bill payment, money transfer, balance check and mobile deposits. It is a type of electronic banking where a client performs financial transactions using mobile technology as identified by Laukkanen (2017). With the help of applications, banking services can be performed even when one does not go to the banking facilities hence ensuring customer satisfaction and increased profits to banks by reduced operational costs.

Profitability is one of the measures used to evaluate the financial performance of a bank. Several research studies have demonstrated that profitability is positively influenced by mobile banking. As identified by Achieng and Otieno (2017), banks in Kenya have been able to access the unbanked segment of the population by utilizing mobile banking services such as M-Pesa and M-Shwari, hence enhancing deposit mobilization and interest income.. In a similar vein, Mugo et al. (2018) observed that the cheap cost of mobile transactions boosts banks' profit margins by reducing branch-related operating costs.

Cost effectiveness is one of the biggest impacts of mobile banking on financial performance.

Jonathan and Camilo (2018) argue that mobile banking reduces costs related to paper processing, staff, and physical infrastructure. Banks are able to process more transactions electronically, which increases efficiency and accuracy. For instance, Nyangosi et al. (2019) found that commercial banks that fully integrate mobile banking systems experience improved cost-to-income ratios and greater return on assets (ROA).

Client retention plays a vital role in defining financial performance.

Mobile banking facilitates ease and immediate access to financial products, promoting client retention. As per Ndungu & Njeru (2018), clients that employ mobile banking are contented and tend to retain their relationships with banks. As mentioned by Kasekende (2020), mobile banking services such as DFCU Quick Banking have improved the level of satisfaction of Ugandan clients, reducing waiting time and providing flexibility of cash withdrawals, resulting in customer retention.

Mobile banking has enabled banks to reach remote populations. The expansion of the region enhances liquidity in banks while increasing deposits. Mbiti & Weil (2016) state that mobile banking serves as a connecting link between the urban and rural population, enabling financial inclusivity. Mobile banking penetration has enabled Ugandan banks such as DFCU and Stanbic Bank to expand their financial products and services beyond urban regions without the necessity of having physical outlets, enhancing financial performance.

The effect of mobile banking on revenue generation is achieved through increased transaction numbers as well as the creation of revenue streams such as fees for transactions. According to Al-Smadi and Al-Wabel (2017), mobile banking helps in increasing non-interest revenues due to services charges, mobile transfer, and payment services. Financial diversification enables the banks' financial sustainability. Similarly, Munyoki and Omwenga (2019) showed that transactions through mobile platforms have become one of the major sources of revenue from the banks adopting technological innovations.

Despite having the above positive impacts on financial performance, mobile banking also brings about challenges which may affect the financial performance of banks. As identified by Chen and Li (2020), the major challenges facing mobile banking include cybersecurity risks, system downtimes, and fraud. They result in financial losses for the banks while also eroding customers' trust in the institutions. Further, Kiyangi (2021) notes that limited technological infrastructure and lack of awareness among users of the technology in countries such as Uganda affects the realization of impact.

Mobile banking also affects the efficiency of financial institutions by enhancing operational efficiency. According to Oluoch (2018), mobile banking improves operational efficiency through automation of processes that require minimal manual work in terms of transactions. In particular, the research conducted by Tumwine et al. (2021) in Uganda shows that banks adopting mobile banking achieve faster transactions, efficient use of resources, and more transactions.

Competitive advantage can be gained through adopting the mobile banking systems. Early adopters of innovations usually perform better than late adopters, as per the theory by Rogers (2003). As stated by Isanzu (2019), banks that invest in mobile platforms have a competitive advantage because such technologies attract technology-driven customers and fasten service delivery. For this reason, in the rapidly digitizing environment, DFCU Bank has managed to remain competitive because of its investment in mobile banking systems.

Moreover, mobile banking has played a great role in fostering financial inclusion which eventually leads to banks' improved profitability. In line with Demirgüç-Kunt et al. (2018), mobile banking expands banks' base of deposits and credit portfolio by facilitating the inclusion of the excluded from the formal financial system. High transaction volumes and liquidity, both having a positive influence on profitability, are among the benefits of financial inclusion.

Multiple studies carried out in Uganda prove that mobile banking positively impacts financial performance. Kavuma (2020) found out that commercial banks using mobile platforms outperformed banks using traditional methods of operation based on return on equity and assets. In addition, according to Ntegeka and Tumwine (2021), DFCU Bank managed to increase customer deposits while reducing operational expenses through the introduction of mobile banking systems.

2.3. The influence of internet banking and automated teller machines (ATMs) on the operational efficiency of Bank

The utilization of technological tools in the banking industry has significantly transformed consumer experience, service provision, and processes involved. The ATM machine and online banking are some of the technology innovations that enhance operational efficiency by

minimizing transaction costs, reducing errors, and enabling round the clock service (Kaur & Kiran, 2020). This enables banks to operate efficiently, eliminate overcrowding in banking halls, and provide convenient services to clients regardless of their geographical location.

Internet banking allows customers to execute a wide range of activities, including transfer of money, payment of bills, and other inquiries without necessitating visits to physical banking centers. As per Al-Smadi and Al-Wabel (2020), such forms of banking reduce pressure on human resource and operational constraints. Banks can now manage numerous transactions electronically hence improving service efficiency and accuracy. In this regard, internet banking has become an effective tool for improving consumer satisfaction and operational efficiency.

Operational efficiency is defined as a process through which a firm provides its services with minimum use of resources while maximizing production and customer satisfaction. Utilization of internet banking is one of the critical ways through which this efficiency can be achieved. Such utilization automates many activities and integration of systems that allow quick decision making (Ozuru & Kalu, 2019). This ensures elimination of errors and transaction costs resulting into high profit margins.

Various empirical studies have demonstrated that internet banking improves efficiency. For example, Onay and Ozsoz (2018) show that internet banking significantly cuts down the cost of transactions and increases service delivery speed. In a similar study, Rahman (2021) concludes that adoption of internet banking platforms increased efficiency of transaction turnover, improved customer satisfaction, and provided consistency of services compared to traditional banking approaches.

Internet banking in Uganda has revolutionized commercial banks operations. According to Bank of Uganda's research, banks such as DFCU Bank and Stanbic Bank use internet banking platforms to increase efficiency by allowing customers to conduct business from outside bank branches. This has led to fewer queues at branches, decreased paperwork, and enhanced service delivery, thus improving customer experience and efficiency of institutions.

Internet banking also has disadvantages. Poor access to the internet, cyber threats, and inadequate customer digital skills can adversely affect efficiency (Adeleke, 2020). It is imperative, therefore, to ensure smooth functioning of the technology and trust in online platforms by investing in cybersecurity, training and awareness programs. Such measures are necessary in preserving efficiency and sustainability of the technology.

Other technological innovations that enhance bank operations include automated teller machines. ATM allows clients to conduct simple transactions such as withdrawal, deposits, and check balances independent of the bank's employees. As noted by Chigada and Hirschfelder (2017), ATMs reduce workload at the teller counters and enable employees to engage in other financial services and advice provision.

ATMs provide 24/7 banking services that make banking convenient and more pleasant to the client. In addition to enhancing accessibility, 24-hour banking makes it possible for banks to achieve operational efficiency (Bakar & Rosbi, 2019). Increased number of transactions conducted using ATMs means that customers no longer require attending to routine activities in the branch and hence reduce costs and increase efficiency.

There is a positive correlation between ATM usage and bank efficiency, research indicates. In a study carried out by Sharma and Malhotra (2018), banks using ATMs reported lower operating costs and greater transaction turnovers. This increased efficiency is achieved through automation that reduces costs associated with manual transactions. Also, ATMs provide a solution to extend services into the rural regions, where opening branches would be impractical.

ATMs have been central to the development of efficient bank service delivery in Uganda. For example, DFCU Bank Kabale Branch has been able to use ATM services to improve service delivery, thus avoiding customer congestion in their banking halls. As highlighted by Mugisha (2022), the implementation of ATM services in Kabale has ensured that customers can easily access funds through withdrawals and balance checks without causing delays.

Despite the many advantages of using ATM services, some problems may arise when implementing them. As observed by Osei and Aboagye (2021), some of the problems associated

with ATM service delivery include frequent machine failure, lack of funds, and poor connectivity, which can impact the performance and effectiveness of the ATM services.

All in all, both internet banking and ATM services have been effective in enhancing the efficiency of banks by ensuring automated transactions, reduced costs, and quality customer service delivery. Through the implementation of these innovations, banks have become more efficient, enabling them to conduct transactions faster while serving more clients (Omondi & Muturi, 2021).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0. Introduction

This chapter was mainly focused on research design, study location, the target population, the number of respondents to be sampled, methods of sampling, data sources, methods for collecting data, data analysis, and study limitations.

3.1 Research design

The use of both qualitative and quantitative approaches was adopted in the cross-sectional design utilized for this research. In line with Denscombe (2005), cross-sectional design refers to a research design that involves a systematic description of the attributes of the event, site, population or object of interest at a particular period in time. There were participants from diverse demographic backgrounds who were available owing to the research design adopted. Qualitative method was selected since it offered a deep analysis of the available information from the questionnaires.

3.2 Area of the study.

The research was conducted at DFCU in Kabale Municipality in southwest Uganda. It is situated in the central division of Kabale Municipality along Kabale-Kisoro Road.

3.3 Study population

The top management of DFCU Bank, including the manager, cashier, accountant, loans officer, shareholder management, and staff, made up the study's population. Thus, according to Krejcie and Morgan's 1970 appendix V, this represents 70 respondents.

3.4 Study sample and sampling technique

The total population of DFCU Bank was represented by the 59 respondents in the study. This comprised 47 clients, four managers, one accountant, three cashiers, and four loan officers.

Table 3.1: Population and Sample Size

Subject	Population	Sample
Cashiers	6	3
Top management	4	4
Loans officers	6	4
Clients	53	47
Accountant	1	1
Total	70	59

Source: Data 2026

3.4.1 Sampling techniques

The top management team, which includes a manager, an accountant, cashiers, and loan officers, was chosen by the researcher using purposive selection, whilst clients were chosen using a straightforward random sample technique. The researcher thought this approach was straightforward, easy to implement, affordable, and practical.

Because each client had an equal chance of being chosen, the researcher used a simple random sampling procedure to choose them.

3.5 Data sources

The researcher used two different kinds of data for the investigation. These comprised both primary and secondary data collection sources.

3.5.1 Primary data

It involves the researcher going into the field to collect study-related information from various respondents; primary data gave the researchers the first-hand information they required, and terms were properly defined to prevent potential misunderstandings.

3.5.2 Secondary Data

This kind of information was gathered from previously gathered sources, including reports, periodicals, magazines, and the internet. This kind of data was useful for gathering a lot of information. However, many academics are likely to exaggerate it.

3.6 Data Collection Tools/ instruments

3.6.1 Interview Guide

A list of subjects or questions that are used during an interview is called an interview guide (Kakinda, 2000). This includes the questions the researcher asked the interviewees while taking notes on their responses. The researcher essentially targeted managers at Dfcu Bank who lack the time to complete the study questionnaire form or forms by using the interview guide.

3.6.2 Questionnaire

A group of connected questions intended to gather data from a respondent is called a questionnaire (Kakinda, 2000). This contained a carefully crafted set of questions that the population sample was asked to answer by either writing down their replies or marking the response they felt was most pertinent to the research project.

3.7 Research Procedure

Bishop Barham University provided an introduction letter. The researcher learned about DFCU Bank from this. The Bishop Barham University Authority then gave the researcher permission to conduct the study at DFCU Bank. To evaluate the validity and reliability of the research tools, a pilot study was conducted. Where appropriate, corrections were made.

3.8 Data Analysis and Presentation

The investigator made sure that every piece of data was gathered and prepared for analysis. Afterwards, the researcher became acquainted with the data by verifying that the answers to the questionnaire and interview guide matched the total number of disseminated questionnaires.

Following that, data was examined both qualitatively and quantitatively in accordance with the goals and study questions. Using SPSS, the gathered and examined data was then coded and shown as tables, percentages, and explanations.

As a result, every piece of research data was meticulously examined, categorised, edited, and tallied. The facts and statistics that were analysed and compiled into this final study report were presented in Chapter 4 as tables and percentages using Microsoft Excel.

3.10 Data Quality Control

The investigator made certain that the information gathered was precise, accurate, and relevant to this investigation. In order to do this, data gathered through surveys, interviews, document analysis, and observation were compared and cross-checked for consistency. To determine the consistency of information gathered at various times and using various techniques, data was compared and cross-checked. Additionally, irrelevant material will be eliminated. To guarantee quality and get rid of biases, the researcher made sure that the respondents were properly chosen.

Validity of the Study

By ensuring that the research tools (questionnaires and interview guides) measure what they are supposed to measure in respect to the study objectives, validity was guaranteed. Prior to the actual data collection, the researcher carried out a pilot study to evaluate the applicability, relevance, and clarity of the research instruments. The instruments were improved and refined based on feedback from the pilot study. Supervisors and experts were consulted to assess content validity and ensure that all study variables were sufficiently covered by the instruments.

Reliability of the Study

Reliability was ensured by maintaining consistency in the way data is collected and interpreted. The researcher will use standardized procedures when administering questionnaires and conducting interviews to ensure uniformity. A pilot test was conducted to check the consistency of the instruments over time. If similar results are obtained under consistent conditions, the

instruments were considered reliable. In addition, clear instructions was given to respondents to minimize errors and bias in responses.

1.11 Limitations of the Study

Among the limitations of the study may include,

- i. The respondents refused to cooperate. Some of the respondents who provided accurate information were frequently preoccupied with their jobs and neglected to give the researcher their full attention on time. Despite the fact that this caused a delay in the data collection procedure, the researcher attempted to overcome this by exercising patience and eventually collected data from them.
- ii. limited resources. The researcher encountered this difficulty, particularly when it came to covering the costs of transportation, stationery, and lodging throughout the data collection process. This was addressed by employing reasonably priced modes of transport to ensure timely collection of research data.
- iii. Time constraints. The researcher had to deal with the difficulty of having little time to conduct adequate research for the subject. However, purposeful sampling was used to address this, reducing the sample size to 59 respondents. This made it possible for the researcher to deal with a minimum number of respondents who had knowledge pertinent to the study.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

The findings from the research carried out on the topic "Digital Banking and Financial Performance of Commercial Banks in Uganda: A Case Study of DFCU Bank Kabale Branch," which involved the analysis of BRAC Bank Kabale Branch, are provided in this chapter. The objectives of the study were to determine the effect of digital banking on the financial performance of DFCU Bank Kabale Branch, to find out how mobile banking affects its financial performance, and the impact of internet banking and ATMs on the bank's efficiency.

4.1 Demographic Characteristics of Respondents

The study has looked into the educational background and gender of the respondents, which were considered relevant. The background information of the respondents is shown in Table 2.

Table 2: Sex Distributions of Respondents

Gender	Frequency	Percent (%)
Male	37	62.7
Female	22	37.2
Total	59	100

Source: Primary Data, 2026

From Table 2, we see that the percentage of male respondents is higher than that of female respondents. This implies that the results are biased towards the males since females are fewer in number.

Table 3 Respondents age

Age	Frequency	Percent
18-25	07	11.8
26-35 years	20	38.8
36-45years	23	39
Above 46 years	09	10.4
Total	59	100

Source: Primary Data, 2026

As seen in Table 3 below, the highest number of respondents were found in the age group 36-45 years (39%), whereas, those belonging to the age group 26-35 years came second (38.8%). The third largest number of respondents were in the age range 18-25 years (11.8%) followed by more than 46 years (10.4%).

Table 4: Respondents education level

Education	Frequency	Percent
Diploma	15	25.4
Degree	19	32.2
Post graduate	25	42.3
Total	59	100

Source: Primary Data, 2026

Table 4 shows the educational level of the respondents. Of the total number of respondents, 25.4% had acquired diplomas, 32.2% had acquired degrees, and the highest percentage, 42.3%, had acquired postgraduate.

4.2. Relationship between Digital Banking Services and Financial Performance of DFCU Bank Kabale Branch

Table 5: Relationship between Digital Banking Services and Financial Performance of DFCU Bank Kabale Branch

The relationship between digital banking services and the financial performance of DFCU bank Kabale branch	A		DA		NS		Total F	Total %
	F	%	F	%	F	%	59	100
Digital banking has increased customer transactions at the branch.	40	67.7	19	32.2	00	00	59	100
Digital banking services reduce operational costs for the bank.	28	47.5	31	52.5	00	00	59	100
Digital platforms have improved revenue generation for the bank.	22	37.2	37	62.8	00	00	59	100
Digital banking has strengthened customer loyalty and retention.	26	44.1	33	55.9	00	00	59	100
Digital channels contribute to the overall profitability of the branch.	29	54.2	27	47.8	00	00	59	100
Digital banking enhances the speed and accuracy of service delivery.	32	54.2	27	47.8	00	00	59	100
Staff productivity has improved due to automation of transactions.	33	55.9	26	44.1	00	00	59	100

Source: Field data, 2026

Firstly, the findings show that digital banking has greatly contributed to increased customer transactions at the branch with 67.7% respondents in agreement. This is an indication that the adoption of digital tools for financial transaction has led to increased transactions in the bank as customers are now using mobile and internet banking platforms. These findings concur with those by Mwangi (2021) in that digital banking provides increased customer convenience and accessibility which increases the volume of transactions in a bank.

Secondly, although 47.5% of the respondents agree that digital banking reduces operational costs, 52.5% of the respondents disagree with the statement. As per the respondents, digital banking may reduce costs related to paperwork and physical infrastructures, but it may also incur extra costs in system maintenance and upgrade among others. These findings concur with those by Kato (2020) in that the introduction of digital solutions incurs huge costs in both its installation and ongoing maintenance in some cases more than the benefits accrued from it.

According to Respondent B,

“Digital banking helps in reducing paper work and queues; however, costs incurred due to system maintenance are high.”

Lastly, only 37.2% of the participants agree that digital platform contributes to increased revenues while 62.8% disagree with the statement. This means that even though there are increased customer transactions in the bank, there might not necessarily be an increase in revenue. These findings agree with those of Nsubuga (2022) in that most digital banking services have been designed with customer convenience as the main focus, thus, contributing little to immediate revenue generation.

Regarding loyalty and customer retention, 44.1% of respondents agreed while 55.9% disagreed, meaning that digital banking alone cannot be relied upon to ensure customer loyalty. The results were in line with those by Tumwine (2021) who suggested that even though digital banking enhances customer experience, other important components include service quality and relationship management.

When asked during the interview about digital services, Respondent C noted that

"customers like digital services, but loyalty is dependent on other factors such as trust, customer care and system reliability."

Moreover, 54.2% of participants agreed that the adoption of digital technology increases profitability of the branch, meaning that its contribution towards profitability is rather low, but positive. The results support the research by Beck et al. (2018) who state that digitalization leads to higher profitability because of reduced costs and efficiency.

It was also established that 54.2% of respondents believe that digital channels improve speed and accuracy of service delivery at the same time, while 47.8% think the opposite. Thus, even though automation can help increase service efficiency, there are still several barriers that could influence its performance negatively, such as problems with networks and infrastructure. The findings agree with Okello (2020), who stated that digital banking enhances service provision, yet faces obstacles in developing countries due to infrastructural constraints.

Lastly, it was revealed that 55.9% of participants agree that staff productivity has been enhanced because of automation. Hence, digitalization helps reduce employees' manual workload and allow them to perform more valuable tasks. The findings confirm the conclusions made by Aker and Mbiti (2019) that banking automation is helpful when it comes to improving workers' performance.

To verify whether there is a strong relationship between digital banking services and the financial performance of DFCU bank Kabale branch, the Pearson Correlation and regression is used as shown below

Table 6: Correlations between digital banking services and the financial performance of DFCU bank Kabale branch,

		Digital banking services	Financial performance of DFCU bank Kabale branch
Digital Banking	Pearson	1	.341(**)
	Correlation		
	Sig. (2-tailed)		
Financial performance of DFCU bank	N	59	59
	Pearson		
	Correlation		
		.341(**)	1
	Sig. (2-tailed)		
	N		
		59	59

** Correlation is significant at the 0.01 level (2-tailed).

Table 6's findings show a somewhat favourable correlation ($r = 0.341$) between digital banking services and the DFCU Bank Kabale branch's financial performance. This implies that the bank's financial performance tends to improve as the adoption and effectiveness of digital banking services rise. Since the relationship is statistically significant at the 0.01 level ($p = 0.000$), there is very little possibility that it happened by accident. Consequently, the results indicate that digital banking services are crucial for improving the bank's financial success, even though the correlation is only moderately high.

Table 9: Summary of regression output for digital banking services and financial performance of DFCU bank

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.457	.227		2.905	.005
	financial performance of DFCU bank	.157	.055	.541	4.665	.000

a. Independent: Digital banking

b. Financial Performance of DFCU Bank

The regression results reported in Table 9 indicate that there is a positive and statistically significant relationship between the financial performance of DFCU Bank and digital banking services. While holding other variables constant, an increase in one unit in digital banking services leads to a corresponding increase in financial performance of 0.157 units, according to the coefficient for digital banking ($B=0.157$). In addition, the standardised coefficient for digital banking ($Beta = 0.541$) indicates that digital banking services have a relatively more significant impact on financial performance. In other words, there is a statistically significant relationship ($p=0.000<0.05$) between financial performance and digital banking, implying that the relationship between them is not due to chance. The value of the constant is 0.457, representing the base level of financial performance while keeping digital banking services at zero.

4.3 Impact of Mobile Banking on Financial Performance of DFCU Bank Kabale Branch.

Table 7: Impact of Mobile Banking on Financial Performance of DFCU Bank Kabale Branch.

The effect of mobile banking on the financial performance of DFCU bank Kabale Branch.	A		DA		NS		Total F	Total %
	F	%	F	%	F	%	59	100
Mobile banking has increased the number of active bank customers.	20	33.8	39	66.4	00	00	59	100
Mobile banking services have improved deposit mobilization.	30	50.8	29.	49.1	00	00	59	100
Mobile banking has facilitated faster and more efficient customer transactions.	40	67.7	19	32.2	00	00	59	100
Mobile banking has enhanced the bank's revenue through transaction charges.	35	59.3	24	40.6	00	00	59	100
Mobile banking reduces congestion and workload inside the banking hall.	36	61.1	23	38.9	00	00	59	100
The bank incurs fewer operational costs due to mobile banking usage.	33	55.9	26	44.1	00	00	59	100
Mobile banking usage contributes to increased loan repayments and savings.								

Source: Field data, 2026

According to Table 6, a total of 33.8% of the respondents concurred with the view that mobile banking has resulted in an increase in bank customers while a higher percentage of 66.4% disagreed with the statement. This implies that mobile banking cannot be seen as a major factor

that influences the increase in customer base in DFCU Bank Kabale Branch since there could be many other issues that might hinder the adoption of this technology. For instance, some of those problems include inadequate digital literacy levels, limited access to smartphones, and ignorance about the services offered by mobile banking applications.

As mentioned above, during the interview, Respondent A indicated that,

“Many clients still prefer the traditional ways of banking because most of them are old and do not feel comfortable using mobile application.”

Moreover, the results of the survey showed that a relatively high percentage of 50.8% of respondents agreed that the use of mobile banking services has facilitated the process of deposit mobilization in DFCU Bank while 49.1% of them disagreed. The findings imply that there is a balanced opinion regarding the contribution of mobile banking to the deposit mobilization process. As a result, it could be concluded that the influence of mobile banking on customer savings and deposit behavior is moderate. These findings are supported by Jack and Suri (2014) who noted that mobile money applications positively affect saving habits.

According to Respondent B,

“Mobile banking simplifies the process of making deposits as clients can make it more often through mobile banking but not all clients do it.”

In addition, a very high percentage of 67.7% agreed with the view that mobile banking facilitates quick and efficient transactions for bank customers. It could be concluded that mobile banking plays a significant role in facilitating better transaction services since it is associated with convenience. These findings agree with Donner and Tellez (2008) who emphasized the importance of transaction efficiency when using mobile banking applications.

Moreover, it can be seen that 59.3% of participants agreed that mobile banking has improved the bank's income through transaction charges. At the same time, 40.6% of participants rejected the statement above. In other words, this result implies that mobile banking has positive influence on the bank's income generation, although there are some doubts about the extent of its impact. This

finding corroborated the views of Mallat (2007), who mentioned that charges for mobile banking services represent one of the main sources of income for financial organizations.

At the same time, during the interview, Respondent C said that

"although individual transaction charges are low, they add up and become a significant contributor to the bank's income".

Furthermore, 61.1% of respondents agreed that mobile banking decreases congestion and workload in the banking hall, while 38.9% of respondents did not agree with this statement. Therefore, mobile banking plays a role of decreasing congestion inside banking hall by transferring routine operations to mobile platforms. This finding was consistent with the views of Gupta (2013) who found out that digital financial services help to decrease physical crowding and improve service delivery procedures in banks.

Finally, 55.9% of participants agreed that mobile banking leads to lower costs for the bank in comparison with traditional services, while 44.1% rejected this assumption. It means that mobile banking helps in reducing the cost of operations at least partially. However, this idea was confirmed by Hernando & Nieto (2007) who stated that the application of digital banking technologies leads to cost efficiency in the long run despite high start-up expenses.

4.4 The impact of internet banking and ATM services on operational efficiency

Table 8: The impact of internet banking and ATM services on operational efficiency

Influence of internet banking and ATMS on operational efficiency	A		DA		NS		Total F	Total %
	F	%	F	%	F	%	59	100
Internet banking has reduced long queues in the branch.	40	67.7	19	32.2	00	00	59	100
ATM services have improved	28	47.5	31	52.5	00	00	59	100

accessibility to banking services.								
Internet banking reduces paperwork and manual errors.	22	37.2	38	62.7	00		59	100
ATMs reduce the workload of bank tellers.	26	44.1	33	55.9	00	00	59	100
Internet banking enhances customer service convenience.	29	49.2	30	50.8	00	00	59	100
ATMs improve transaction speed and service efficiency.	32	54.2	27	47.8	00	00	59	100
Internet banking and ATMs enhance the bank's cost efficiency.	33	55.9	26	44.1	00	00	59	100

Source: Field data, 2026

From Table 7, it is evident that a majority (67.7%) of the respondents believed that the introduction of internet banking has resulted in the reduction of the long queue in the banking hall while 32.2% of the respondents did not agree with the claim. This indicates that internet banking is one of the ways through which banks can decongest their halls because customers can conduct transactions from wherever they are. The study findings

During the interview, Respondent A observed that:

"Since customers started using internet banking, the number of people physically coming to the bank has reduced, especially for simple transactions like checking balance and transfer."

It is interesting to note that 47.5% of the respondents in the study agreed with the claim that ATM has helped in making the banking service more accessible while 52.5% disagree. This

shows mixed views among consumers about the effectiveness of ATM technology in making banking accessible. This could be attributed to various factors like machine breakage, fewer ATM centers or network failure among others. This finding was consistent with the findings in Kumar (2016) where he noted that although ATM improves access, infrastructural and operational limitations in developing countries affect its effectiveness.

Respondent B said:

"ATMs are helpful but not always reliable due to network failures or lack of cash hence limiting their access to services."

From the study, it was found that only 37.2% of the respondents believed that the use of internet banking has led to fewer documents while 62.7% of the customers disagreed. This means that the anticipated reduction of paperwork and manual errors has not been realized fully because of partial system adoption in the branches or continued manual transactions. This finding is consistent with the argument put forward by Laudon (2018) that the ability to reduce paperwork is dependent on the integration level of the users.

The findings further revealed that 44.1% of the participants agreed that the introduction of ATMs has reduced the workload of bank tellers, and 55.9% disagreed. This means that although ATMs conduct transactions, they have not led to significant reduction of workloads since most customers still prefer doing transactions in the bank. This was consistent with Al-Smadi (2012)'s observation that customer habits determine the reduction of workloads through the use of self-served machines.

According to Respondent C:

"Some customers still prefer going to the teller regardless of the availability of ATMs hence the "[However], this did not occur since the technology required an additional burden on employees, making the workload less reduced as compared to expectations."

On top of this, from the study, the results revealed that 49.2% of the participants felt that internet banking increased convenience for customer service delivery. On the other hand, 50.8% felt

differently about this issue. This shows that although internet banking is associated with increased convenience, there are several concerns including ease of use, security issues among others, which make customers view it negatively. This result agrees with Yousafzai et al. (2009), according to whom ease of use and trust in internet banking are major factors influencing customer satisfaction.

From the results, 54.2% of the respondents agreed that ATMs increase transaction speed and service efficiency. Also, 55.9% agreed that both ATM and internet banking increases the cost efficiency of the bank. These results show that through digital channels like ATMs, banks can benefit in terms of improving efficiency as well as cutting down costs in the long run. This result is consistent with the findings by Hernando and Nieto (2007).

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The study's findings, conclusions, recommendations, and ideas for additional research are summarised in this chapter. In compliance with the study's objectives, the following summary of the findings, conclusions, and suggestions was completed:

5.1 Discussion of the study findings

5.1.1 The relationship between digital banking services and the financial performance of DFCU bank Kabale branch

The findings of the regression analysis demonstrated that DFCU Bank's financial performance is positively and statistically significantly impacted by digital banking services. When all other variables are held constant, the coefficient for digital banking ($B = 0.157$) shows that an increase of one unit in digital banking services results in a comparable rise of 0.157 units in financial performance. The standardised coefficient ($\text{Beta} = 0.541$) indicates that digital banking has a comparatively significant beneficial impact on financial performance. Furthermore, the association is statistically significant ($p = 0.000 < 0.05$), indicating that the effect is not the result of chance. When digital banking services are kept at zero, the baseline level of financial performance is represented by the constant value (0.457). Overall, these results suggest that improving digital banking services greatly enhances DFCU Bank's financial performance.

5.1.2 The effect of mobile banking on the financial performance of DFCU bank Kabale Branch

The study findings revealed the **effect** of mobile banking on the financial performance of DFCU bank Kabale Branch and these included mobile banking usage contributes to increased loan repayments and savings, mobile banking services have improved deposit mobilization, mobile banking has facilitated faster and more efficient customer transactions, mobile banking reduces

congestion and workload inside the banking hall, mobile banking has enhanced the bank's revenue through transaction charges, the use of mobile banking has boosted the number of active bank customers and reduced the bank's operating expenses. Only 33.8% of respondents agreed that mobile banking has boosted the number of active bank clients, according to the study's findings, while a higher percentage (66.4%) disagreed. This implies that, perhaps as a result of things like limited digital literacy, mobile banking may not yet be a significant element in the DFCU Bank Kabale Branch's client base growth, limited access to smartphones, or lack of awareness among potential users. This is similar to findings by Nakasone and Torero (2016), who noted that adoption of mobile banking in developing nations is hampered by technology and knowledge constraints.

The survey reveals an almost equal distribution of opinions, where 50.8% of respondents agreed that mobile banking services have contributed to increasing deposit mobilization and 49.1% disagreed. This implies that although not necessarily felt, mobile banking does moderately contribute to making consumers feel encouraged to save money through deposits. This finding is supported by findings from Jack and Suri (2014), who found out that through mobile money technologies, consumers' ability to save money becomes better because these platforms make it easier and safer.

It was also found out through the research that mobile banking has helped to increase effectiveness in carrying out transactions. As such, 67.7% of participants agreed that the mobile banking platform had helped to facilitate more efficient transactions. This finding agrees with those of Donner & Tellez (2008), who argued that through the mobile banking channel, individuals can carry out transactions anytime and anywhere.

5.1.3 The effect of internet banking and ATMS on operational efficiency

The research result revealed the impact of internet banking and ATMS on the operation efficiency and some of these included ATMs improve transaction speed and service efficiency, ATM services have improved accessibility to banking services, Internet banking reduces paperwork and manual errors, ATMs reduce the workload of bank tellers, Internet banking increases the convenience of customer services, Internet banking has reduced long queues in the

branch. From the results, it was revealed that the majority of respondents (67.7%) felt that internet banking has reduced long queues in the branch compared to 32.2% who disagreed. The implication is that internet banking has a significant contribution to making long queues decongested through allowing remote transactions. The study findings

On the same note, 47.5% of the respondents were of the opinion that ATM services have improved accessibility to banking services while others (52.5%) disagreed. This was an indication of a mixed view towards the effectiveness of ATMs as a tool for improving accessibility to banking services owing to problems like ATM machines being faulty, few places where one could access the machines among others. This result was consistent with the view by Kumar (2016) that although ATM services improve accessibility, infrastructural and other operational problems might make the process ineffective especially in developing countries.

It was also noted from the findings that only 37.2% agreed that internet banking reduces paperwork and manual errors while 62.7% disagreed. This was an indication that there were no sufficient reduction in paperwork and manual errors which are among the anticipated advantages of adopting the internet. These results were similar with the findings by Laudon (2018) that for digital technology to be effective in reducing errors, the users need to adopt the whole process.

The results also reveal that 44.1% of respondents agreed that ATMs reduce the workload of bank tellers, while 55.9% disagreed. This suggests that although ATMs handle some transactions, they may not significantly reduce teller responsibilities due to continued customer preference for in-branch services. This finding were in line Al-Smadi (2012), who emphasized that customer habits and trust influence the extent to which self-service technologies reduce staff workload.

5.2 Conclusions

The study findings were concluded basing on objectives of the study findings

5.2.1The relationship between digital banking services and the financial performance of DFCU bank Kabale branch

The study's conclusion demonstrated that DFCU Bank's financial performance is positively and statistically significantly impacted by digital banking services. When all other variables are held constant, the coefficient for digital banking ($B = 0.157$) shows that an increase of one unit in digital banking services results in a comparable rise of 0.157 units in financial performance. The standardised coefficient ($Beta = 0.541$) indicates that digital banking has a comparatively significant beneficial impact on financial performance. Furthermore, the association is statistically significant ($p = 0.000 < 0.05$), indicating that the effect is not the result of chance.

When digital banking services are kept at zero, the baseline level of financial performance is represented by the constant value (0.457). Overall, these results suggest that improving digital banking services greatly enhances DFCU Bank's financial performance.

5.2.2 The effect of mobile banking on the financial performance of DFCU bank Kabale Branch

The study's conclusion revealed the impact of mobile banking on the financial performance of DFCU Bank Kabale Branch. These included the following: mobile banking usage has increased loan repayments and savings; mobile banking services have improved deposit mobilisation; mobile banking has facilitated faster and more efficient customer transactions; mobile banking has reduced traffic and workload inside the banking hall; mobile banking has increased the bank's revenue through transaction charges; the bank incurs fewer operational costs due to mobile banking usage; and mobile banking has increased the number of active bank customers. Only 33.8% of respondents agreed that mobile banking has boosted the number of active bank clients, according to the study's findings, while a higher percentage (66.4%) disagreed.

5.2.3 The influence of internet banking and ATMS on operational efficiency

The study finding concluded by showing influence of internet banking and ATMS on operational efficiency and these include ATMs improve transaction speed and service efficiency, ATM services have improved accessibility to banking services, Internet banking reduces paperwork and manual errors, ATMs reduce the workload of bank tellers, Internet banking enhances customer service convenience, Internet banking has reduced long queues in the branch.

However, results showed that most of the respondents (67.7%) agreed that internet banking has reduced long queues at the branch while 32.2% disagreed.

5.3 Recommendations

From the findings obtained from digital banking and financial performance at DFCU Bank Kabale Branch, the following are some of the recommendations put forward.

It is recommended that the bank management increase efforts to sensitize and train customers on digital banking. Some of the customers have remained reluctant to embrace digital banking because of their lack of skills and digital illiteracy. To help the customers adapt to digital banking, there is need for awareness and guidance to be provided to them.

There is need for the bank to increase investments in digital banking to ensure increased efficiency and effectiveness in digital banking. Some of the problems identified by customers include issues relating to system downtimes, failure, network problems and cash shortages in ATMs.

The bank needs to reduce its expenditure on maintenance of digital banking system. While it is true that digital banking has helped the bank reduce cost in its operations, digital banking requires heavy investment in order to maintain and upgrade it.

There is a need for the bank to improve customer experience and service delivery when transacting business through the digital platform. Improving the user interface design, ensuring security in transactions, and offering good customer service will increase the number of customers utilizing the digital platform, and thus the volume of transactions will be increased, and revenues generated from the transactions.

The bank should also incorporate digital banking services with personalized customer relationship management. Because digital banking services will not necessarily guarantee that customers will remain loyal to the bank, it would be advisable to incorporate these with customer care services and customer loyalty services.

Staff should also be continuously trained to cope with digital banking services. The continuous training will help improve staff productivity as well as helping them cope with customer demands in the digital platform.

5.4 Areas for Further Research

- 1) Study the effect of digital banking services on customer satisfaction and experience in commercial banks in Uganda.
- 2) The role of cyber-security and data protection in influencing the utilization of digital banking services.
- 3) The effect of digital banking services in the financial performance of banks – in terms of return on investment and cost-benefit analysis.
- 4) The challenges facing rural populations in accessing and utilizing digital banking services.
- 5) Government policy role in promoting digital banking services in Uganda.

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APPENDICES:
APPENDIX ONE
QUESTIONNAIRE FOR STAFF OF DFCU BANK KABALE BRANCH

Dear Respondent

The purpose of this questionnaire is to collect information for an academic study entitled “Digital Banking and Financial Performance of Commercial Banks in Uganda: A Case Study of DFCU Bank Kabale Branch.” The study seeks to assess how digital banking services including mobile banking, internet banking, and ATM services affect the financial performance and operational efficiency of DFCU Bank. You have been selected as a respondent because of your direct involvement in the bank’s operations and digital service delivery. Your views and experiences are vital in helping the researcher understand the effectiveness of digital banking initiatives within the branch. Please respond to all questions as honestly and accurately as possible. All information provided will be treated with strict confidentiality and will be used solely for academic purposes. Your participation is voluntary, and you may withdraw at any time.

All information will be treated with confidentiality.

Kindly tick the appropriate response

SECTION A: DEMOGRAPHIC INFORMATION

Question	Response Option
1. Gender	☐ Male ☐ Female
2. Age bracket	☐ 18–25 ☐ 26–35 ☐ 36–45 ☐ 46+
3. Level of education	☐ Diploma ☐ Degree ☐ Postgraduate ☐ Other

**SECTION B: THE RELATIONSHIP BETWEEN DIGITAL BANKING SERVICES AND
THE FINANCIAL PERFORMANCE OF DFCU BANK KABALE BRANCH**

Statement	1	2	3	4	5
1. Digital banking has increased customer transactions at the branch.					
2. Digital banking services reduce operational costs for the bank.					
3. Digital platforms have improved revenue generation for the bank.					
4. Digital banking has strengthened customer loyalty and retention.					
5. Digital channels contribute to the overall profitability of the branch.					
6. Digital banking enhances the speed and accuracy of service delivery.					
7. Staff productivity has improved due to automation of transactions.					

**SECTION C: THE EFFECT OF MOBILE BANKING ON THE FINANCIAL
PERFORMANCE OF DFCU BANK KABALE BRANCH.**

Statement	1	2	3	4	5
1. Mobile banking has increased the number of active bank customers.					
2. Mobile banking services have improved deposit mobilization.					
3. Mobile banking has facilitated faster and more efficient customer transactions.					
4. Mobile banking has enhanced the bank's revenue through transaction charges.					
5. Mobile banking reduces congestion and workload inside the banking hall.					
6. The bank incurs fewer operational costs due to mobile banking usage.					
7. Mobile banking usage contributes to increased loan repayments and savings.					

**SECTION D: INFLUENCE OF INTERNET BANKING AND ATMS ON
OPERATIONAL EFFICIENCY**

Statement	1	2	3	4	5
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1. Internet banking has reduced long queues in the branch.					
2. ATM services have improved accessibility to banking services.					
3. Internet banking reduces paperwork and manual errors.					
4. ATMs reduce the workload of bank tellers.					
5. Internet banking enhances customer service convenience.					
6. ATMs improve transaction speed and service efficiency.					
7. Internet banking and ATMs enhance the bank's cost efficiency.					

APPENDIX TWO:

INTERVIEW GUIDE FOR THE BRANCH MANAGER OF DFCU BANK KABALE BRANCH

Dear Respondent

This interview guide has been designed to support an academic study titled “Digital Banking and Financial Performance of Commercial Banks in Uganda: A Case Study of DFCU Bank Kabale Branch.” The purpose of this interview is to obtain in-depth insights from you regarding the impact of digital banking services such as mobile banking, internet banking, and ATM services on the bank’s financial performance and operational efficiency. Your expertise and managerial perspective are important in providing detailed information that cannot be captured through questionnaires alone. The information you provide will be kept strictly confidential and used only for academic purposes. Your participation is voluntary, and you are free to decline or skip any question you are not comfortable answering.

DIGITAL BANKING SERVICES AND FINANCIAL PERFORMANCE

1. How would you describe the relationship between the digital banking services offered and the financial performance of your branch?
2. In what ways has digital banking contributed to revenue growth and profitability?
3. What challenges has the bank experienced in implementing digital banking services?

MOBILE BANKING AND FINANCIAL PERFORMANCE

1. How significant is mobile banking in your branch's financial performance?
2. What specific mobile banking services contribute most to revenue and transaction volume?
3. How does mobile banking affect operational costs and staff workload?

INTERNET BANKING, ATMs, AND OPERATIONAL EFFICIENCY

1. How has internet banking affected operational efficiency at your branch?
2. What role do ATMs play in reducing queues and improving service delivery?
3. In what ways have internet banking and ATMs contributed to cost reduction

Krejcie and Morgan table

Populasi (N)	Sampel (n)	Populasi (N)	Sampel (n)	Populasi (N)	Sampel (n)
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384



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DEPARTMENT OF BUSINESS AND ADMINISTRATION

17th April, 2026

Dear Sir/Madam,

RE: INTRODUCTORY LETTER FOR DATA COLLECTION

This is to introduce to you **ASIIMWE FORTUNATE** Reg. No. **M23/BBUC/BBA/004** who is a student at Uganda Christian University, Bishop Barham University College. He/She is a finalist pursuing a Bachelor's Degree in Business Administration. It is a requirement of the University for students on this program to write a dissertation in partial fulfilment of the award for the degree. For this purpose, he/she is conducting research on the topic:

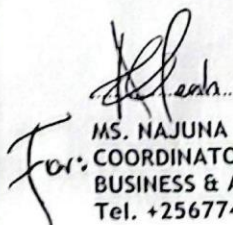
Digital Banking and Financial Performance of Commercial Banks in Uganda. A Case Study of DFCU Bank, Kabale Branch.

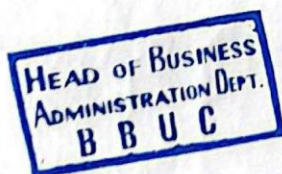
The findings and analysis of this research will be treated confidentially and will not be used for any other purpose other than the partial fulfilment of the award of the above qualification.

Please accord him/her every possible assistance.

Thank you.

Yours faithfully,


MS. NAJUNA PATIENCE
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