



**ASSESSMENT OF THE OPPORTUNITY AND CHALLENGES OF  
INTERNET-BANKING**

**ON**

**COMMERCIAL BANK OF ETHIOPIA**

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**ID NO- SGS/0226/2007B**

*A Thesis Submitted To the School Of Graduate Studies of Saint Merry  
University College in Partial Fulfillment of the Requirements for the  
Degree of Master of Business Administration (MBA)*

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**By**

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**December, 2016**

**ADDIS ABABA, ETHIOPIA**

## **Declaration**

I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university, and that all source of materials used for the thesis have been duly acknowledged.

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## **Acknowledgments**

Above all, to the Great Almighty, the author of knowledge and wisdom, for his countless love.

The completion of this study could not have been possible without the participation and assistance of so many people whose names may not all be enumerated. Firstly I would like to express my appreciation and indebtedness to my Advisor Zemenu Ayinadiss(Asst.Prof) for his support and constructive advises during this study.

I would like to forward my big thanks to my sister Betelhem Berecha for her kind support, understanding and sustained interest to finish this paper I can't pay you back your unconditional support except Many thanks .Finally I would like to show my appreciation and thanks to all the staffs and customers of CBE in collection of the questioners for the study.

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## ABSTRACT

*The challenging for financial service market results more pressure on banks to develop and utilize alternative delivery channels, with a view to attracting more customers and improving customer perceptions and encouraging loyalty. The study is aimed at dealing with the opportunity and challenges of internet banking on commercial bank of Ethiopia. The study used descriptive research method that incorporated qualitative research approaches. In conducting this research, data was obtained from both primary and secondary sources. A descriptive case study that makes use of a combination of questioners that is taken account of 50 from employees and 80 from customers that are used because it helped the researcher clarify and explain the existing phenomenon in a meaningful, justifiable and numerical manner. Based on this research paper research problem it concerned on commercial banks that do not have an insight into how their customers perceive and evaluate internet banking service quality. Large number of CBE customers Disagreed on that customers have enough information about internet banking. Great Majority of CBE employees and most customers highly aware on the importance of internet banking to save time and money. Majority of CBE employees strongly agree on that internet banking is more accessible to users and customers are neutral. Great Majority of the CBE employees and majority of customers responded on that the service is very low to be adoptable to disable and elder people. Large number of CBE employees and customers responded on that CBE never provides a training to enhance awareness of customer. Great majority of employees and majority of customers agreed on that customers encounter problems related with Internet while using the service. Large no of employees and customers responded on that CBE seldom provides an alternative way when the Internet is slow. Majority of employees agreed on that CBE has experienced and skilled IT professionals to administer latest technology and Majority of customers disagreed on that CBE has experienced and skilled IT professionals to administer latest technology. CBE should have to create awareness and provide sustainable information in order to increase how to use/access internet banking since the study shows there is a gap b/n CBE and customers as CBE is only trying to fulfill the targeted percent .Internet banking service providers ought to look out for indicators of innovative ways of creating awareness about the service through participation in trade organizations, exhibitions as well as adoption of new technologies of Internet banking. In addition, it would be useful to study the corporate client's diverse satisfaction needs in order to respond to them precisely. Further studies need to be carried out knowing that the Internet banking service is still new in most of the developing countries thus, new issues, needs and demands may arise as the banks continue to implement the strategy.*

**Key words:** *Internet Banking, Training, Awareness, IT Technology, Customers, Employees*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

The internet emerged as a key competitive area for the Future of financial services hence it come as no surprise when banks and brokers flocked to the web. The use of the internet makes it possible for banks to offer a number of home banking services 24 hours a day.(mols,1998:331). The internet is not merely is a medium of information delivery in a passive sense. Due to the necessary participation of the consumer in using the internet, it also service as a means of service delivery. The internet, along with other means of home banking services has dramatically changed the distribution channel of the structure of banks. New partnerships and electronic commerce product announcements have become a daily routine for financial service industry. The momentum to move to web-based business models is increasing and the traditional distinction amongst the service providers is blurring (Gantasala and prebhakar,2000:276).

Adams and lamptey(2009:272) are of the opinion that the banking sector, which has been characterized by it's tried and tested processes of service delivery, is greatly affected by the environmental change. The authors assert that competition is escalating for both traditional players and new entrants because of deregulation, changing consumer behavior and needs, globalization and information technology.

The financial sector is one of the business areas that has been most affected by the spread of new technologies, particularly the internet. These technologies have not only had a bearing on the internal organization processes, but have also had a sizeable influence on the way in which financial institutions interrelate with their customers (Zhao and Saha,2005:281). Radhakrishna,2009:6reckon that the winners in the online search market spaced will be those who consistently provide compelling, user friendly and responsive online service experiences . They further suggest that specific research on the identification of attributes that work together to create effective online service experiences. They further suggest that specific research on the identification of attribution that work together to create effective online services experience is lacking.

lallmahamood( 2007:8) argue that following the proliferation of e-commerce and the internet there has been as increasing interest in the evaluation of websites. Ibrahim, Joseph, and ibeh (2006:476), add that the challenging business environment in the financial services market in the UK and beyond has also resulted in more pressure on the banks to develop and utilize alternative channel with a view of an teen dimensions attracting more customers and improving customer perceptions. According to Jemal and Naser(2002:156) “not enough is known regarding how customers perceive and evaluate electronically delivered service”. Service quality research has overwhelmingly focused on customer expectations. The importance performance analysis (IPA) approach is built around customer perceived importance of quality attributes and attributes of performance, the interplay of which suggests strategies for service improvement and satisfaction management (Jemal and Naser,2002:158).

Rowley (2006:339) is of the view that service experience associated with electronic environments is very different from a service experience that is mediated through a human service agent. Zeithaml (2002:135) defines electronic service quality (E-S-Q) as an extent to which a website facilitates efficient and effective shopping, purchasing and delivery. Zeitham’s (2002:135) research on electronic service quality indicates that E-S-Q has seven dimensions that form two scales: a core E-S-Q scale and a recovery scale. Four dimensions-efficiency, reliability, fulfillment and privacy form the core E-S-Q scale that can be used to measure customer perceptions of service quality.

Dixit and Datta (2010:7) identified seventeen dimensions under three categories of internet banking service quality. These dimensions included:

- Customer service quality: reliability, responsiveness, competence, courtesy, credibility, access, communication, understanding, collaboration and continuous improvements.
- Online system quality: content, accuracy, ease of use, timeliness, aesthetics, and security.
- Banking service product quality: one dimension of product variety.

Internet banking at basic level is defined as the setting up of a web page by a bank to give information about its products and services. At a more advanced level it is defined as

Provisioning of facilities such as accessing accounts, funds transfer and buying financial products or service online (Hom,2000:524). According to Shariq,2006:123) the term internet banking is describe the case where banks customers conduct the usage of computers, and digital TV's for accessing internet branches.

Internet banking refers to a service offered by banks that allows account holder to access their account data via the internet. In order to take advantage of the internet banking, an account holder would need to meet several technological requirements. Such as having a personal access and a web browser. If these conditions are satisfied internet banking can be performed from anywhere in the world. Thus, internet banking facilitates direct access to account details; enables transfer of funds; allows for multiple bill payments an array of other transactions (Shariq,2006:124).

## **1.2 Statement of the problem**

The challenging business environment in the financial service market results more pressure on banks to develop and utilize alternative delivery channels, with a view to attracting more customers and improving customer perceptions and encouraging loyalty. Internet banking is among the channels that are developed and implemented. Banks invest heavily in introducing and making internet banking service functionality rich, with an objective of improving customer satisfaction and loyalty, ultimately contributing positively to income and profit.

The challenge for terms of software designers, marketers and experts in human computer interaction ,( amongst others), are create a business model that not only increase productivity and enhances bottom line performance, but one that are seek to add value for customers, employee and suppliers alike (Anini,2005:9).

Based on this research paper research problem it concerned on commercial banks that do not have an insight into how their customers perceive and evaluate internet banking service quality.

### **1.3 Research Questions**

This study provide an appropriate solution to the following specific questions in connection with factors that influence the adoption of Internet banking services quality positively or negatively with respect to customers.

- ❖ What are the major challenges in the adoption of Internet- banking services?
- ❖ What are the major opportunities in the adoption of Internet- banking services?

### **1.4 Objectives of the study**

#### **1.4.1 General objectives**

To assess the opportunity and challenges of Internet banking in case of Commercial banks of Ethiopia.

#### **1.4.2 Specific Objectives**

- ❖ To investigate the current practices of adoption of Internet-banking service in Ethiopia.
- ❖ To find the major opportunity and challenges for adopting Internet-banking.

### **1.5 Significance of the study**

Since Internet-banking system is in an infant stage in Ethiopia, by investigating the different opportunities and challenges for the adoption of this service delivery channel and by recommending solutions for the identified problems, this study will help banks to benefit from the adoption of this technology. In addition, it helps to fill significant knowledge gaps about E banking landscape in Ethiopia; there by it gives insight to researchers and students about the problem and stimulate further investigation of the issue.

### **1.6 Scope of the study**

The study conducted on selected commercial bank of Ethiopia in east Addis Ababa branches.



The banks' selected based on the accessibility of the information of Internet banking and that have high customer visits.

### **1.7 Limitation of the Study**

This study focused on the opportunity and challenges of Internet Banking in case of commercial banks of Ethiopia. Since Internet banking is a new experience in Ethiopia it have very difficult to get secondary data as well as literature in this area from the country perspective. The other may be responses delay of the targeted audience because of target respondents were all working professionals and busy in their work and most likely new to this service.

### **1.8 Organization of the study**

This research paper consists of five chapters. In the First Chapter of this research work, the background to the study and the rationale were provided. Explanations of the research problems, Aims and objectives of the research, operationalized of the research topic and the whole research process are also presented.

Literature is reviewed in Chapter Two with the Theoretical Framework explained. The purpose is to produce a conceptual background against which the study of the problem was expatiated. Therefore, relevant literatures are reviewed .The Third Chapter focused on the Research Design and Methodology description of how the survey instrument (a questionnaire) was developed and implemented. Also, research methodology e.g. research design, population and sample, data collection, analysis and presentation are discussed. Data analyses and interpretation have the focus of Chapter Four and in the Final Chapter, Research findings; Conclusions from the results in chapter four presented. Recommendations based on the research findings and a workable plan of action is the concern in the latter part of the chapter

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1.1 History of Internet Banking**

The term 'internet banking' is not very developed and mature rather it has a history lengthened over last 3 decades. In the late 80s, the notion 'online' became popular. Since 1980s, the innovations in the banking system have started and are still continuing (Ahanger,2011). The term was initially used in context of the banking sector to avail the banking services through a terminal or computer by using the phone line. The concept of 'home banking' is alternatively used to illustrate the use of keypad for availing the internet banking services. In 1981, online banking services started from the New York. At that time, four major banks i.e. Chase Manhattan, Citibank, Manufacturers Hanover and Chemical started online banking services through the videotex system. In France, Videotex system failed to result in failure of online banking services (Haque,Rahman and Raquib,2009).

Internet banking has gained higher acceptance from the customers who are highly supportive of new technology. Internet banking acts as a kind of financial intermediation which makes transaction through Internet (Ahanger, 2011).In the banking industry, Internet banking is the industry which uses computer technology to provide better services to customers and help in the development of banking practices (Rahmath and Hema, 2010).

The Internet, much like the ATM that came before it, is fundamentally a new distribution channel through which banks can deliver traditional banking products and services. Consumers have developed a high degree of comfort for using remote basic banking services, as demonstrated by the rapid proliferation of ATMs since their introduction 30 years ago. Initially, banks promoted their core capabilities, namely, products, channels and advice, through the Internet. Then, they entered the Internet commerce market as providers/distributors of their own products and services. Ainin and Wee(2005) contents that Internet banking is where customer can access his or her bank account via the Internet using PC or mobile phone and web-browser;

and Rahmath and Hema(2010) defined Internet banking service as banking service that allows customers to access and perform financial transactions on their bank accounts from their computers with Internet connection.

Internet banking has been explained by numerous researchers in different ways and thus it has numbers of definitions. Partially, internet banking offers several types of the services through which customers of the banks can request for getting information and also can carry out most of the banking transactions through their smart devices and computers (Nupur, 2010).

Internet banking is considered as one of the most important fields of E-commerce. Across the world, it has been expanding and developing across different dimensions of business. Before processing further to evaluate the dimensions of internet banking, it is important to review its definitions proposed by different authors. In simple terms, internet banking seems to be the combination of banking and information technology. The internet has become a comparatively new medium of delivering or distributing internet services. Banks can deliver customer services and other core services such as remittances and funds transfer through the internet rather than by physically investing the bank premises (Lallmahamood, 2007). Increasing knowledge of internet technology has been compelling consumers to use fast and efficient ways of banking rather than traditional fixed services. Beh(2009) defined internet banking as the process through which customers complete banking transactions electronically without visiting the banks physically or without visiting brick and mortar bank. Contrary to this, Alsajja and Dennis (2010) defined internet banking as the process of providing banking services through technology without using physical resources of banks as well as customers. This definition reveals that internet banking uses fewer resources of banks and customers. Through internet banking, wide range of services are provided by banks through internet media such as bill presentation, funds transfer, investment purchases and sales, loan transactions, checking bank statements and many other services.

The vast majority of the banks that avoided Internet banking in the beginning did so because they simply did not see the benefits of using it. Rod and Shao(2009) state that the average internet banking transaction costs the institution only one twentieth of a teller transaction.

An extensive study conducted in 2001 by the Consumer Bankers Association indicates that Internet banking usage remained stagnant from 1996 to 1998, with less than 10% of the market utilizing the service. This characterizes the early adoption phase where the banking industry, in its striking transformation, has embarked on an era of ‘anytime, anywhere’ banking. In fact, earlier researchers (Ravichandran and Prabhakaram) point out that automated service is still at its infancy stage and there is no generally accepted theoretical conceptualization of automated service quality.

Banks that had the capability of implementing such a system became the first movers and focused primarily on the technological benefits offered by such a setup in order to capture technology enthusiasts at that time. Since then, Internet banking has been able to successfully cross the chasm as a complete service within the financial services industry but not up to the mark. As mentioned above, technologies in the early market provided many single services and not complete solutions during this period.

These examples demonstrate the development of a complete service that becomes widely used within a small segment of the pragmatic early majority, representing an entry into the bowling alley. Technological innovations are one of the effective ways to increase the level of service quality to satisfy customer needs. Through the advanced technology and innovation in the financial and banking sectors, Internet banking has become more familiar to the customers of traditional banks (Acharya et al., 2008). Internet banking is offered by the retail banking in many developed countries and customers can make transactions without having to leave their homes or workplace (Munusamy et al., 2010). In addition, Internet banking can help customers to manage their finances more efficiently (Bank Negara Malaysia, 2007).

## **2.1. 2Service Quality**

Service quality is formed when customers make a comparison between before-service expectations with their actual-service expectations and with their actual-service experience (Naik et al., 2010). In Internet banking, e-service quality is important to the banks because it will affect customer satisfaction. Zhao and Saha, (2005) have identify the nine dimensions of e-service quality. According to Nupur (2010), a partial of the service quality dimension showed a significant relationship with customer satisfaction

## **2.1. 3Web Design and Content**

Web design is an important elements to attract the usage of Internet banking and the importance of web design will be reflected in the customers' satisfaction level (Ahmad and Al-Zu'bi, 2011). Thus, it will pose a positive significant impact on customer satisfaction. Furthermore, the basic requirements for a good web design should include a good screen layout and design, clear graphics and vibrant color configuration (Ahmad and Al- Zu'bi, 2011). Websites are an important factor in a bank's marketing and communications activities with customers. Hence, the content in the website is indeed important because it will affect the customer satisfaction.

### **2.1.4 Security and Privacy**

Security can be defined as a form of protection to ensure the customers' safety and to prevent hackers from invading the customers' privacy (Dixit and Datta, 2010). Acoording to Ahmad and Al-Zu' bi (2011), security had a significant influence on customer satisfaction. Privacy is another importance element which always concerns customers. It is always the customers hope that the banks can protect their personal and financial information especially when they do transactions via Internet banking. Zhao and Saha (2005) in their research have showed that privacy had a strong influence on customer satisfaction

### **2.1.5 Convenience**

Convenience is the main attraction and focus of the customers who use Internet banking (Shariq, 2006). Previous research showed that most of the customers focused on the convenience of using Internet banking (Lallmahamood, 2007). Kassim and Abdullah (2010) found that ease of use was positively related to customer satisfaction. Customers who used Internet banking were more focused on the easier ways to conduct banking transactions (Ainin et al., 2005).

### **2.1. 6 Speed**

Speed can be defined as the frequency of network connection breakdown, the time to navigate the Internet banking website, the amount of time that the customer spend for page response, and the rate that banks response to the complaint of customers (Ahmad and Al-Zu' bi, 2011).

Usually, the speed of Internet banking was affected by the wide-ranging and high-resolution graphics and inefficient host server (Shariq, 2006). Speed was an important factor to achieve the successful for e-banking (Haque et al., 2009). Speed had a positive significant impact on customer satisfaction (Ahmad and Al-Zu' bi, 2011).

### **2.1.7 Customer Satisfaction**

Customer satisfaction was related to people who paid for a products or services and used the products and services. Customer satisfaction was known as user satisfaction whereas buyer satisfaction was the individual who buy the products or services but he/she may non-users of the products and services (Hom, 2000). Customer satisfaction was a major outcome of marketing activity whereby it needed to fulfill the different phase of consumer buying behavior (Jamal and Naser, 2002). Current customers gave more advantages and profitable to the banks rather the new customers (Naik et al., 2010).

Conclusions of study undertaken for European Commission on public perceptions (September, 2003) say that lack of trust has been frequently cited to be one of the key factors that discourage customers from participating in e-commerce, while cultural differences affect the formation of trust. Apart from trust, there are other variables which influence the usage of Internet banking. They are intention, beliefs, and subjective norms, trust in the bank, attitude, perceived usefulness and perceived ease of use (Munusamy,2010).

Demography may also affect the usage pattern of Internet Banking. It is interpreted that the female respondents are yet to get fully involved in Internet purchase (Beh,2009).

Therefore, enhancing the level of service performance acceptance is the major issue to get competitive advantages. Service quality has received much attention because of its obvious relationship with financial performance, customer satisfaction and retentions (Haque,2009).

Munusamy(2010) conducted the review of Malaysian banking sites and revealed that all domestic banks were having a web presence. Only 4 of the ten major banks had transactional sites. The remaining sites were at informational level. There are various psychological and behavioral issues such as trust, security of Internet transactions, reluctance to change and preference for human interface which appear to impede the growth of Internet banking Corrocher

(2002) investigated the determinants of the Internet technology adoption for the provision of banking services in the Italian context and also studied the relationship between the Internet banking and the traditional banking activity, in order to understand if these two systems of financial services delivery are perceived as substitutes or complements by the banks. According to the results of the empirical analysis, banks seem to perceive Internet banking as a substitute for the existing branching structure, although there is also some evidence that banks providing innovative financial services are more inclined to adopt the innovation than traditional banks. Technology has had a remarkable influence on the growth of service delivery portions (Ahanger,2010).

Adams and Lamptey(2009) provide a theoretical analysis of Internet banking in India and found that as compared to banks abroad, Indian banks offering online services still have a long way to go. For online banking to reach a critical mass, there has to be sufficient number of users and the sufficient infrastructure in place. I.T. has introduced new business paradigms and is increasingly playing a significant role in improving the services in the banking industry. Internet banking is becoming more and more popular today, as is banking via digital television. Beyond doubt, a substantial part of the future of banking business lies in a banking environment that is less and less branch-based and where customers are able to access banking services remotely. The automated service quality research has been limited to relationship management rather than service quality or its acceptance by consumer. Even comprehensive definition of banking service quality is lacking Innovative Marketing, Volume 3, Issue 4, 2007 Parasuraman et al., 2005). Only discusses automated service quality within the service that is delivered through web sites. In addition to internet banking, service quality, telephone banking and ATM service quality need to be addressed in particular service environment.

Lallmehamood(2007) performed a qualitative study on the adoption of internet services and found out that those with the highest income with a greatest use of information technology were most likely to purchase financial services using internet channel. Education and gender were not studied in this study.

Earlier studies(Barczak et al., 1997; Danniell& Strong, 1997; Lia et al., 1999; Polatoglu&Ekin, 2001; Devlin &Yeung, 2003) report factors such as convenience, flexibility, security concern, complexity, and responsiveness being associated with a higher propensity to use internet

banking. In the context of the above perspective, the paper will make an attempt to analyze the evolving sphere of Internet banking and the innovations both technological and conceptual which are sweeping the financial services industry in India in the context of the changes that are taking place in this sector across the world. The regulatory and taxation issues of Internet banking present formidable problems and the paper attempts to get an insight into these two important issues.

## **2.2 Internet banking service and consumer adoption**

Nupur(2010) contend that the currently relevant factors determining the adoption of internet banking in Nigeria include the level of awareness or attention, the accessibility to computers and the Internet, convenience, privacy, costs, and the availability of knowledge and support concerning internet banking. The introduction of internet banking services is facilitated by the bank's reputation in terms of size, awareness and trust awareness of Service and its benefits in form of the amount of information a customer has about Internet banking and its benefit may have a critical impact on the adoption of Internet banking (Jamal,2002). On the other hand, Haque(2009) noted that low awareness of Internet banking is a critical factor in causing customers not to adopt internet banking and Katri (2003) conquers that most important factors discouraging the use of Internet banking are lack of Internet access and not having a chance to try out Internet banking in a safe environment, thus not being in a position to access account. According to Ben(2009), the previous studies have identified that user input factors are a function of control, enjoyment and intention to use. Control could be described as the amount of effort and involvement required by consumers in electronic banking. Enjoyment is the perceived playfulness and intrinsic value that consumers experience from the utilization of electronic banking and this would also influence the level of satisfaction; as Ben(2009) indicate that when consumers are aware of the availability of electronic banking, they will use adopt, though some may not.

Corrocher (2002) investigated the determinants of the Internet technology adoption for the provision of banking services in the Italian context and also studied the relationship between the Internet banking and the traditional banking activity, in order to understand if these two systems



of financial services delivery are perceived as substitutes or complements by the banks. According to the results of the empirical analysis, banks seem to perceive Internet banking as a substitute for the existing branching structure, although there is also some evidence that banks providing innovative financial services are more inclined to adopt the innovation than traditional banks. Technology has had a remarkable influence on the growth of service delivery portions (Ahanger,2011).

Only discusses automated service quality within the service that is delivered through web sites. In addition to internet banking, service quality, telephone banking and ATM service quality need to be addressed in particular service environment. Rod(2009) performed a qualitative study on the adoption of internet services and found out that those with the highest income with a greatest use of information technology were most likely to purchase financial services using internet channel. Education and gender were not studied in this study. Earlier studies (Barczak et al., 1997; Danniell& Strong, 1997; Lia et al., 1999; Polatoglu&Ekin, 2001; Devlin &Yeung, 2003) report factors such as convenience, flexibility, security concern, complexity, and responsiveness being associated with a higher propensity to use internet banking. In the context of the above perspective, the paper will make an attempt to analyze the evolving sphere of Internet banking and the innovations both technological and conceptual which are sweeping the financial services industry in India in the context of the changes that are taking place in this sector across the world. The regulatory and taxation issues of Internet banking present formidable problems and the paper attempts to get an insight into these two important issues.

### **2.2.1 Influences on consumer adoption of internet banking**

Zhoa(2005) noted that several converging reference domains and theories suggest numerous potential influences on consumer adoption of internet banking including theories of in mass media choice and use, gratification theories, innovation diffusion, technology acceptance, online consumer behavior, online service adoption, service switching costs and the adoption of internet banking.

Davis (2003) proposed that customers' intentions to use internet banking can be affected by customers' attitudes toward using internet banking. When customers have positive attitudes, they are more likely to adopt internet banking and vice versa (Haque,2009).

Jamal(2002) found that customers' attitude are significant factor affecting customer behaviors in accepting or rejecting technology. It was found that the relationship between attitude towards using and usage was significant. Customers' attitudes are a significant factor affecting customer behaviors in accepting or rejecting technology (Davis et al., 1989).

## **2.2.2Internet banking services and customer satisfaction**

According to Saha and Zhao (2005), customer satisfaction is defined as a collection of outcome of perception, evaluation and psychological reactions to the words, Saha and Zhao further defined customer satisfaction as a result of a cognitive and affective evaluation where some comparison standard is performance perceived is less than expected, customers will be dissatisfied. On the other hand, if the perceived performance exceeds expectations, customer will be satisfied. Boateng and Molla (2006) contend that operational constraints related to customer location, the need to maintain customer satisfaction and the capabilities of the Bank's main software are influential factors in motivating the decision to enter electronic banking services and consequently influencing the usage experience and thus affecting the level of satisfaction.

Raman et al. (2008) said that service as an intangible good appeal differently to each customer and certain extent of service should be achieved in order to satisfy the customer and that the resulting commitment, loyalty and retention are critical indicators of customer satisfaction. Customer commitment; Power and Associates (2009) note that on average, highly committed customers use more products or services, give more referrals and are much less likely to switch to another bank, compared with customers who have lower commitment levels. Indeed, this view is supported by Casaló et al. (2008) who website usability might lead to higher levels of contents that higher levels of consumer's affective commitment to the website as well a direct, positive and significant relationship between Manage.

### **Consumer Satisfaction**

- Commitment
- Loyalty
- Retention

- Referral or Recommendation of service

### **Consumer Adoption**

- Awareness
- Interest
- evaluation
- Usage

### **Internet Banking Services**

- Access to account
- Control of account
- Usage of Account

## **2.3 Theories of Internet Banking**

In the earlier studies, authors have proposed some models and theories to explain the behavior of customers regarding adoption of internet based services such as internet banking. In this regard, theory of reasoned action (TRA) is an important contribution in the literature. It is a well-established as effectively accomplished model that determines the conscious behavior of the customers. This theory believes that the intention is antecedent of the behavior. The authors also argue that most behaviors have evolved from social relevance under violent control (Nupur,2010).

The TRS suggests that behavioral intentions are determined by two factors. One so the personal factor which is termed as attitude towards behavior and the other one is the personal perception of social factors which are referred to as subjective norm (Naik,2010). The attitudes determine the person's own performance of the behavior and subjective norms are derived from the beliefs. The normative beliefs are defined as the likelihood that individual approves or disapproves the performance behavior (Rahmath,2010). Both behavioral attitudes and subjective norms lead to behavioral intentions which ultimately lead to actual behavior of individual.

### **2.3.1 Internet Banking and Customer Perceptions**

Hom(2000) researched the influence of internet services on the effective delivery of banking services. They discovered several dimensions of service quality of internet banking such as

accuracy, convenience, quality, complaint management, feedback, efficiency, customization, accessibility and queue management.

All these service dimensions influence the acceptability of internet banking services by the customers. Regarding the need of internet banking, Ahanger(2011) suggested that it has become 'need to have' service. In the current era, because of fast changing world internet banking has become the most important and recent technological innovation in the banking field. For delivering different types of services, internet media are used under this paradigm of banking. Because of the evolution of internet, banking has evolved from physical branches to mobile phones of customers through which customers can withdraw their cash or check their bank balances. ( Haque,2009).

Munusamy and Hor,(2010) suggested that internet banking has been applied in different countries of the world. However, in some countries its implementation is more easy and acceptable because of certain factors such as risk factors and technological development. Similarly, Beh(2009) suggested that the development of information technology and evolution of internet banking has changed the ways through which banks traditionally deliver customer services and implement their business strategies. Ortega, Martínez and Hoyos, (2007) researched that internet marketing facilitates customers in their daily life and professional life through funds transfer, bill payments and internet shopping. Internet banking has been expanding on a continuous basis as the traditional banks have started to offer a financial portal to their customers. The concept of portal bank has a start has offered a new role to banks to serve their customers. It is important to mention that having an internet does not mean that banks will generate a continuous stream of revenue rather they need to offer a reliable and wide range of services through internet (Adams,2006).

Regarding customer's perception towards internet banking, Hyun and Steege (2013) conducted a study and found several factors affecting internet banking.

He found that past experience of customers towards internet banking, perceived risk in internet banking, perceived easiness in internet banking, perceived uncertainty in internet banking are important factors which may influence customer perception towards internet banking.

Radhakrishnar, 2009 investigated that internet banking is one of the most important factors for increasing customer base of the bank. This is because internet banking may attract customers from anywhere, and allows customers to operate from anywhere and anytime. Contrary to this study, Zhao et al (2005) conducted a study to identify detailed dimensions of service quality in the banking sector.

These service dimensions are responsiveness, reliability, credibility, competence, courtesy, access, understanding the customers, communication, continuous improvement, ease of use, collaboration, accuracy, content, aesthetics, diverse features, security and timeliness.

Their study discovered that some dimensions of service quality are important for traditional as well as internet banking. These dimensions include reliability, responsiveness and access to banking services. In comparison to study of Woldie, Hinson, Iddrisu and Boateng (2008), this study gave a clear description and evaluation of traditional and internet banking services.

Jamal (2002) also conducted a study to evaluate the service quality dimensions of internet banking. They worked on the SERQUAL scale for evaluating the perception of internet banking services. In this regard, they applied SERQUAL dimensions to internet banking and developed a scale consisting of 21 items for accessing service quality in internet banking. They condensed these 21 items into five dimensions of quality of internet banking services. These dimensions include website interface, accessibility, trust, credibility and attention.

In 2006, a study was conducted by IAMAI on internet banking for evaluating the customer response towards internet services. This study presented the clear view of the perceptions and attitudes of customers towards internet banking. This study concluded that 43% online users have not started using internet banking services because of inappropriate security mechanisms of internet banking. This study found that 39% online users have not started availing internet banking services because they prefer to use face to face online banking services. 22% online users have not shifted to online banking because they do not have knowledge about internet usage. 10% online users did not show interest in online banking services because websites of banks were not user friendly, and study found that 2% banks do not provide internet banking services. This study evaluated that 68% did not show their intentions about using internet

banking services in future. In addition, it was found that most of internet banking services was used by males between the age groups of 25-35 years. It was found that percentage of female customers who prefer to use internet banking were very less about 17% (IAMAI, 2006).

Hom (2000) studied the critical incidents which caused customer satisfaction and dissatisfaction in internet based service encounters. Technology based services are often used by business to business companies.

In business to customer organizations, often used by business to business companies. In business to customer organizations, number of internet users is very low. Similarly, Deng, Liao and Ma (2007) also found that technology based services are growing with great pace in business to business transactions. In this regard, a study in next year suggested that researchers need to discover the factors influencing customer satisfaction in business to customer segment in technology based business (Calisir&Gumussoy, 2008).

Naik(2010) studied the perceptions of customers towards internet banking and drivers of internet banking or customers. It was an exploratory study to evaluate that how customers accept internet banking services and which factors improve the usage of internet banking services by customers. The results of this study suggested that gender, education and income of the customers are important factors which promote the use of internet banking services. Naik(2010) concluded that using internet banking. Many customers prefer to use internet banking services because of large scale benefits provided by technology based banking. Ozdemir and Trott (2009) have elaborated several benefits of internet banking such as convenience, cost efficiency and time saving.

Dixit(2010) discovered that internet banking is highly accessible therefore, leads to increasing customer base for the organizations. This is because internet banking can be accessed by all, anywhere and anytime. It is less costly because it has eliminated several intermediaries which are in traditional banking system. The fixed cost which incurs in conventional banking such as premises and physical infrastructure do not incur in internet banking. In addition to fixed cost, variable cost such as employees of traditional banking also increases because of the increasing number of bank branches. Internet banking is not limited by time dimensions. Moreover, it is

also self accessible by customers. In this regard, Lallmohamood(2007) suggested that internet banking provides solution for several high cost conventional banking services.

Customers can save their time and cost by availing intranet services (Kassim& Abdulla, 2006) this is because they can perform the internet banking transactions directly from their offices and homes rather than by visiting the banks physically. Zhoa(2005) also noted that increasing efficiency and ease of delivering internet banking services can lead to creating loyal customers.

For the banking services, the internet can serve as media of marketing communication. In this regard, the internet not only results in delivering services but also as media of advertisement for the banking companies. Zhoa (2005) have suggested that internet services such as information processing and communication of services can be performed efficiently through the internet rather than through traditional banking services.

Naik(2010) have suggested that internet banking services are highly cheap for the banking companies. They categorically suggested that internet banking services cost one thirteenth of a teller transaction. Munusamy(2010) declared that from 1996 to 1998, internet banking services have remained stagnant because of inappropriate technology development and customer acceptability to use internet banking services. Sayar& Wolfe (2007) pointed out that the internet banking industry is still underdeveloped and at its infancy stage. This is the reason that there is no developed appropriate theoretical model and perspective regarding internet banking services.

Ravichandran (2010) suggested that the banks which were the first movers in adopting internet banking services focused on the technological benefits of internet such as setup for implementing internet. On the other hand, Shaki&Gevers (2011) also suggested that the banks which avoided adopting internet technology were not aware of the benefits of internet. In this respect, Nupur(2010) suggested that customers perceive service quality in relation to distinguishing the interaction of customers availing the service delivery and the quality of service outcomes in the case of internet banks. They also revealed that customers perceive internet banking services more convenient, less expensive and easy to use. To avail the convenience of internet banking, customers show their highest intentions to shift from traditional banking to internet banking services.

Rahmath(2010) revealed that customers avail internet banking because of its availability across 24 hours a day and 7 days a week. They also revealed that the aspects of internet banking from customer perceptions. Perceptions of customers regarding internet banking have large scale impact on the growth and development of internet banking. The attitudes, behaviours and perceptions of customers and compatibility of internet banking with the customer lifestyle have a large scale influence on the growth of internet banking. On the other hand, banks show high intentions to implement internet banking to reduce their cost which comes from paper work, quick response and efficient service delivery. Shaki and Gevers (2011) also revealed that the banking industry is the first industry which has recognized the benefits and potentials of internet banking (Dikit, 2010).

The perceptions of customers regarding internet banking also influence the intentions of adoption of this mode of banking. The rate of internet banking adoption varies across several countries and also varies across several customer segments. ACNielsen (2002b) examined that the rate of internet banking adoption is increasing in the Asian countries. However, it is still lower than the estimations. Therefore, because of lower rate of internet banking adoption, the transformation of traditional banking services i.e. bricks and mortar to the technological banking services needs to be realized to the level at which they were predicted (Haque, 2009). Earlier studies also show that in some countries internet banking services are considered less important by the customers than other channels such as telephone banking and ATM (Beh, 2007).

Therefore, it has become critical for the marketers and bankers to understand the critical factors behind the adoption of internet banking by the customers. Gikandi& Bloor (2010) suggested that the financial companies and the banks need to survey the customers to know their changing requirements on a regular basis. This is important to understand the factors which influence the rate of adoption of internet banking by customers.

Customers towards internet banking trust factor is a significant one. Lahlmahamood(2007) suggest that trust of customers on online banking has is comparatively low because the two parties do not maintain face to face communication in this type of transaction. Trust is



considered to be the important factor for both parties i.e. customer and bank because it leads to successful transaction and long term relationship between both parties. Adams (2009) have discussed that the uncertainty in customers' mind regarding security of internet banking services reduce the customer trust over internet banking. In the earlier studies, several factors have been explored regarding low trust level of customers on internet banking. These are categorized as online systems' security, uncertainty and high risk in online transactions (Hom,2000). Trust not only refers to the idea that internet banking service provider is trustworthy but it also means points out the system probably web through which transactions are processed and carried is also trustworthy.

Ainin (2005) have suggested that for successful transactions to accomplish, the web also needs to be trusted by customers along with the internet banking service providers. Hence, building trust with the customers is a crucial factor for the banks. In this consideration, Lee (2009) has pointed out that internet banking service providers need to design an online system in relation to the customer requirements and concerns about the uncertainty and risk factor.

While discussing perceptions of customers towards internet banking, Chin et al (2008) reveal that customers do not trust internet banking services because of two factors; reliability and security. Security is considered to be the most important and common factor which may turn on the perceptions of customers about unwillingness to adopt internet banking services. Kim et al (2010) found that most of the customers do not trust the web because of holes in its security mechanism. In this regard, resolving security concerns is the most crucial factor in future for the development of internet banking services because customers perceive high risk in using internet for completing the financial transactions (Lee, 2009). While discussing about the perceptions of customers, Chang and Chen (2009) have revealed that the potential adopters of internet banking services perceive that the technological solutions are not secure and safe and can cause mistakes and errors in accomplishing the transactions. Therefore, there are more likely not to adopt the internet banking services.

Ravichandram(2010) have discussed that the security dimensions are highly important for converting negative perceptions of customers towards positive perceptions regarding internet banking services. This is because security has a positive relation to the adoption of internet

banking services. In this regard, Nupur(2010) suggests that the immediate need for bankers is to reduce the risk and frauds in the internet banking.

By doing so, bankers can improve customer confidence and customer retention. High security and reduced risk in internet banking makes customers to perceive internet banking as secure and accessible delivery channel. Similarly, Shariq(2006) has also suggested that the perceived reliability of customers towards internet banking has a positive influence on the internet banking adoption rate. Customer perception of internet banking is also influenced by credibility factor. Credibility refers to the idea the person finds from the other person which is desired. In banking case, credibility aims at building a positive reputation of banks and transferring high confidence to customers regarding internet banking services (Naik, 2010).

Customer may have several concerns and security issues in their minds which may turn on their negative perceptions regarding internet banking (Ahanger,2011). However, if bank's credibility is high, the customers are more likely to be assured that the transactions with the bank will be safe and secure. On the other hand, if the credibility of the bank is low, it is more likely that the customers will develop negative perceptions about the bank. While evaluating credibility, Munusamy(2010) has discussed two important issues which are privacy and security. He suggests that if banks assure that customer data will be kept secure and private, the chances of mishaps or inconsistency in the internet banking service delivery will be less.

On the other hand, security in internet banking refers to the idea that personal information and financial data of customers will be in safe hands and will not be misused (Ainin, 2005). The factors that create negative perceptions in the minds of customers regarding internet banking, insecurity of information are the most important. Therefore, bankers need to resolve the concerns of customers regarding security and privacy.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHOD**

The objective of this study was to identify the opportunity and challenges of internet banking. This section is aimed to discuss the procedures for gathering data, the study design, and the methods to be adopted in analyzing the data.

#### **3.1 Research Design**

The study used descriptive research method that incorporated qualitative research approaches. A descriptive type of research design was used because it helps the researcher to clarify and explain the existing phenomenon in a meaningful, justifiable and numerical manner.

The qualitative method was selected because research assessed experience and events contextually within their natural setting and attempts to analyze them holistically.

#### **3.2 Source of Data**

In conducting this research, data was obtained from both primary and secondary sources. The primary source of data for this study was collected from the managerial and non-managerial employees of Commercial bank of Ethiopia and its customer under eastern Addis Ababa district through appropriate questioners. The secondary sources including articles, academic journals, published and unpublished magazines available from Commercial bank of Ethiopia and internal CBE mails.

#### **3.3 Methods of Data Collection**

The study population from which the sample was drawn for the study consisted of four branches that are found under east district. This branches selected based on high performance branches include Africa avenue branch, Bole branch, Chain Africa branches and Meskel square branch. The total number of staff in the selected branches is around 180. Under east Addis Ababa district was taken as the study area because of high internet banking user found at this districts and also have great customer found at this branches. Through this four branches population were selected using convenience sampling method. It has distributed 60 questioners to customer service officer,

customer service manager, IT department and managers from selected branches employees out of these, 50 questionnaires are returned.

For customers it used convenience sampling method. Because of it is suitable to collect data easily and to get appropriate respond.. From the selected four branches it takes 80 internet banking customers and try to consist wide rang age, gender, loyal and new customers.

### **3.4. Sampling Frame**

To achieve the objectives of the study, the sampling frame was drawn from four branches. In addition, the sample was drawn from junior and senior employees of these organizations involving from customer service officer, customer service manager, IT department, managers. The customers sample draw from younger to older, male and female, new to long year's loyal customers.

### **3.5 Data collection Method**

Data collection is a process of identifying subjects and gathering data from these subjects (Burns and Grove, 1997). Data was collected through a well-structured questionnaire. Questionnaire according to Polit and Hungler (1991) is a method of gathering self-report information from respondents through administration of questions. Questionnaires consist of a set of questions designed to gather information or data for analysis, the result of which were used to answer the research questions. Convenience research method to customers and to employee of the bank was used for this study. Through the distribution of copies of questionnaire to collect necessary information from respondents. The researcher utilized one structured questionnaire for both the employee and customers and presented personally to all respondents by the researcher in the selected organization (commercial bank of Ethiopia).A structured questionnaire gave respondents a number of alternative options from which they must choose the one that most closely approximates the view of the respondents (Polit and Hungler, 1991). The value of the study and the instructions were explained to the respondents. Respondents were requested to complete the questionnaires which were collected personally by the researcher from individual respondents which ensured a high return rate and would encourage freedom of expression from the respondents.

## **3.6 Reliability and Validity of the Research Instrument**

Measurement such as content validity and face validity were used to ensure internal validity. Data collected from the participants during the pilot study were evaluated to ensure that the instrument measured the variables it was intended to measure.

### **3.6.1. Validity**

Validity is the ability of an instrument to measure the variable it is intended to measure (Asika, 2000). Every measuring instrument is designed for a specific measurement. If it is correctly designed, it measures what it is supposed to measure. If it is faulty, then it measures something, which may not be what it is supposed to measure. Polit and Hungler (1991) refer to validity as the degree to which an instrument measures what it is supposed to measure. According to Polit and Hungler (1991), there are four types of validity for measuring instruments designed to collect quantitative data, these are; Construct validity, Content validity, Criterion validity and Face validity. However, for this study, content validity and face validity were applicable. Content validity of an instrument is the degree to which a test appears to measure a concept by logical analysis of the items. The emphasis is on adequate coverage by the instrument of the scope implied by the topic of study. Content validity was used to ensure that all the relevant dimensions of the topic were being fully explored.

According to Treece (1986), face validity should be included in every test for validity. In this study, face validity were done to check whether the instrument contained the important items to be measured.

#### **3.6.1.1 Internal Validity**

Internal validity is the extent to which the effects detected in the study are a true reflection of reality other than being the result of the effects of extraneous variables. In this study, none of the threats to internal validity were recorded. For example, there were not histories which pertain to events that are not related to the planned study. Moreover, none of the subjects measured became tired, bored or influenced by incidental experiences during the study. The instruments used were tested for validity and found reliable, meaning no distorted results. Not only that, no experimental mortality were recorded as there shouldn't be loss of subjects from the sample due to death or resignation before completion.

### **3.6.1.2 External Validity**

External validity is concerned with the extent to which the study findings can be generalized beyond the sample in the study (Burns and Bush, 1998). The researcher used the results obtained from the samples used in the study to generalize the perceptions of organizational staff of commercial bank of Ethiopia of east Addis Ababa district that took part in the study and to other that did not partake in the study.

### **3.6.2 Reliability**

Reliability is the extent to which measurement of the test are repeated. Thus, this implies that measuring instrument results should be consistent when the instrument is repeated. A researcher who designs a measuring instrument must ensure that the instrument gives similar, close or the same results if the study to which the instrument is applied is replicated. In other words, would the instrument give the same or similar result when different researcher under the same assumptions and condition uses it? In this study, a set of questions were used to measure the opportunity, challenges and service quality in the selected branches.

### **3.7. Data Method Used**

The collected data were analyzed by making use of descriptive statistics, which enabled the researcher to synthesize and summarize the quantitative data.

### **3.8. Method of Data Analysis**

#### **3.8.1 Quantitative Data Analysis**

The quantitative data gathered through questionnaire were analyzed with the help of percentages, tables, chart and graphs. The researcher made use of SPSS, version 20.

### **3.9 Ethical Consideration**

Aspiring examination the opportunity and challenges, unethical action strictly had not been in use. Developing trust on research participants, look out against misconduct and plagiarism, applying professional writing codes of ethics, selection research problems that can benefit individuals being studied, protecting the mystery of individuals, roles and incidents, avoiding words that are biased against persons in opposing to gender, racial or ethical group, disability, etc. keep away from falsifying or inventing findings are the ethical concerns of the study.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

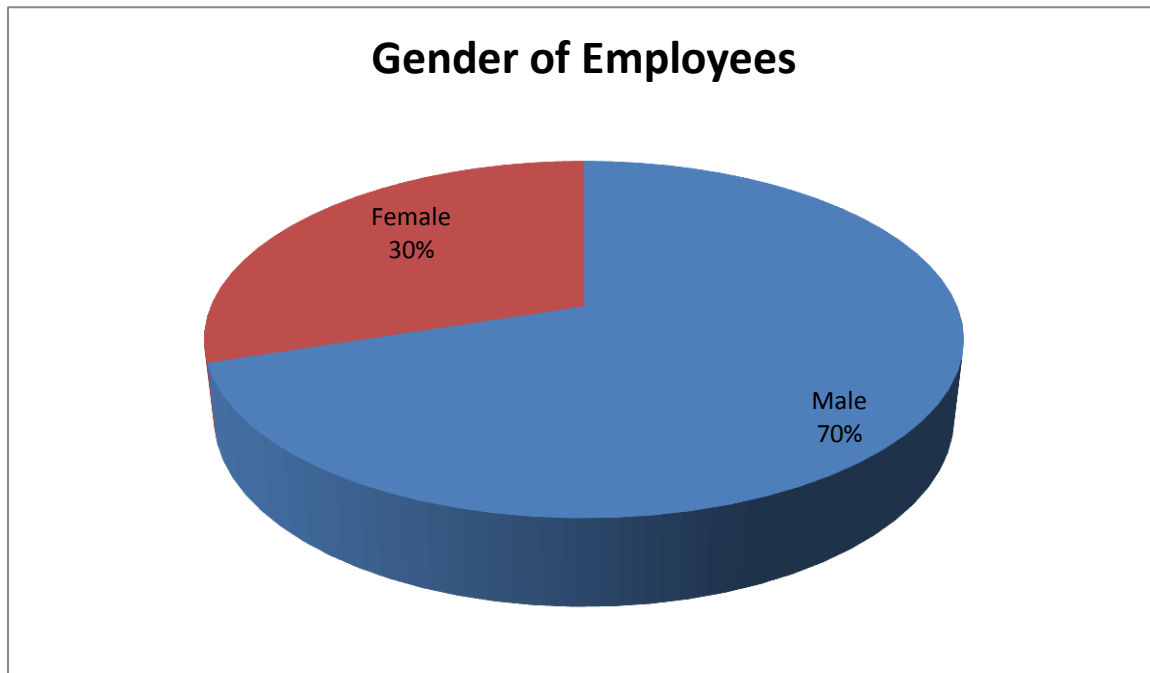
This chapter deals with the outcome of the data analysis and its interpretation. The first section of this chapter provides detailed demographic information. The second part of the chapter deals with presentation and analysis of the collected data.

#### 4.1. Respondents Demographic Information

The demographic data in the study includes the Gender, Age, Educational level and work experience of the respondents. These have been presented subsequently under the various sub-sections. All in all, a total of 150 questionnaires were distributed to a bank employees and internet banking customers. Out of the total 150 questionnaires distributed, 130 questionnaires were returned (86.7% response rate) and the rest 20 questionnaires were not returned.

##### 4.1.1 Gender of Respondents of Bank Employee

Chart4.1



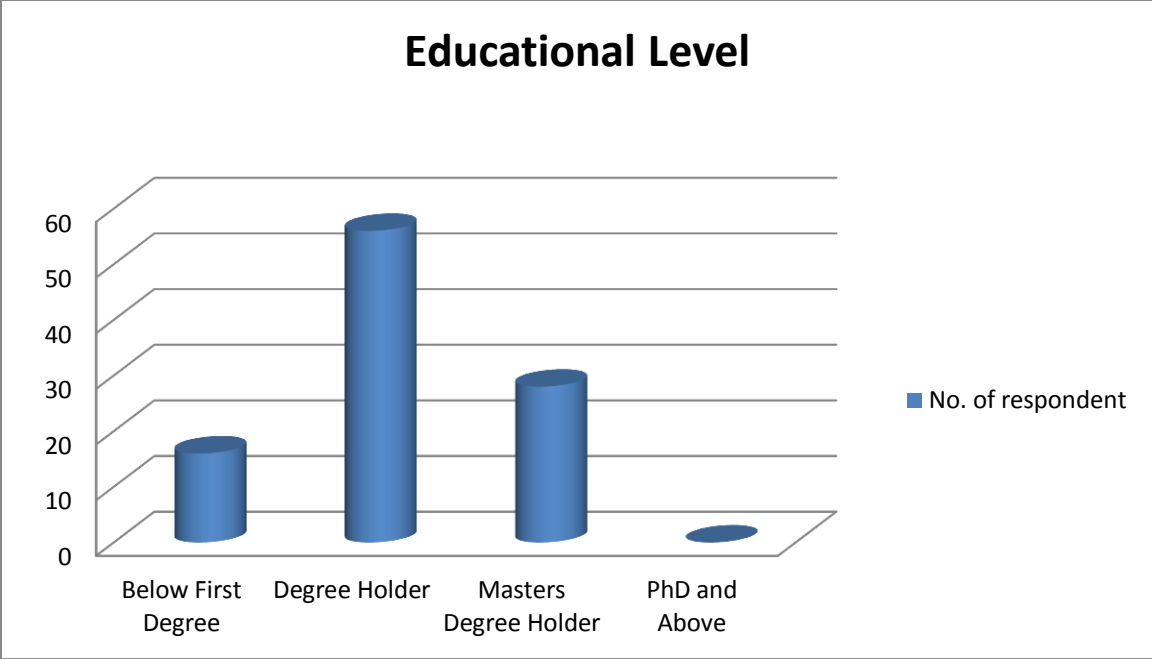


chart 4.2

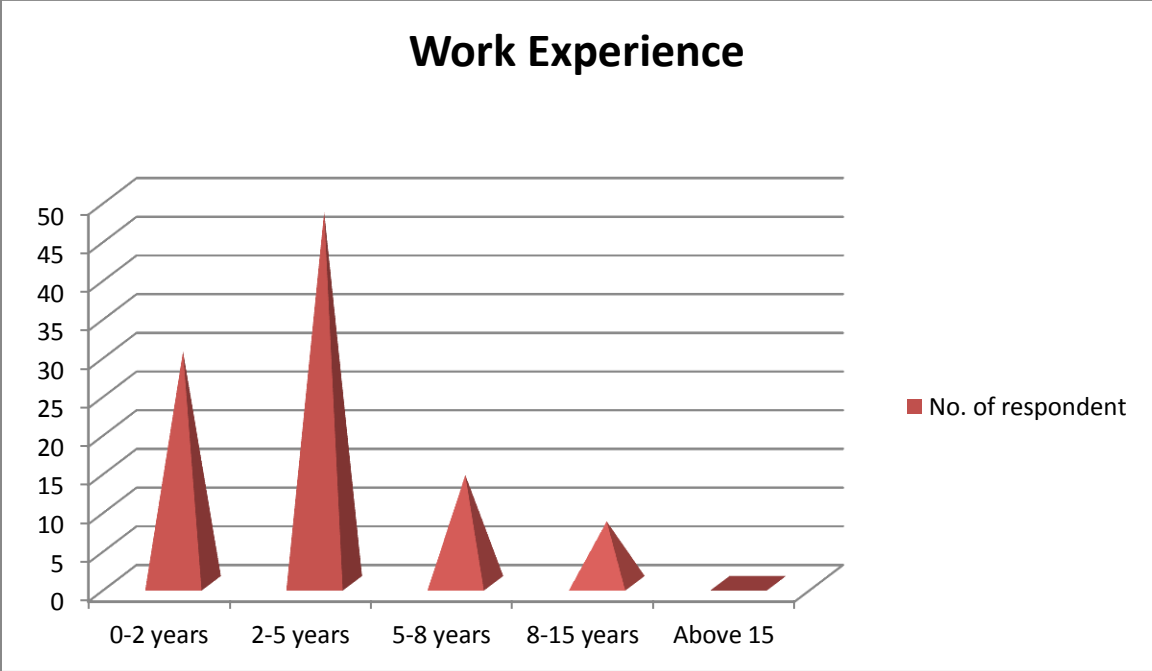


Chart 4.3

Based on the information from the survey, it can be seen that most of the bank employees are working in a selected branches, when we see the proportion females are less in number than male



employees. In this regard, the percentage for male is 70% and the rest 30% are females. It shows male employees are double in number as compared to female employees. In the case of classification of respondents the highest percentage of participants are Aged Between 28-37 which takes 52% of total respondents. Regarding the educational level of the respondents, the highest percentage has bachelor degree which is 56% of total bank employee. With regard to work experience of employees, about 48% of them have a work experience of two years and above in their respective company and no one has a working experience of above 15 years.

**4.1.2 Gender of Respondents of Bank customers**

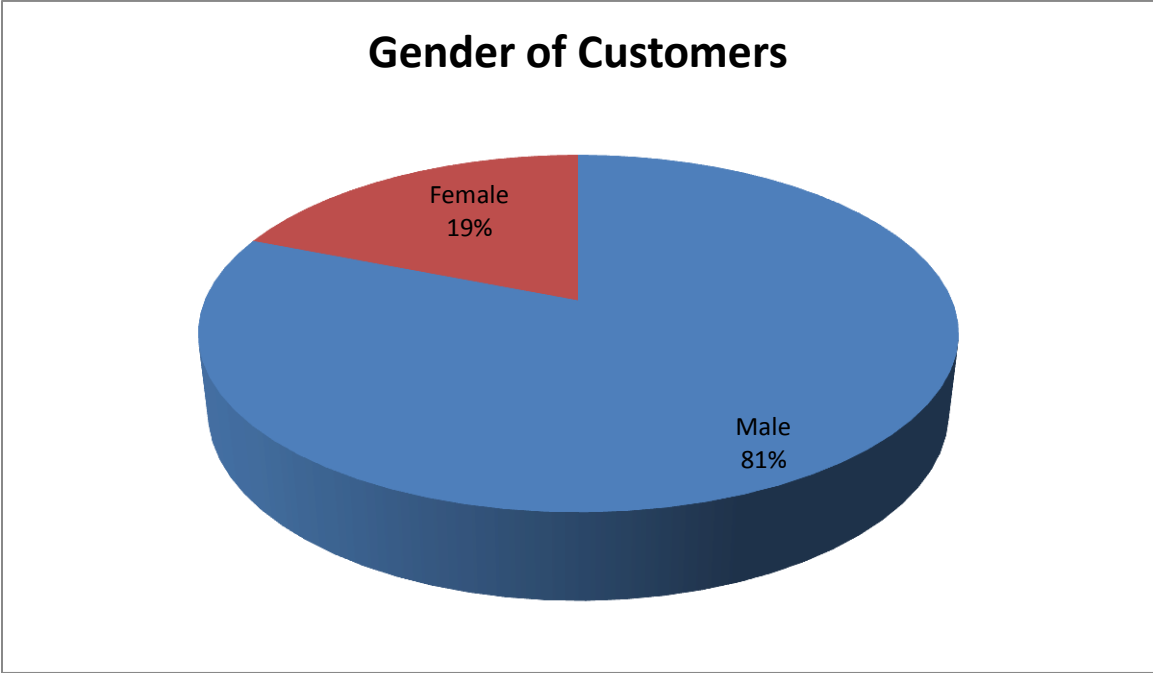


chart 4.4

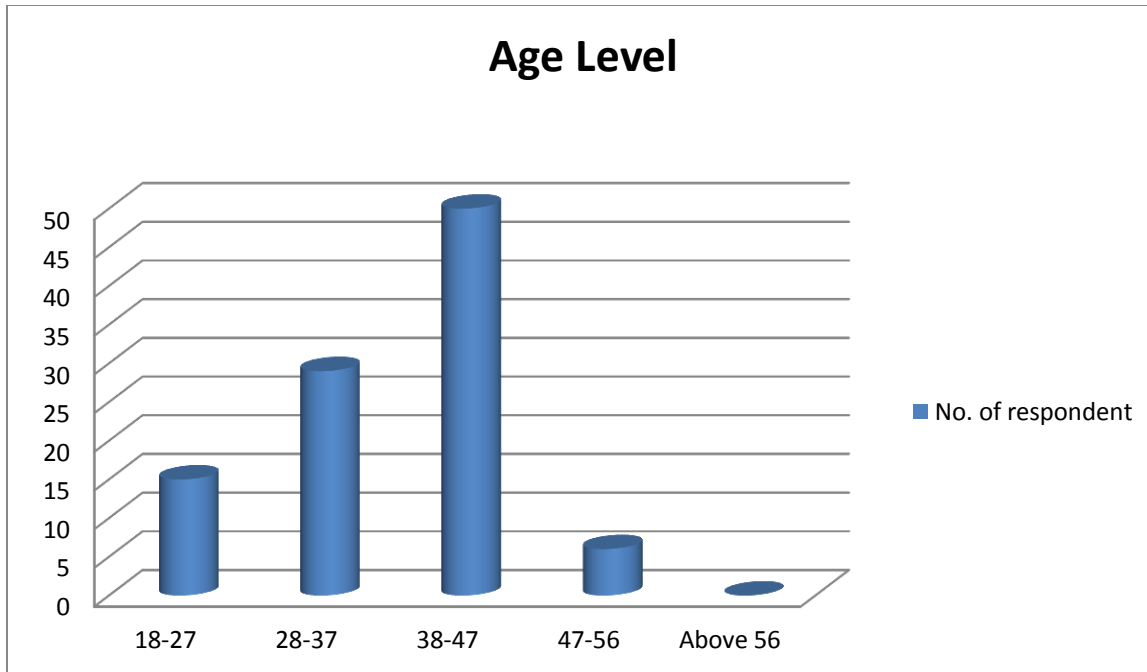


Chart 4.5

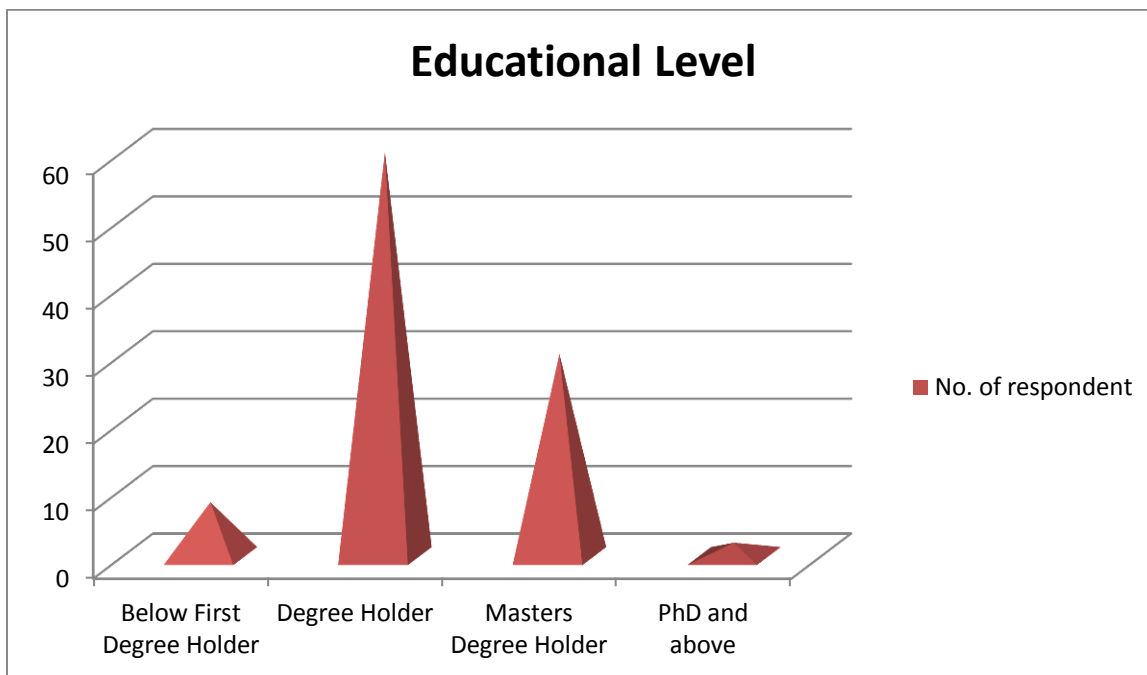


Chart 4.6

As it is shown on the Chart above, the highest percentage of customers participated in this study were males which is 81% of respondents. In the case of classification of respondents by age, the

highest percentages of participants are adults between 38-47 years of age and they are 50% of total respondents. Regarding the educational level of the study respondents, the highest percentage of them has bachelor degree that is 60% of total respondents. The results indicated that Great Majority of the respondents had knowhow about the use of banking services.

## 4.2. Presentation and Analysis of Data

The statistical data of the respondents and non-respondents in the study are presented using tables and percentages in Table 4.1. The total information about what level of the questioner is distributed and returned has been presented here.

The table illustrates that from the total of 150 questionnaires distributed to the organization 130 had been returned for the study. The rest 20 employees had not been returned the questionnaires.

Table 4.1.1 Bank employees awareness of internet banking.qwaas

	Bank employee	
	No.	%
Strongly disagree	3	6%
Disagree	8	16%
Not sure	10	20%
Agree	27	54%
Strongly agree	2	4%
Total	50	100%

Source: Researchers Survey, November 2016

As can be seen in table above, the majority of respondents (54%) bank employees perceived have enough information about Internet banking services. 20% of bank employees respond not

sure. The other of 16% answer has not enough information about internet banking. The remaining employees 6% and 4% of respondent answer strongly disagree and strongly agree respectively.

Table4.1.2 Customers have enough awareness of internet banking.

	Internet banking customer	
	No.	%
Strongly disagree	2	2.5%
Disagree	46	57.5%
Not sure	9	11%
Agree	23	29%
Strongly agree	-	-
Total	80	100%

According to table 4.1.2 , 57.5% of internet banking customers responds that they do not have enough information. 29% of respondent have enough information they have. 11% have responded neither agree nor disagree. No one will be answer strongly agree. This indicates that majority of respondent only aware of the conventional and traditional banking service. It means that people lacking important information that is necessary to use internet banking services.

Table 4.1.3 Bank employees respond about privacy issue

	Bank employee	
	No.	%
Strongly disagree	13	26%
Disagree	28	56%
Moderate	5	10%
Agree	1	2%
Strongly Agree	3	6%
Total	50	100%

Source: Researchers Survey, November 2016

As shown in table 4.1.3 indicated that 56% of bank employees are confidential on the banks privacy issue. 26% of respondents strongly disagree confidential on the system. 10% of respondent answer moderate. 2% and 6% respond agree and strongly agree respectively. So, the above table tells that most of employees are well confidential on banks privacy issue.

Table 4.1.4 Internet banking customers respond about privacy issue

	Internet banking customer	
	No.	%

Strongly disagree	2	2.5%
Disagree	3	4%
Moderate	7	8.5%
Agree	52	65%
Strongly agree	16	20%
Total	80	100%

Source: Researchers Survey, November 2016

The result of the survey presented in table 4.1.4 shows that most of customers highly concerned about their privacy issues. They want to keep their information include their address, phone number, account number and more important their personal identification number (PIN). The high ratio of respondent (65%) concerned privacy and want their information to be kept confidential.

Table 4.1.5 Bank employee awareness of the internet banking to save time and money

	Bank employee	
	No.	%
Very low	-	-
Low	2	4%
Medium	2	4%
High	10	20%
Very high	36	72%
Total	50	100%

Source: Researchers Survey, November 2016

Table 4.1.5 according to the above table 72 % of respondent had very high awareness about internet banking usefulness and 20percent of respondent are high knowhow about the service. Around 4 percent of respondent had medium and the remains 4 percent have low awareness.

Table 4.1.6 Internet banking customer’s awareness of the internet banking to save time and money.

	Internet banking customer	
	No.	%
Very low	3	3.5%
Low	6	7.5%
Medium	6	7.5%
High	23	29%
Very high	42	52.5%
Total	80	100%

Source: Researchers Survey, November 2016

As shown in above table 52.5 percent of customers have very high awareness about internet banking have save time and money and 29 percent of respondent have high knowhow about internet banking are important to save time and money. This indicates that majority of customers aware about the importance of internet banking to save time and money.

Table 4.1.7 Bank employees perceive internet banking is more accessible to users.

	Bank employee	
	No.	%
Disagree	1	2%
Somewhat disagree	4	8%
Neutral	-	-
Somewhat agree	15	30%
Strongly agree	30	60%
Total	50	100%

Source: Researchers Survey, November 2016

As it's shown in table 4.1.7 60 percent of respondents strongly agreed that internet banking service is more accessible to users than visiting a bank branch. In this regard, as per the results of the survey, Internet banking is more accessible and convenient than travelling more distances to reach to a bank branches. By being using internet banking user's can simply check their balance and transfer funds 24 hours a day without a need to go to a bank branch.

Table 4.1.8 Internet banking customers perceive internet banking is more accessible to users.

	Internet banking customer	
	No.	%



Disagree	2	2.5%
Somewhat disagree	5	6.2%
Neutral	38	47.5%
Somewhat agree	25	31.3%
Strongly agree	10	12.5%
Total	80	100%

Source: Researchers Survey, November 2016

According to above table majority of internet banking customer (47.5%) has respond neutral. 31.3 percent of respondent reply somewhat agree. 12.5 percent of respondent strongly agree that internet banking is more accessible to use. The remaining 6.2 percent and 2.5 percent reply somewhat disagree and disagree respectively. From above table we understand that to operate internet banking it needs internet connection. This internet connection has stop or less connection to be a big challenge to enhance their accessibility.

**Table 4.1.9 For bank employee Learning and using Internet banking is easy**

	Bank employee	
	No.	%
Strongly disagree	12	24%
Disagree	5	10%
Not sure	4	8%
Agree	29	58%
Strongly agree	-	-
Total	50	100%

Source: Researchers Survey, November 2016

The above table shows that the majority of bank employees around 58 percent responded agree that learning and using internet banking is easy to use and 24 percent of respondent strongly disagree on easiness of learning and using of internet banking. 8 percent of respondent have neither agreed nor disagree. 10 percent of respondent disagree on that it is easy to use and learn internet banking.

**Table 4.2.1 For Internet banking customer learning and using Internet banking is easy**

	Internet banking customer	
	No.	%
Strongly disagree	37	46.2%
Disagree	30	37.5%
Not sure	3	3.8%
Agree	7	8.8%
Strongly agree	3	3.7%
Total	80	100%

Source: Researchers Survey, November 2016

As it shown in above table most of internet banking customers (46.2%) answer that it's not easy to learn and using. 37.5 percent of respondent reply disagree. 8.8 percent of respondent internet banking is easy to learn and using. 3.8 percent and 3.7 percent reply not sure and strongly agree. This table shows the application is not simplified based on customer accessible to use and adopt the service in easy way.

**Table 4.2.2 Bank employees respond that internet banking adoptable to elder and disabled people.**

	Bank employee	
	No.	%
Very low	36	72%
Low	12	24%
Medium	2	4%
High	-	-
Very high	-	-
Total	50	100%

Source: Researchers Survey, November 2016

According to table 4.2.2, 72 percent of the respondents rated very low. 24 percent of respondent have answered low for adoptable to elder and disable people. 4% of respondent reply medium. No one respond high and very high.

**Internet banking customers respond that internet banking adoptable to elder and disabled people.**

Table 4.2.3 CBE internet banking customer respond

	Internet banking customer	
	No.	%
Very low	51	63.8%

Low	14	17.5%
Medium	9	11.2%
High	6	7.5%
Very high	-	-
Total	80	100%

Source: Researchers Survey, November 2016

From above table 4.2.3 indicates 63.8 of respondent internet banking is very low to elder and disable people. 17.5 percent of respondent reply low. 11.2 percent and 7.5 percent answer medium and high respectively. No one respond very high. As a result, it can be realized that internet banking service does not concerned elder and disable customers because of uneasiness of the service to adopt by them easily.

**Table 4.2.4 Bank employees respond related to trust and security issue**

	Bank employee	
	No.	%
Strongly disagree	1	2%
disagree	3	6%
Neither agree nor disagree	8	16%
Agree	26	52%
Strongly agree	12	24%
Total	50	100%

Source: Researchers Survey, November 2016

As can be seen in table 4.2.4 above, the majority of bank employees (52%) do have full confidence and trust on the internet banking services provided by bank. The result further indicates that only 24% of the respondents have strong trust and full confidence on internet banking services. 16% respondent reply neither agree nor disagree. It indicates that most of bank employees have well confidential and trust on internet banking.

**Table 4.2.5 Internet banking customer respond related to trust and security issue**

	Internet banking customer	
	No.	%
Strongly disagree	6	7.5%
disagree	38	47.5%
Neither agree nor disagree	4	5%
Agree	32	40%
Strongly agree	-	-
Total	80	100%

Source: Researchers Survey, November 2016

According to above table 47.5 percent of respondent had not trust on internet banking service. 40 percent of customers reply has well confidential on security issue. 7.5 percent of respondent answer strongly disagrees. The remaining 5 percent have responded neutral. While majority of respondents have high fear of risk associated with using internet banking services. Specially fear of hackers from accessing their account, make fraudulent transaction and loss of their money.

**Table 4.2.6CBE employees respond**

	Bank employee	
	No.	%
Strongly disagree	11	22%
disagree	28	56%
Not sure	9	18%
Agree	2	4%
Strongly agree	-	-
Total	50	100%

Source: Researchers Survey, November 2016

According to above the table 4.2.6, Majority of the sampled respondents (56%) replied that a demo tour is not provided on the website. 22 percent of respondent strongly disagree that CBE provide demo. 18 percent of respondent replied not sure and the remain no one answer strongly agree. In the above table we understand that CBE not provide demo in its website.

**Table 4.2.7 CBE Internet banking customers respond**

	Internet banking customer	
	No.	%
Strongly	36	45%

disagree		
disagree	39	48.8%
Not sure	4	5%
Agree	1	1.2%
Strongly agree	-	-
Total	80	100%

Source: Researchers Survey, November 2016

As it shown above table 48.8 percent of respondent disagree that CBE not give demo in its website. 45 percent of respondent replied strongly disagree. 5 percent and 1.2 percent answer not sure and agree respectively. Having such a negative response, a new users face difficulty to use internet banking service with a lack of proper guidance from the banks.

Table 4.2.8 CBE employees

	Bank employee	
	No.	%
Never	28	56%
Seldom	14	28%
Sometimes	5	10%
Often	1	2%
Always	2	4%
Total	50	100%

Source: Researchers Survey, November 2016



In addition, from the survey results presented in table 4.2.8, it can be seen that 56% of the respondents replied that the bank does not provide any training to enhance the awareness level of internet banking. 28 percent of respondent replied seldom. The other 10 percent respond some times. The remaining 4 percent and 2 percent replied always and often respectively.

Table 4.2.9 CBE internet banking customer respond

	Internet banking customer	
	No.	%
Never	42	52.5%
Seldom	23	28.8%
Sometimes	5	6.2%
Often	7	8.8%
Always	3	3.7%
Total	80	100%

Source: Researchers Survey, November 2016

According to the above table 4.2.9 52.5 percent of respondent replied never give trainings by the bank. 28 percent of respondent answer rarely the give training. 6.2 And 8.8 percent of respondent replied sometimes and often respectively. From the result, we can understand that the bank only concerned with the provision of internet banking service and they give less emphasis on encouraging customers to use services. From this, it can also be understood that they are not considering the complaints of the customer which bring negative feeling for the customers.

## Customers are satisfied by government polices related to internet banking

Table 4.3.1 CBE employees respond

	Bank employee	
	No.	%
Very low	2	4%
Low	14	28%
Medium	22	44%
High	8	16%
Very high	4	8%
Total	50	100%

Source: Researchers Survey, November 2016

Government policies play an important role in developing regulatory frameworks for the successful implementation of Internet banking services. As it is shown in table 4.3.1, majority of the respondents (44%) are neutral about policies issued by the government. 28 percent of respondent answer low satisfaction government policies. 16 percent respondent high satisfaction on government policies. The remaining 8 and 4 percent respondent replied very high and very low.

Table 4.3.2 CBE internet banking customer respond

	Internet banking customer	
	No.	%

Very low	7	8.8%
Low	16	20%
Medium	35	43.7%
High	21	26.2%
Very high	1	1.3%
Total	80	100%

Source: Researchers Survey, November 2016

As shown in table 4.3.2 43.7 percent of respondent have neither satisfied nor dissatisfied by government policies. 26 percent of respondent have high satisfaction by government policy. 20 percent of respondent have low satisfaction on government policies. 8.8 and 1.3 percent of respondent replied very low and very high respectively. This implies that customers do not have the required information or they may not be concerned about government regulation regarding internet banking.

### **Customers encounter problems related with internet while using the service**

Table 4.3.3 Bank employees respond

	Bank employee	
	No.	%
Strongly disagree	-	-
disagree	3	6%
Not sure	2	4%
Agree	32	64%
Strongly agree	13	26%
Total	50	100%

Source: Researchers Survey, November 2016

As can be seen in table 4.3.3, majority of the sampled respondents 64 percent replied that they have encountered problems while using Internet banking services. 26 percent of respondent replied strongly agree that have encounter problems while using internet banking. 4 and 6 percent of respondent answer neutral and disagree respectively. This table indicated that most of respondents have face problems when using internet banking.

Table 4.3.4 CBE internet banking customers respond

	Internet banking customers	
	No.	%
Strongly disagree	1	1.3%
disagree	6	7.5%
Not sure	8	10%
Agree	40	50%
Strongly agree	25	31.2%
Total	80	100%

Source: Researchers Survey, November 2016

According to table 4.3.4, 50 percent of them agree, 31.2 percent of respondent strongly agree, 10 percent of respondent have not sure encounter problems while using internet banking. 7.5 and 1.3 percent of respondent replied disagree and strongly disagree. More over, the result of the survey indicates that the respondents are unhappy with the slow internet connection provided by Ethio telecom. From this, it can be understood that using internet banking is getting difficult due to low speed of connection.

### Bank provides an alternative ways when the internet is slow

Table 4.3.5 CBE employees respond

	Bank employee	
	No.	%
Never	17	34%
Seldom	28	56%
Not sure	5	10%
Often	-	-
Always	-	-
Total	50	100%

Source: Researchers Survey, November 2016

In addition, the sampled respondents were asked whether the banks provides alternative ways of using Internet banking services when there is slow internet connection. In this regard, it can be shown in table 4.3.5, majority of the respondents 56 percent negatively replied that they are not getting other options of using internet banking services when they encounter with a slow internet connection. 34 percent of them have answer no alternative ways. 10 percent of respondent have not sure whether they are alternative or not. No one replied often and always.

Table 4.3.6 CBE internet banking customers respond

	Internet banking customer	
	No.	%
Never	31	38.8%
Seldom	49	61.2%
Not sure	-	-
Often	-	-
Always	-	-
Total	80	100%

Source: Researchers Survey, November 2016

According to table 4.3.6, 61.2 percent of them replied no alternative when the internet is slow, 38.8 percent of respondent have replied never. Based on above table they are unable to transact and use the needed service in efficient way. On the other hand, the result of the survey shows that about all respondents have replied the banks have not alternatives when the internet is slow.

### **CBE have experienced and skilled of IT professionals to administer latest technology**

Table 4.3.7 CBE employees respond

	Bank employee	
	No.	%
Strongly disagree	7	14%
disagree	16	32%
Neutral	3	6%
Agree	18	36%
Strongly agree	6	12%
Total	50	100%

Source: Researchers Survey, November 2016

In this regard, the majority of the respondents 36 percent positively replied that they have skill and experience of IT professionals who are working in commercial banks. 32 percent of them have replied negatively that have no experience and skill they have. 6 percent of respondent have neutral. This indicates most of CBE employees have confidential by their company IT professionals.

Table 4.3.8 CBE internet banking customer respond

	Internet banking customer	
	No.	%
Strongly disagree	1	1.2%
disagree	35	43.8%
Neutral	6	7.5%
Agree	31	38.8%
Strongly agree	7	8.7%
Total	80	100%

Source: Researchers Survey, November 2016

According to the above table 4.3.8, 43.8% of respondent have replied CBE IT professionals have not skill and experience. 38.8 percent of them answer they have skilled and experienced professionals they have. 7.5 percent of respondent have replied neutral. This implies that, a customer does not have full confidence on IT professionals in resolving problems encountered while using internet banking service.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

Based on collected data analysis, major findings and conclusions as well as recommendations were presented as follows.

#### **Summary of Major Findings**

The following summaries of major findings of the study are presented based on the analysis and interpretation of collected data.

- Large number of CBE employees agreed on that customers have enough information about internet banking.
- Large number of CBE customers Disagreed on that customers have enough information about internet banking.
- Most of CBE employees Disagreed on that customer concerned about private information and security policy.
- Majority of CBE customers agreed on that customer concerned about private information and security policy.
- Great Majority of the CBE employees very highly awareness on the importance of internet banking to save time and money.
- Most of the CBE customers very highly awareness on the importance of internet banking to save time and money.
- Majority of CBE employees strongly agree on that internet banking is more accessible to users.
- Majority of CBE customers are neutral on that internet banking is more accessible to users.
- Large number of CBE employees agrees on the idea that learning and using internet banking is easy.
- Majority of CBE customers strongly disagrees on that the idea that learning and using internet banking is easy.
- Great Majority of the CBE employees responded on that the service is very low to be adoptable to disable and elder people.

- Majority of the CBE customers responded on that the service is very low to be adoptable to disable and elder people.
- Large number of the CBE employees agreed on that CBE has high degree of trust and security issue.
- Most of the CBE customers disagreed on that the CBE has high degree of trust and security issue.
- Majority of CBE employees disagreed on CBE provides help(demo) in its website to use.
- Large no of CBE customers disagreed on CBE provides help(demo) in its website to use.
- Large number of CBE employees responded on that CBE never provides a training to enhance awareness of customer.
- Large number of CBE customers responded on that CBE never provides a training to enhance awareness of customer.
- Majority of employees responded Medium about government policy implementation for Internet banking.
- Majority of customers responded Medium about government policy implementation for Internet banking.
- Great majority of employees agreed on that customers encounter problems related with Internet while using the service.
- Majority of customers agreed on that customers encounter problems related with Internet while using the service.
- Large no of employees responded on that CBE seldom provides an alternative way when the Internet is slow.
- Large no of customers responded on that CBE seldom provides an alternative way when the Internet is slow.
- Majority of employees agreed on that CBE has experienced and skilled IT professionals to administer latest technology.
- Majority of customers disagreed on that CBE has experienced and skilled IT professionals to administer latest technology.

## 5.1 Conclusions

In accordance with the research objectives and questions, the researcher has drawn the following conclusions:

- As per the findings, the major driving forces that initiate banks to deliver internet banking services to the customer using electronic channels are existence of high competition in the banking industry, rapidly changing customers' needs and preferences , desire to improve organizational performance, desire to improve the relationship with customers, desire to reduce transaction cost, desire to cover wide geographical area, desire to build organizational reputation, desire to satisfy customers and to keep the international banking standard among others.
- As it is seen in the analysis Internet banking is difficult to be adoptable by disabled and elder people because the service doesn't give any special concern to these customers.
- This study shows that the idea that learning and using internet banking is not easy for customers since CBE is poor to provide a training to enhance awareness of customer.
- Customers encounter problems related with Internet banking while using the service with lack of proper information regards about the service.
- Thus study showed that there is Poor provision of an alternative ways when the Internet is slow; this is the main challenges of internet banking compared to mobile banking.
- Customers Lack enough information about internet banking because of there is no guide line and training facilitated by CBE to create and increase the awareness of customers even there is actions done to put the guide lines in the websites as a reference .
- Employees and customers are aware of the importance of internet banking that helps to save time and money.
- Internet banking is more accessible to users since no need to visit any of bank branches and waste time that can be accessed without limitation.

## 5.2 Recommendation

- CBE should have to create awareness and provide sustainable information in order to increase how to use/access internet banking since the study shows there is a gap b/n CBE and customers as CBE is only trying to fulfill the targeted percent however this can help the bank to increase and attract new customers. Internet banking service providers ought to look out for indicators of innovative ways of creating awareness about the service through participation in trade organizations, exhibitions as well as adoption of new technologies of Internet banking. In addition, it would be useful to study the corporate client's diverse satisfaction needs in order to respond to them precisely.
- Internet banking saves customers' money and time because customers can access it from anywhere without any time and location limit, so this service can help to increase and maintain high customer users of this service. CBE should not be complacent; instead it should be creative and innovative creating new products or services and marketing strategies that can stimulate the demand to use Internet banking services.
- As internet banking is a new service to our country it needs a proper know how to be provided to the customers to access the service in an easy way. Further studies need to be carried out knowing that the Internet banking service is still new in most of the developing countries thus, new issues, needs and demands may arise as the banks continue to implement the strategy. Hence, it is through research that those issues, needs and demands can be discovered.
- The service should have to be used by all the customers, so CBE should have to modify the system which can be used by all types of customers including elders and disabled customers there should have to be other option that can helps them to access internet banking. CBE should have to provide the service in different languages that the service in only in English that most elders cannot access and minimize the procedures as now the procedures are long to access.

- The bank should have to create a website which helps the customers as a guideline to access internet banking this can help customers to visit the CBE websites and refer it as a guideline to use since external customers cannot refer the website only used by internal employees.
- Besides the above point CBE is poor in facilitating training to employees and customers, training plays an important role to create awareness to customers to increase the uses of internet banking to meet the target of the service. Even if the new strategy is implemented generally, it should mainly emphasize its efforts on targeting individual clients.
- Customer's private information should have to be secured from any third party involvement because customers give priority to their privacy issues this can create a high commitment between CBE and customer's; personal data should be kept secured.
- When one service is developed there should have to be another option. When plan A doesn't work out plan B should have to be applied, the same goes to internet, because of connection problem no need for customers to losses their precious time CBE should have to make a deal with Ethio telecom in order to avoid poor connection problem .
- Skilled and professional man powers is like the backbone of the organization and also helps to adopt new technology and service to customers always needs new services and technologies. So the banks first priorities should have to be satisfying customers. Technology know-how is very important in internet banking industry; otherwise the technology by its own is useless without having the required professional skill. Based on this, the sampled respondents were asked whether or not banks have experienced and skilled IT professionals to administer latest banking technologies.

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**St. Mary's University**  
**School of Graduate Studies**

**Questionnaire to be filled by CBE staff and customer**

**Research Topic:** Challenges and Opportunities of Internet banking in case of Commercial bank of Ethiopia

**Dear Sir/Madam:**

The major objective/purpose of this study is to collect data about Challenges and Opportunities of Internet banking in case of Commercial bank of Ethiopia

I would like to assure you that the information you provide will be used only for the purpose of achieving academic award. Your involvement is regarded as a great input to the quality of the research results. Hence, I believe that you will enlarge your assistance by participating in the study. Your honest and thoughtful response is invaluable.

Thank you for your participation.

At the end, you are kindly requested:

- A) Not to write your name for reasons of confidentiality.
- B) To put the mark tick (✓) against your response in the box provided.

**Thank You in Advance!**

**Section I: Demographic profile of respondents**

Please indicate the following by ticking (✓) on the spaces in front of the response

Options:

Gender      Male                       Female

Age            18-27   

                  28-37

38-47

47-56

Above 56

**Education Level**

Below first degree

First degree

Masters

PhD and above

**Work Experience Only for CBE employee**

Work **experience**0-2yr

2-5yr

5-8yr

8-15yr

Above 15 yrs.

	Strongly Disagree	Disagree	NEUTRAL	Agree	Strongly Agree
<b>Information on internet banking</b>					
Customers are fully aware of internet banking					
<b>Security &amp; privacy</b>					
Customers are concerned about their private information & security policy.					
<b>Perceived usefulness</b>					
Customers are aware of the usefulness of internet banking service					
Perceived easy to use					
Internet banking service is more accessible to users than visiting a bank					

branch					
Learning & using internet banking is easy to use					

The service are adoptable to disable and elder people who are lacking computer experience.					
<b>Trust</b>					
Customers have high degree of trust on the bank					
<b>Awareness</b>					
The bank provides help (demo) on its website to use internet banking for new user.					
The bank provides training to enhance awareness of customer to use internet banking?					

<b>Government policies</b>					
Customers are satisfied by government policies implemented for internet banking like money laundering					
Customers encounter problems related with internet while using the service					
<b>The service</b>					
Customers are satisfied with the speed of internet & infrastructure provided by Ethio Telecom					

The bank provides an alternative way use internet banking service when there is slow internet connection					
<b>Technology</b>					
Banks have experienced and					

skilled its professionals to administer latest technology					
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