ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

AN INVESTIGATSION OF THE EFFECTIVENESS OF ALTERNATE CHANNEL BANKING SERVICES: THE CASE OF DASHEN BANK S.C.

BY

DEJENE GETAHUN

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APPROVED BY BOARD OF EXAMINERS

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DECLARATION

I, the undersigned, declare that this thesis is my original work, all sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

Name	Signature	Date

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Business for examination with my approval as university advisor.

Prof. Belete Mebratu Mebratu, BK 28/08/2020

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Advisor Date and Signature

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ACRONYMS

AMEX – American Express

ATM - Automatic Teller Machine

DB – Dashen Bank

EMV - Euro Pay, MasterCard and Visa

ICT - Information Communication Technology

IVR - Interactive Voice Response

NBE – National Bank of Ethiopia

PIN – Personal Identification Number

POS – Point of Sale

SMS - Short Message Service

TCP/IP - Transmission Control Protocol/ Internet Protocol

ABSTRACT

The purpose of this study herein is to present and evaluate Dashen bank's alternate channels mainly the ATM, POS, Mobile & Internet banking services in order to explore to what degree those services are utilized and indicate their financial performance in terms of revenue generation, cost reduction and foreign currency generation to the Bank. The researcher used descriptive method of study based on qualitative and quantitative approach. The total target population for the study is 116 employees and, considering the limited sample size the study has taken the census sampling method and hence all the 116 target population has been included for the study. The finding of this study disclose that DB available Alternate Channels utilization and financial performance looks not effective when measured from transaction volume, number of card holders & subscribers and active user's parameters plus financially also the result identified from this research exhibited the revenue generated, cost reduction effort and foreign currency generation are not showing progressive increment. To conclude DB is not properly utilized its Alternate Channel Banking products and also not effective in reducing transactional cost and increasing the revenue and foreign currency collection from these channels.

Key Words: Effectiveness, Alternate Channel Banking, Level of Utilization, Card holders, Active card holders, Channels Uptime, Cost reduction, Revenue generation.

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Effectiveness is the degree to which something is successful in producing a desired result; success. In business, it refers to the level of quality with which a task or process is carried out that ultimately leads to higher overall business performance **(Dr.David L Streiner, August 2002).**

In this regard the effectiveness of the alternate channel services will be measured from different angles which at least includes utilization level, profitability, foreign currency generation, deposit mobilization and cost reduction, reaches to customer, customer convenience, image building, reach to new clients, and other related factors **(Anna K. and Bonny J., 2015).**

Alternative Banking Channels includes all modern means of banking such as ATM, Internet banking, Bank automation, Core Banking, Credit cards, Debit cards, Mobile banking (Chris et al, 2005). Alternate Delivery Channels are channels and methods for providing banking services directly to the customers. Customers can perform banking transactions through ATM / POS / Multi-functional Kiosks, contact the bank's Call Center for any inquiry, access the digital Interactive Voice Response (IVR), perform transactions through Internet Banking, and even on Smartphone through mobile banking, etc. These channels have enabled banks to reach a wide consumer-base across geographies.

1.2. Background of the Organization

Dashen Bank is one of the top high profile banks in the private sector in Ethiopia. Initially the bank was established in September1995 by 11 visionary shareholders with initial capital of birr 14.9 million. Dashen Bank headquartered in Addis Ababa, is one of the biggest private Bank in Ethiopia. It operates through a network of 417 Area Banks, 391 ATMs (299 within bank branch and 92 outside bank branch) and 1,592 (410 within bank branch and 1,182 with merchants) Point-of-Sale (POS) terminals spread across the length and breadth of the nation. According to the bank's End of March, 2020 report the bank has issued a total of 1,048,817 debit cards and from these

248,826 are active. Similarly, the bank has 916,467 Mobile and Internet Banking Subscribers from which only 83,366 are active users. With the motto "Always One Step Ahead", the bank is a pioneer in introducing different electronic channel payment system. Dashen Bank, which is working aggressively to maintain its lead in electronic payment systems is a forerunner in introducing Alternate Channel Banking services in Ethiopia.

Available services on Dashen Bank Alternate Channels Banking are: Cash withdrawal, Balance Inquiry, Mini-statement, Fund transfer between accounts attached to a single card and PIN (Personal Identification Number) change. Initially the bank gives debit service using Visa cards Expanding its leadership, accept MasterCard in addition to Visa credit cards. In addition, the Bank launched Ethiopia's first American Express debit card designed specifically for Ethiopian consumers. In collaboration with Moneta Money Bank Technologies Dashen Bank has also launched mobile and internet banking solution to its customers with a local name 'Amole'. Using Amole Digital Banking service, customer can accessing Internet Banking on all types of search engines like Mozilla fire fox, chrome etc… all over the world.

Though Dashen Bank has introduced all the above alternative banking channels after investing millions of dollar, concerns are raised internally both by management and employees about the effectiveness of those channels. However, no internal study has been made by the bank about the effectiveness of those channels. Most employees of the bank believe that the bank can benefit more than what the bank is currently earning from revenue generation, deposit mobilization, and foreign currency generation. However, this understanding is not properly studied and documented in the bank. Therefore, this study has taken this gap and tried to address and answer whether these alternate channels services of Dashen Bank are effective or not from channels utilization and financial performances which includes foreign currency generation, fee & commissions & cost reduction points of view.

1.3. Statement of Problem

The different alternate channel services which are provided by Dashen Bank are helpful to withdraw cash, transfer funds, and to pay bills, or to obtain commercial information and advices. In this regard Dashen Bank is investing millions of dollar on those alternative channels. But with all these times the bank has never experienced and questioned on the effectiveness of those different channels especially from financial performance and those resource utilization point of view and no reports are produced indicating the effectiveness level of such channels to management and the bank at large.

In addition, most studies in this area mainly focus on evaluating and see those alternate channel services effectiveness from customer satisfaction point of view and not much seen its effectiveness from channel utilization (Transaction volume on channels, Number of card holder, etc.) and financial performance angle which were taken as a gap and will cover under this research.

This study, therefore, primarily focused on evaluating Dashen Bank's ATM, POS, Mobile & Internet Banking services effectiveness in utilizing those channels, foreign currency generated, fees & commission collected, and cost reduced in using those channels and based on the result also solution proposed that help to enhance the effectiveness of these different channels with respect to those parameters.

1.4. Research Questions

In order to achieve the above objectives of the study, the following research questions was answered in the course of the study

1. What are the practices of alternate channel services at Dashen Bank?
2. How is the availability of different channels to customer any time upon demand at Dashen Bank?
3. Which service delivery variables have high impact on the usage of Alternate Channel Services at Dashen Bank?
4. What are the strategies that can be implemented to effectively utilized alternate channel services at Dashen Bank?

1.5. Objectives of the study

1.5.1 General Objective

The overall Objective of this research was to evaluate the effectiveness of the different alternative channels of banking services at Dashen Bank.

1.5.2 Specific Objectives

1. To examine the practices of alternate channel services at Dashen Bank
2. To evaluate the degree of utilization the indicated channels of Dashen bank
3. To evaluate the effectiveness of the specific financial performance result of DB for introducing Alternative Channel banking services
4. To determine the different factors affecting the effectiveness of alternative channel services at Dashen Bank from financial performance as well as degree of utilization perspectives.
5. To recommend possible ways that helps Dashen Bank to enhance the effectiveness of those channels services.

1.6. Significance of the study

The research findings have significance to many parties such as: Dashen Bank, The National Bank of Ethiopia ET Switch SC and the banking sector in general.

- The study results have significance to Dashen Bank through informing the bank on how the alternative banking channels the bank has adopted affect its performance thus enlighten the bank to focus more on channels that are effective.
- To ET Switch SC, the findings indicated on this study are useful in regard to assisting in guiding and formulating policies and guidelines that would help ET Switch SC member banks in the sector adopt channels that would enhance their performance which in turn will contribute to the sector performance and effectively utilize the channel services especially the ATMs.
- The study also formed a basis for future studies which tried to establish the influence that alternative banking channels have on the financial performance of commercial banks in Ethiopia.

1.7. Scope and Limitation of the study

1.7.1 Scope of the study

In this study, rather than discussing all the alternative distribution channels, most commonly used channels in the banking sector referred. Therefore, the researcher has taken the channel effectiveness study limited on ATM, POS, Internet and Mobile Banking Alternate Channel banking services.

Geographically the study confined to the Dashen Banks' Head Offices and the respective branches in Addis Ababa excluding Grade 1 branches and sub branches. Therefore, the study covered employees of the bank who are currently working in those Grade IV, Grade III and Grade II branches.

The focus of the study was the effectiveness of the alternative banking channels services on Mobile banking, Internet, ATM and POS with Card based payment solutions on Cost reduction, Revenue generation and foreign currency generation and above all investigating and measuring the degree of utilization of those channels identified for this study.

1.7.2 Limitations of the study

The first limitation of this study is the absence of sufficient study in Ethiopia on the effectiveness of Alternate Channel Banking Services specific to evaluation of channel utilization level.

The recent Coronavirus outbreak globally also affecting this study in distributing and collecting questionnaire. However, to mitigate this challenge the researcher used other electronic platform including online meetings. in addition to this, time is a very sensitive issue and because of the restriction set in different sectors including all universities in the country which has broken the communication between the advisor and hence the research couldn't exhaustive in the stipulated time.

Therefore, because it was difficult to conduct interview physically unable to cover interview with all identified individuals and only few are attended for the interview using virtual platform. In addition, such limitation enforces the researcher to focus more also on secondary data and time was anticipated to be a hindrance in conducting the study.

1.8. Definition of Terms

Effectiveness: is the capability of producing a desired result or the ability to produce desired output. When something is deemed effective, it means it has an intended or expected outcome, or produces a deep, vivid impression. Effectiveness, in business, refers to the level of quality with which a task or process is carried out that ultimately leads to higher overall business performance.

Alternate Channel Banking: Alternative Channels banking, as the name suggest, is the newer method of carrying on banking operations with commonly known channels like ATM, POS, MOBILE, INTERNET, NEFT, RTGS, ECS, etc. It is an alternative option for process banking transactions other than traditional means (Chebii, 2013).

Omnichannel: Omnichannel is about making **the same set of services available to customers across all the channels**, both digital and offline. Clients can perform the same banking operations, whether they use a website, a mobile app, a call center, a bank's branch, or any other available channels. Omnichannel is much more than just providing multiple ways for customers to transact. It is about a seamless and consistent interaction between customers and their financial institutions across multiple channels. Dashen Bank has Omnichannel services to customers on Mobile and Internet. Meaning if a person subscribes for Mobile Banking by default he/she will get the internet banking service as well.

1.9. Organization of the study

In general, this study structured in five major sections and these are the introduction, the Literature review and the Data design and methodology, Data Analysis and Interpretation and finally the recommendation and conclusion parts.

The first chapter which is the introductory section explained what effectiveness means for alternative channel banking services and what are the services included under the Alternate channel banking services. Then the Literature review part presented both theoretical perspective of alternate channel banking services and provided some empirical evidence in the area that have been written by other researchers and scholars. Chapter three which is the Data design and methodology covered the research methodology and explains the general approach and design the researcher follows to conduct the research and shows how to analyze the data collected.

Chapter four which is the data presentation and analysis section dealt with the presentation and analysis of the data collected through different data collection techniques. Finally, the study ended by summarizing the findings and putting conclusions and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Alternate Channel in General

Alternate channel of banking commonly known as, electronic banking (E- banking) is the waves of the future. It provides enormous benefits to consumers in terms of case and cost of transactions, either through internet, telephone or other electronic delivery channels. For many consumers, Alternate channel of banking means 24-hours access to cash through an Automated Teller Machine (ATM) or Direct Deposit of pay cheques into checking or savings accounts. But electronic banking now involves many different types of transactions. Alternate channel of banking is a form of banking where funds are transferred through an exchange of electronic signals between financial institution, rather than exchange of cash, cheque or other negotiable instruments. With the expansion of global Information and Communication Technology (ICT) infrastructure and the internet, e-banking is set to play a pivotal role in the national economy, proper software, infrastructure and skilled manpower are important for the implementation of e-banking in the country (Sara Z., 2013).

Direct Banking channels or alternate banking channels can be utilized by banks for acquiring, tracking and serving customers through multiple channels. An entire range of services including account opening, fund transfers third party transfers, utility payments, Cash deposits can be done through using direct banking channels. Anywhere any time banking privilege can best be utilized by customer as per their preferences. Direct Banking channels eliminate the middlemen between banks and the customer resulting into direct involvement of customer with bank. The first experience for the customer of direct banking was the usage of ATM, where in customer does not require a teller to withdraw or deposit money and further visiting the branch (Prashant S., 2014). Banks can serve to a broader customer base through alternative distribution channels than branches and this approach is accepted both by banks and customers a little more with each passing day. The tendency of banks to alternative distribution channels and the effective use of them increase capital profitability while reducing costs, i.e., in general, there is a direct correlation between the return on capital with the use of distribution channels except branch. In this direction, banks

increase investments to distribution channels rapidly with the emerging technology, it is predicted that in 2020, transaction volume of distribution channels will be more than transaction volume of branches in many countries. In this direction, there are studies to reduce the number of physical branches especially in developed countries.

Generally, Alternative Channel Banking refers to providing banking services including transferring resources through a public and available communications network. It provides the background for improving performance and innovative services through facilitating communication with customers and increasing its speed and effectiveness. One of such most important services is providing service and information through electronic channels. Competitive pressures of markets and new consumers will force firms to join electronic markets whether they like it or not. Technology plays its role as a lever to strengthen the added value of a product in manufacturing. In the service sector, technology has a different role used as a unique tool for improving the effectiveness and efficiency of the business and increasing deposits. The use of this technology improves productivity, reduces costs and saves time (Golara G., 2016).

2.2. Benefits and features of using Alternative Channels

In an endeavor to optimize services and diminish costs, banks are regularly migrating towards a 24-7 service where clients are enjoying the superior sense of independence that this creates. Accessibility is the central pillar as customers' demand instant access to deposits, loans and status of their account. In an effort to drive even superior differentiation from the competition, financial service organizations are currently exploring alternative banking channels. (Douglas Musiega, et al., 2014)

Therefore, many banks have begun adapting their delivery channels and shifting from frontal individual service to direct sales and marketing through email, phone and other electronic transactions. The broad understanding is that this generates value both for the bank and its customers.

The benefits of Alternate Channel Banking cannot be over emphasized. This is to say that it provides a lot of benefits both to the customer and the bank itself. To begin with a foremost benefit e-banking service is competitive branding and as well as better appreciation to the market demands.

a. Security:

Payments made through electronic transfer systems, have higher security than traditional payments because electronic funds transfer systems are designed in a way that highly reduce the likelihood of robbery, theft, loss, lack of transportation, etc.

b. Ease and simplicity

Electronic funds transfer mechanism is much simpler and easier for customers than traditional systems since direct payment is done in this system with a digital signature and there is no need for physical presence of the user (customer) in the bank or financial institution.

c. Low cost

The cost of electronic funds transfer system is much lower compared to the traditional system of funds transfer. There are savings in the cost of transferring funds for the sender, receiver and the bank (financial institution). Electronic funds transfer systems in banks reduce costs by saving paper and printing, advertising, personnel and time required to provide billing and other external costs. Also, there are savings in the costs of issuance costs, the transmitter and receiver of cheque, traveling, spending time and posting.

d. Reduce human error

One of the major problems of traditional payment systems is multiple human error in performing and processing payments as information are not entered interactively in the processing process. With regard to these problems, electronic funds transfer system eliminates rework and design control procedures to largely reduce human errors.

e. Productivity and Efficiency

Electronic funds transfer systems, increases productivity and efficiency in banking operations to a large extent and create better opportunities for planning and control activities in the banking system.

f. Improve relations with customers

The use of electronic funds transfer system improves the relationships between companies, institutions and banks with their customers. As increasing efficiency, high speed, reducing errors and lower cost encourage customers to communicate more with organizations and institutions that use electronic funds transfer systems (Golara Gorgani, 2016).

Alternative Channels Value Proposition from bank's perspective (Golara Gorgani, 2016)

- Reduce the number of visiting a branch
- The sharp decline in bank cash transactions
- Remove almost all bodies behind the counter, including accounting bodies
- The possibility of strengthening banks
- Branch staff ample opportunity for activities to attract new sources of revenue and expenditures
- The sharp decline in the issuance of physical documents
- The sharp decline in the number of moving documents between units
- Full access to customer information at any time
- Providing services for exchange transactions between the bank card by connecting to the information exchange center
- High speed in creating and introducing new banking products
- Reduces volume and facilitates lower cost to serve

Alternative Channels Value Proposition from Client perspective

- Flexibility: Additional channels for sending and receiving information
- Speed to Answer: Direct access to information repositories
- Efficiency: Seamless transfer from "search" to "investigation"
- Control: Access to status of service requests
- Transparency: Greater breadth of information (details, case status)
- Accuracy: Eliminates re-keying of information
- Security: Encryption, digital certification, password protection
- Contingency: Anytime, anywhere access

2.3. Types of Bank's Alternative Channels

Depending on the profile and requirement of customers, banks may selectively offer services to customers through delivery channels. The bank branch is the most traditional delivery channel. Banks in addition to physical branches, put up delivery channels which do not require any human interface to deliver services to customers. There are various Alternative Channel banking delivery outlets to provide banking services to customers. Among them are ATMs, Telephone/Mobile banking, Internet banking and, POS, etc which are the most widely used are conversed below. (https://shodhganga.inflibnet.ac.in/bitstream/10603/92551/12/12_chapter2.pdf)

A. Automated Teller Machine (ATM)

Rose (1999) as sited by Moya: "An ATM combines a computer terminal, record – keeping system and cash vault in one unit, permitting customers to enter the bank's book keeping system with a plastic card containing a Personal Identification Number (PIN) or by punching a special code number into the computer terminal linked to the bank's computerized records 24 hours a day". As competition amongst banks increase, and also several modes of delivery for banking products and services increase, ATMs have become an important issue, not only in retaining customers but also gaining a competitive edge while maintaining growing overall profitability.

Using an ATM, customers can access their bank accounts in order to make cash withdrawals, credit card cash advances, and check their account balances as well as purchase prepaid cell phone credit. This improves convenience since customers can withdrawal money from their point of reach without necessarily visiting the bank. This increases efficiency and mitigates the costs of transactions leading to financial performance.

Classification of ATMs

ATMs can be classified by their functions or ownership and models. Cash Dispensers, full function ATMs and Cash recycling machines are the three basic types of ATMs.

A cash dispenser is defined as "a computerized device outside a bank that supplies cash or account information when the user inserts a cash card and keys in an identification number".

Full-function ATM machine offers cash dispense, cash and check deposits and a range of revenue-generating services. It gives the widest range of upgrade options and can be extended to offer the largest cash dispense capacity.

Cash Recycler is a teller cash recycler that automates cash handling at the teller line. These teller cash recyclers are capable of accepting and dispensing numerous denominations and multiple currencies. They are designed to improve the productivity of the teller's role, speeds up transactions, reduce wait times and improve customer interaction.

B. Point of Sale Terminals (POS)

POS is an abbreviation for point of sale (or point-of-sale, or point of service). This can mean a retail shop, a checkout counter in a shop, or a variable location where a transaction occurs in this type of environment. Point of sale systems are used in restaurants, hotels, stadiums, casinos, as well as retail environments in short, if something can be sold, it can be sold where a point of sale system is in use and further facilitate financial transaction.

In simple terms, a point-of-sale, POS, terminal is a place where the sales transaction occurs. It is a modern replacement for the cash register. Retail outlets use the POS terminal to track and record all customer purchases, process card payments, both debit as well as credit.

C. Internet Banking (IB)

Essinger (1999) as cited by Moya describes Internet banking as "to give customers access to their bank account via a web site and to enable them to enact certain transactions on their account, given compliance with stringent security checks". Some of the key points regarding Internet banking are as follows:

- Internet is a vast network of individual computers and computer networks connected to and communicate with each other using the same communication protocol – TCP/IP (Transmission Control Protocol/ Internet Protocol). Internet is often and aptly described as 'Information Superhighway', a means to reach innumerable potential destinations. The destination can be any one of the connected networks and host computers.
- FTP or File Transfer Protocol is a mechanism for transferring files between computers on the Internet.
- The most common and basic use of Internet is the exchange of e-mail (electronic mail). It is an extremely powerful and revolutionary result of Internet, which has facilitated almost instantaneous communication with people in any part of the globe. With enhancements like attachment of documents, audio, video and voice mail, this segment of Internet is fast expanding as the most used communication medium for the whole world. Many websites

offer e-mail as a free facility to individuals. Many corporate organizations have interfaced their private networks with Internet in order to make their e-mail accessible from outside their corporate network.

- Security is one of the biggest attractions of Internet as an electronic medium is its openness and freedom. But over the Internet, the dimensions of risk are larger while the control measures are relatively fewer.

Categories of Internet banking facilities

Transactional

Fund transfer in and abroad, IMPS, receive funds, Send Money Order, donate online, pay bills, Quick shopping, Recharge prepaid mobile, data card connection, Ticketing, Loan and Credit card bills payment online, on line tax payment, Buy Forex, Invest in insurance policy, Trade in shares online, Online shopping etc.

Non-transactional

Viewing recent transactions, downloading bank statements, viewing images of paying checks, get user id for internet banking, get password for internet banking, Link accounts, Manage Accounts (bank accounts, Credit Card Accounts, Loan accounts, etc.)

D. Mobile Banking

Mobile Banking is an application of mobile computing which provides customers with the support needed to be able to bank anywhere, anytime using a mobile device and a mobile service such as Short Message Service (SMS)" (Gupta and Rachna Tahilyani, 2013).

Mobile banking is a service provided by financial institutions in cooperation with mobile phone operators. It allows customers with busy lives to conveniently do their banking using their phones anytime. It is about getting banking services to the unbanked, those who do not have bank access or bank accounts, and those who are at the bottom of the economic pyramid, often living in remote areas. They receive the benefits of banking services such as being able to save and borrow in a cost-efficient and secure way. The services include opening bank accounts, viewing account balances, making cash transfers between accounts, or paying bills via a mobile device. In recent time mobile banking is most often performed via SMS or the Mobile Internet but can also use special programs downloaded to the mobile device (Hicks and Niehans,1998 cited by Lucy N., November 2015).

E. E-Kiosks

"A kiosk is a small physical structure often including a computer and a display screen that displays information for people walking by". e-Kiosk is a self-service machine that allows customers to complete financial transaction without hassle. More sophisticated kiosks let users interact and include touch screens, sound, and motion video. There is reduction in congestion at branch offices as customers use e-kiosks for their banking requirements. This leads to improvement of service quality.

The facilities offered by e-kiosk include deposit into the current and savings account, pay bills (credit card payment, loan payment etc.). Customers can get access to online banking service through e-Kiosk. It is possible to do video conferencing and two-way chatting with call center representative, provide feedback and enquire products and services, customers can browse bank website.

F. Smart Cards

A smart card, typically a type of chip card, is a plastic card that contains an embedded micro-processor chip–either a memory or microprocessor type–that stores and transacts data. This data is usually associated with either value, information, or both and is stored and processed within the card's chip.

The card data is transacted via a reader that is part of a computing system. Smart cards improve the convenience and security of any transaction. They provide tamper-proof storage of user and account identity. Around the globe, bank controlled co-ops (Visa, MasterCard, Discover, and American Express) have rolled out millions of smart cards under the EMV (Euro pay, MasterCard, VISA) standard. Often referred to as chip and PIN cards; these are the de facto types of cards for bank issuance in most countries except the U.S. Smart cards have been proven to secure transactions with regularity, so much so that the EMV standard has become the norm.

In general, an electronic card is a physical plastic card that uniquely identifies the holder and can be used for financial transactions on the internet, Automated Teller Machine (ATM) and Point-of Sales (POS) terminal. The various types of electronic cards include debt, credit cards; releasable cards require visiting banks for replenishment. Debit cards are linked to local bank accounts and offer immediate confirmation of payment. Credit cards can be used to link a customer to a credit line and can also be used for accessing local and international networks and are widely accepted in most countries. (JYOTSNA B., June 2014)

2.4. Factors Affecting the Effectiveness of Alternative Channels

The development of an efficient Alternate Channel Banking system is associated with so many factors. These problems are infrastructural deficiency such as erratic power supply and communication link especially in developing countries. In this case it requires government or organizations to provide stable and efficient power supply and telecommunication system (Oleka, 2009).

Inadequate skilled managers and requisite tools on end users and client systems, here efforts should be done in provision of infrastructure and skilled man power, another problem is the large accumulation of cash in the economy and in this the government should compel legislation that would charge the dominance of cash usage to electronic payments. Also there is high charge or cost for the e-payment terminals (ATMs) so the banking legislation should set out standard charges for e-payment services (Littler, 2006).

Non-provision of adequate security for fraud prevention, banks should endeavor to provide stand-by-camera in every ATMs machine for confirming identify of operators account and employ a good computer wizard in dictating and preventing frauds committed by computer hackers.

Lack of government support for the improvement of e-banking, there should be an involvement of central banks in public awareness campaign and escalating infrastructural challenges to the relevant government agencies. Below are the various factors which will affect the effectiveness of bank's alternate channel services.

Power Failure and Communication Link

Constant electric failure leads to deficiencies in infrastructures such as ATMs computers etc which slows down the rate of electronic transactions and also failure links from lines which are often as a result of spikes and surges caused consistent electronic power supply (Akinuli, 1999 as sited by Asia N. et al., 2015).

Lack of adequate investment capital

Funds that can be used to buy new information technologies and for modernizing existing systems is generally in short supply.

Reduces employment in the country

Alternate Channel Banking today has reduced the rate of employments whereby most works that should be done by human are done by machines thereby lead to minimum rate of employment and high rate of unemployment in a country (Oleka, 2009 as sited by Asia N. et al., 2015).

High charges on machines

The rate of commission or charges imposed by banks is too high thereby discouraging customers from using the electronic machine for exchange of transactions example of such charges are charged on withdraw ATMs and online transfer from one bank branch to another (James, 2009 sited by Asia N. et al., 2015).

Low public acceptance

Customers and public do not have trust in the machine in the sense that fraudulent personals uses the system in carryout fraudulent activities, even today banks uses the machine in looting customers' money from their accounts. Some customer complains that sometimes when they go for withdraw with their ATM the machine will seize the card while their account will still be debited with withdraw sum in course of ratification of this problem, the customer might be discouraged because it will take a longer time or end up unsolved (James, 2009 sited by Asia N. et al., 2015).

Insecurities in banks

Most electronic machines today are not secure thereby making it easier for fraudulent personnel to carry out their fraudulent activities without been caught. Due to insecurity, banks cannot prevent stop or dictate any fraudulent activity. Computer hackers also use the system in stealing data or information by breaking of codes.

Encourages excessive withdrawal

Un-operational days like Saturdays when banks are not in operation customers can go and withdraw with their ATM cards, especially when there is a function like weeding ceremonies, customers with little or no money can rush to a nearby ATM machine to withdraw money for excessive spending, customers complained about this in an interview conducted by banks (James, 2009 sited by Asia N. et al., 2015).

2.5. Measures of Channel Effectiveness

Today, bank customers have become Omni-channel users, and in most developed countries over 90% of banking transactions are executed electronically through automated teller machines (ATMs), call centers, the Internet and mobile devices (McKinsey 2014). The changing demand of customers has led to the dramatic rise of digital channels and a sharp decline in customer traffic in branches. Considering continuing cost inefficiency, banks have been scaling down their physical branch networks and experimenting with new branch models. But the effects of this strategy are not well understood yet, and banks are trying to avoid customer churn due to branch closures. Hence, it is critical for banks to become more deeply aware of sophisticated consumer behavior in an Omni-channel banking environment for informed decision-making related to branch network restructuring.

The technology evolution in the banking sector industry has brought about multiple self-service channels to customers. Most banking customers are using these channels to open, use and manage their accounts. The channels also serve as a form of research platforms that customers use to explore more about existing products that their banks offer. Customers use these channels to resolve issues and receive notification without physically visiting their banking branches. Today a number of customers are interacting with their financial institutions via these channels. However, not every customer has taken full advantage of these self-service channels. There are still many customers who still prefer the traditional way of banking, namely to visit their bank branch and let their banking transaction be facilitated through a bank teller. The banking sector continues to introduce, educate, inform and encourage its customers to make use of self-service channels, declaring them as quicker, cheaper, and more convenient ways for customers to transact with their financial institutions. (Siphiwo S., November 2016).

Misapplication and poor management of these electronic based banking services (Alternate channels) can also result in potential threats, including consumer service problems, the insolvency of some financial institutions, systemic risk, and loss of market quality (World Economic Forum 2012). So it is critical for financial institutions to create financial innovations to harness the benefits and avoid the negative outcomes to achieve sustainable success.

The increasing competitive nature of the financial service market has resulted in the need to develop and utilize alternative delivery channel. Also, the increasing development of information and communication technologies has brought about numerous achievements for the human society

and immensely influenced human behaviors. An important achievement that has increased the awareness of the society is the ability to gain access to a wide range of diverse information (Fathian, Shafiea and Shahristani, 2009). Similarly, from the banks' perspective the introduction of e-banking business (Alternate channel service) and if properly managed will bring diversified benefits and hence can judge its effectiveness positively. (Omodele et al., August 2019).

2.5.1 Banks Alternate Channels Utilization

Banks have been significantly affected by the evaluation of technology; competition between banks has forced them to find new market to expand, and the number of financial institutions that offer Alternate Channel Banking products increased. Hence, banks have begun to offer Alternate Channel Banking services to improve the effectiveness of distribution channels through reducing the transaction cost and increasing the speed of services.

Indeed, the emergence of Alternate Channel Banking has prompted many banks to develop marketing and information technology strategies in order to stay competitive. Venkatesh, Morris, and Davis (2003) noted that the successful implementation of information systems is dependent on the extent to which such a system is used and eventually adapted by the potential users.

Information system implementation is not likely to be considered successful if users are unmotivated to use that type of technology, and thus it will not bring full benefits to the organization. In order to motivate customers to use Alternate Channel Banking, banks must make key improvements that address the customers' concerns. Therefore, it is necessary to understand the key factors that influence the adoption of Alternate Channel Banking among the banking customers. Although Alternate Channel Banking introduces many benefits for banks and customers; customers still fear from the risk of Alternate Channel Banking services (Dr. Mohammad O. Al-Smadi, 2012)

Some banks are offering e-banking because their competitors have done it, and not doing so will mean losing an important customer segment to traditional competitors as well as new entrants to the financial sector. If this is their sole reason for doing so, they often drag behind their competitors and lack of enthusiasm prevents them from using e-banking to boost other sources of innovation, which are often enabled by the new technologies (Shah & Clarke, 2009).

Lewis (1991) found that users mainly used ATMs for withdrawal of cash and obtaining account

balances. Negative factors regarding ATM usage were concern over personal safety, lack of privacy and operational problems such as machine being regularly out of cash or out of order and cards getting stuck in it (J Joshua & Moli P Koshy, 2009).

2.5.2 Financial Performance

There is a cost difference between each transfer process made from physical bank branch, the Internet or ATM. In fact, each branch operation includes the cost of the physical environment and equipment, labor and tax fees of the facility, and the need for administrative activities. Therefore, branches act as a cost center in different categories such as high rental costs due to being located in highly accessible locations, labor costs, and operational activity fees. On the other hand, branching is also required to increase customer reach, general accessibility to create new potential customers.

Banks can serve to a broader customer base through alternative distribution channels than branches and this approach is accepted both by banks and customers a little more with each passing day. The tendency of banks to alternative distribution channels and the effective use of them increase capital profitability while reducing costs, i.e., in general, there is a direct correlation between the return on capital with the use of distribution channels except branch. In this direction, banks increase investments to distribution channels rapidly with the emerging technology, it is predicted that in 2020, transaction volume of distribution channels will be more than transaction volume of branches in many countries. In this direction, there are studies to reduce the number of physical branches especially in developed countries.

Bank deposits increase by improving and increasing opportunities for e-commerce in market. Alternate Channel Banking has many advantages and these advantages have been effective in increasing the deposits of customers and depositors while disadvantages can influence the amount of individuals' deposits.

Alternate Channel Banking reduces the cost of implementation of bank services like transportation costs, requirements, and personnel and at the same time, maximizes wages resulted by providing various high quality services, which maximizes banks revenues. Early evidence indicates that banking through alternative delivery channels contributes to client welfare by delivering more convenient financial services at a lower cost.

Similarly, alternative banking channels have a direct effect on the profitability of commercial banks because various studies indicate that these channels enhance the profitability of commercial banks. An evaluation of published literature on the subject points to a strong connection between alternative banking channels and the profitability of commercial banks. Through reduced costs, convenience, high subscription rate, higher speed of transactions and increased streams of revenue, alternative banking channels enhance the profitability of commercial banks.

2.6. Empirical Evidence

Michael Kiragu in his study on the effects of e-banking on the financial performance of Kenyan banks indicate that Alternate Channel Banking has a positive impact on the financial performance of the banks and therefore they should offer more targeted online services as well as come up with more technology based services that are easily reachable by customers. It was found out that profits have improved after the introduction of Alternate Channel Banking in the banks involved in the study.

Alternate Channel Banking technologies have proliferated in recent years, and the availability of a wide range of products has led to increasing adoption among consumers. These technologies include direct deposit, computer banking, stored value cards, and debit cards. Banks and other financial institutions have worked hard to develop and deploy these technologies because of their potential to increase efficiency, cut costs, and attract new customers. Consumers are attracted to these technologies because of convenience, increasing ease of use, and, in some instances, cost savings (Egland et al. 2008)

It is clear that the introduction of e-banking cost the banks significantly. The study found out that the increased costs have had both positive and negative impact to the financial performance of the studied banks. This has led to the banks diversifying their resources and reducing the subscription fees for POS banking, mobile banking as well as Internet banking as a measure to bring down the increased costs. Transaction costs through e-banking are minimal therefore, a lot of consumers have been able to afford the services.

Bahia (2007) and Vila et al (2013) also provide evidence respectively for cost reduction and productivity gains as a result of technological change for European Union banks. Carlson and Lang (2001) showed that Alternate Channel service banking lowers operational costs while increasing customer satisfaction and retention in the Turkish retail banking sector. Meuter (2010) suggests that e-banking is driven largely by the prospects of operating costs minimization and operating revenues maximization. According to Ombati et al. (2011), Technology (IT) offers banks the potential to dramatically reduce operating costs and improves the quality of management information hence making banking more profitable.

Humphrey Omondi Opondo Mukhongo, Mr. Christopher Maokomba, and Dr Douglas Musiega in their study on the effects of alternative banking channels on profitability of commercial banks-case of the Co-operative bank of Kenya, convenience has made it possible for the unbanked segment to subscribe to commercial banks which has in turn increased the revenue earned by commercial banks. Moreover, the higher speed of transactions means more transactions at a time leading to higher profits. The reduced costs due to low manpower required to facilitate the delivery of banking services has enhanced the profitability of commercial banks.

Similarly, Abubakar (2014) revealed that, e-banking has the ability to improve productivity, growth and profitability performance of banks due to low cost advantages associated with the delivery of its service. To this effect, Nigeria being a developing country has seen its banking industry benefit from the advantages of e-banking to a great extent as well as improve customer satisfaction when compared to the pre and post e-banking period.

Agboola (2012) studied the effect of computer automation services and discovered that Alternate Channel Banking has vastly improved the services of some banks to their customers in terms of satisfaction in Lagos. He asserted that e-banking provided customers with a wide range of financial benefits such as lower transaction handling fees, higher deposit rates, opportunities to win prizes and extra credit card bonus points. It enables customers save time by carrying out their transactions quickly without having to queue up and to make use of paper documents. E-banking allows customers the opportunities to tradeoff electronic data to communicate with bank staff with the aim of improving customers' satisfaction.

Orr (1999) states that electronic processing dramatically reduces the cost per transaction. According to DiDio (1998), the average transaction cost at a full service bank is about $1.07. It reduces to $0.27 at an ATM and falls to about a penny if the same transaction is conducted on the web. Irvine (1999) states that electronic bill presentment costs 40% less than paper delivery. These cost savings can offer customers and banks alike reduced cost of banking and still provide efficient and varied services.

In addition, seeing from internet profit generation point of view like E-commerce, when properly integrated into existing banking operations, can lead to substantial cost savings and higher profitability. Banks are able to retain customers more effectively when offering services that are value-added. This has been clearly demonstrated in the case of Wells Fargo bank. When customers moved online with Wells Fargo, the percentage of customers taking their business elsewhere dropped 50 percent. As a result of these positive experiences with online banking, one in six of the bank's new customers are referrals from existing customers and, thus, did not cost the bank anything to acquire them (Meckbach, 1999).

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter discusses about the methodology that used to conduct this study. Thus, research design, population of the study, sampling, data source and method of collection and method of data analysis are presented below respectively.

3.1 Research Design and Approach

A research design is a plan, structure and strategy of investigation so conceived as to obtain answers to research questions or problems. It is a plan to be adopted by a research which enables a researcher to carry out various research operations, hence creating a favorable environment to access sufficient information with very little expenditure on effort, time and financial resources (Creswell,2009). This study assumed the descriptive survey research design. Descriptive survey research design used because it assists to gather both qualitative and quantitative data on how study variables such as; Financial Performance and channels utilization level factors which measure the effectiveness of alternative channels banking by Dashen Bank. Further, this design was more specific and accurate because it involved description of events in a conscientiously outlined way.

3.2 Target Population of the Study

A population is the entire group of individuals or items under consideration in any field of inquiry and have a common attribute (Babbie,2010). The target population for this study were the Alternate channel department staff of Dashen Bank, Grade 4, Grade 3 and Grade 2 Dashen bank Branch staff who are serving and holding customer Pin and Card, and Dashen Bank IT employees who are directly work on Alternate channel services. There are a total of 29 Dashen Bank Grade, 4 Grade 3 and Grade 2 branches in Addis Ababa and purposively Grade 1 branches in Addis Ababa excluded from this study as they may not be easily available due to the recent coronavirus outbreak and the researcher believe the study made on those Grade 4, 3 & 2 branches fully represent all those branches in Addis Ababa.

Therefore, the total population for study were 116 respondents and includes; Alternate Channel department staff, DB Grade 4, Grade 3 and Grade 2 branch staffs two employee from each (1 PIN holder and 1 Card Holder) in Addis Ababa and Dashen Bank IT employees who have direct relationship with Alternate Channel services. It was these respondents that used to collect the necessary data require for this study because they are familiar with the variables under study and they can easily realize the effectiveness of alternative channels banking services in Dashen Bank in the study.

3.3 Sample Design and Sampling Techniques

A sample frame is a collection of information used to classify a sample population for statistical treatment (Christensen, et al., 2011). To obtain a good sample frame, the researcher has to include all individuals in the target population, exclude all individuals not in the target population and include accurate information that will use to contact individuals to be selected. This resulted to reduced cost and greater accuracy of results**.**

Therefore, considering the limited sample size this study has taken the census sampling method and hence all the 116 target population has been included for the study.

Respondents	**No. of Employees**	**% Distribution**
Alternate Channel department staff	31	26.72
Branch employees - Grade 4 ,Grade 3 and Grade 2 branches (Includes Premium & Special branches)	58	50.00
IT Department Employees (Network, IT Alternate channel staffs, Help Desk and System Administrators)	27	23.28
Total	116	100.00

3.4. Data sources

Data acquisition is very vital in every research since without data no meaningful research could be done. Therefore, it is necessary to determine the appropriate means for collecting data. The study used both primary and secondary data in order to meet the objectives of the research. The primary study was conducted by means of questionnaires. The secondary data used in the study were from the organization and outside which include books, academic journals, articles, websites, electronic libraries, thesis and company publications.

3.5. Data collection Instruments

The main tools of data collection for this study were questionnaire and interview. The questionnaires used for data collection because it offered considerable advantages in the administration.

Needless to mention the recent coronavirus pandemic undoubtedly brought challenges to collect data conveniently. understanding this fact, the researcher looks for alternative options to collect data and conduct interview in this challenge. In this regard the researcher used electronic online media to distribute and collect data. In addition, the researcher limited its target group in Dashen bank without affecting the data representation and since the researcher also working in Dashen Bank allow to easily share and collect data (questionnaire and secondary source) through all available electronic media (Microsoft outlook, Lync Sys, etc.)

In order to substantiate the response from the questionnaire, interview conducted using online medias like Microsoft Team and WebEx with selected alternate channel and IT department employees of the bank.

3.6. Data Analysis

Descriptive statistics used to analyze data. The expressive statistical instruments like the Statistical Package for Social Sciences (SPSS) used to explain and describe the data and the study's outcomes presented using tables and charts.

The completed questionnaires checked to determine their consistency. Data collected coded and analyzed using the SPSS version 21. Demographic data analyzed using frequencies and

percentages. The extent of the independent variables with some extraneous variables (intervening variables) that have impact on the effectiveness of alternate channel services in Dashen Bank analyzed using means and standard deviations.

3.7. Validity and Reliability

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004). Before the questioner was distributed to the respondents, the instrument was checked and confirmed for its validity by the advisor to see whether it measures what it supposed to measure. Comment from practitioners on the instrument was also received. Hence, the instrument found valid in multiple dimensions.

Reliability is a measure to gauge the degree to which a research instrument yields consistent results or data after repeated trials (Green, 2003). It is also to ensure the degree to which a measurement is free from random or unstable error. Cronbach's alpha (a) is a commonly used measure of reliability.

The Cronbach's alpha is achieved by the variance of individual components and by the variance of the components sum of each assessed, aiming to examine the likely relations between the items. As stated by Carmines & Zeller (1979), the closer the reliability coefficient to 1.00 is the better. In general, reliabilities less than 0.60 are considered poor; those in the range of 0.60 to 0.90 are considered good and acceptable, according to Sekaran and Bougie (2016). In this research, all variables met the above requirement as computed in the SPSS table.

3.8. Ethical Considerations

Consent has taken from intended research participants to indicate the willingness to participate; the researcher also ensured secrecy when it comes to answering the study questionnaire. The researcher ensured that the information used for research purposes only. To conduct this study, the researcher also required a permit from the Dashen Bank Research and Data Analytics work units under the bank's Strategy department which is recognized by the bank to give permission for such research activities. The researcher also acknowledged secondary data from all literatures collected for the purpose of this study in the reference list.

CHAPTER 4

RESEARCH FINDINGS AND DISCUSSION

This chapter presents empirical findings in reference to the research questions in chapter one. These findings were obtained from both primary and secondary sources. They were presented and analyzed using frequency tables and percentages were used to determine the effectiveness of Alternate Channels Banking services from utilization level and Financial Performance perspectives.

4.1. Response Rate of Respondents

From the one hundred sixteen (116) total distributed questioners, one hundred one questioners (101) were returned (a response rate of 87%) and we can say that the majority of the total target population has been involved in giving the realistic view of various thoughts and feelings on the questions raised.

4.2. Profile of Respondents

4.2.1 Educational Level of Respondents

Table 4.1: Highest level of education:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Degree	71	70.3	70.3	70.3
	Masters	30	29.7	29.7	100.0
	Total	101	100.0	100.0	

Source: ***SPSS output from Survey result (Primary data)***

From table 4.1 above, 70.3% of the respondents were first degree holders and 29.7% were masters. This implies that the respondents are educated which means understand and interpret questionnaires reliably. Interestingly none of the respondent had basic level of education. This implies that the bank under study had quality human resource and hence the data collected was believed to be reliable and was thus processed to present findings.

4.2.2 Year of Experience in the Bank

Table 4.2 : Respondents Year of Experience in the Bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5	9	8.9	8.9	8.9
	6-10	77	76.2	76.2	85.1
	11-15	13	12.9	12.9	98.0
	15+	2	2.0	2.0	100.0
	Total	101	100.0	100.0	

Source: ***SPSS output from Survey result (Primary data)***

Table 4.2 showed that, 76.2% of the respondents had served in Dashen Bank for a period of between 6 to 10 years, 12.9% between 11– 15 years, 8.9% between 1 -5 year and only 2% for a period above 15 years. This implies that almost all respondents had taken reasonably enough time in service and thus the data they provided was believed to be with knowledge and reliable.

4.2.3 Year of Experience in the Bank

Table 4.3 : Years of service working in the Alternate Channel Banking line of business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3	6	5.9	5.9	5.9
	4-6	82	81.2	81.2	87.1
	7-10	11	10.9	10.9	98.0
	10+	2	2.0	2.0	100.0
	Total	101	100.0	100.0	

Source: ***SPSS output from Survey result (Primary data)***

From table 4.3 show that the majority of the respondents or 81.2% of them have experience of 4 to 6 years direct at the Alternate channel banking services business and only 5.9% of the respondents have experience of 3 years and below at the Alternate Channel Banking business.

This implies that opinions from respondents was sought for those who had been in occupation long enough to understand the factors under study and their influence on the adoption of the alternative banking channels and has direct contribution on the reliability of the collected data.

4.3. Channels Utilization Level

Currently Banks in Ethiopia are investing a millions of dollar on different Alternate Channel Banking services product (electronic Banking). Similarly, Dashen Bank has also investing a lot on this services and a pioneer in Ethiopia in introducing this services. However, the researcher believes including Dashen bank none of this banks tried to evaluate this big investment from effectiveness points of view. One important metrics for this evaluation is checking to what extent or level Dashen bank is utilizing those alternate channels in its endeavor to enhance the service by then attracting customers, mobilize deposit, exhibiting better financial performance, etc.

Therefore, to evaluate the utilization level we used different parameters and discussed herein below:

4.3.1 Transaction Volume

Table 4.4 Measures of Transaction Volume

The information in the below table is a secondary source obtained from Dashen bank internal record and analyzed accordingly.

Year	Total no. of transactions from		Grand Total	% From	
	Traditional Banking	Alternate Channels		Channels	Traditional
2016	9,111,584	2,351,030	11,462,614	21	79
2017	11,128,103	2,994,003	14,122,106	21	79
2018	15,017,651	4,350,850	19,368,501	22	78
2019	20,771,742	5,034,529	25,806,271	20	80
2020	24,835,373	3,746,923	28,582,296	13	87

Source: Dashen Bank's Core Banking System and Base24 System (Secondary Data)

As seen from the above table 4.4 the majority of the Dashen bank's transactions committed at the bank's branch hall and the bank customers continue to visit the banking hall for services and product that they can easily access through electronic banking platforms. The five years' data indicated above prevails only less than quarter (25%) of the total number of transactions done from those available Alternate Channels (ATM, POS, Mobile and Internet) and the rest an average of 80% of the transaction were taken place at the branches counter.

Table 4.5: Questionnaire result on Transaction Volume

Transaction Volume measures	Strongly Disagree (1)	Disagree (2)	Undecided (3)	Agree (4)	Strongly Agree (5)
Customers more prefer to traditional Banking than Alternate Channels	5	14		79	3
Customers fear to technology enforce them to stick with traditional banking	6	3	15	76	1
Transaction charge impacted customers not to transact on channels	5	15		78	3
Merchant sales team not encourage customers to use POS	4	2	16	79	
Dashen's ATM & POS lacks many features and functionality to service	3	6	9	83	

Source: ***SPSS output from Survey result (Primary data)***

From the table above the majority of the respondent agree that customers fear to technology (76%), the transaction charge imposed (78%), and the limited features and functionality available on those alternate channels (83%) have contributed still to keep customers of Dashen Bank at the branches hall.

Similarly, 79% of respondent agree that merchants' sale team are not encouraging their customers to make payment from the POS machines because if payment effected from a POS then they know they might lose a gift or TIP from customers and insist to make payment using physical cash.

Similarly, the interview result also supported the result obtained from the secondary source and questionnaire in that the low utilization of alternate channel banking services mainly because the limited features and functionality provided by those channels, the bank's sales team limited effort and not working aggressively to aware and attract customers to use these available channels.

4.3.2 Number of Card Holders and Mobile/Internet Subscribers

A common feature in payment systems all over the world is the deployment, in parallel, of both automated teller machine (ATM) and point of sale (POS) devices. Dashen Bank typically expand ATM networks to allow debit cardholders to easily withdraw cash. At the same time, the Bank also spread out its POS devices to offer cardholders a cashless method of payment at the point of sale.

Table 4.6: Number of card holders/subscribers against total customers

Channel Type	Total Issued/Subscribed	Number of Customers	Ratio
Mobile Banking	680,888.00	2,656,425	25.6%
Internet Banking	680,888.00	2,656,425	19.2%
Debit Card	1,087,817.00	2,656,425	40.9%

Source: Dashen Bank's Quarter Report (Secondary Data)

According to Dashen Bank's third quarter activity report from the bank's Alternate Channel department (End of March 31, 2019/20), the bank has 391 ATMs and 1,592 POS devices available to give banking services using debit cards. Debit cards are issued against a current or savings account and their usage is restricted to funds held in the bank account and the total number of debit card issued till end of the period indicated above is reached to 1,087,817 which is count only 40.9% of the total registered Saving and Current account customers of the bank.

Likewise, the bank has provided an Omni channel Banking services (Mobile and Internet Banking) to its customers and as seen from the above table only 25.6% of the total customers subscribed the service.

Though this research mainly focuses on evaluating the effectiveness of Dashen Bank's available channels, reasoning out for having such limited number of debit card holders and mobile/internet subscribers will also equally important to address the objective of this study and future study. the survey result from the interview and questionnaire unveil that the number of card holders and channels subscribers affected mainly because the bank front office staffs are not encouraging new customers to request card at a time when they open an account and instant card issuance service is not also currently provided by the bank.

4.3.3 Number of Active Card Holders

In Dashen bank a debit card or mobile service users are classified to active users if they use their card or mobile/internet banking account used at least one time or committed transaction from it right the first day acquired the services.

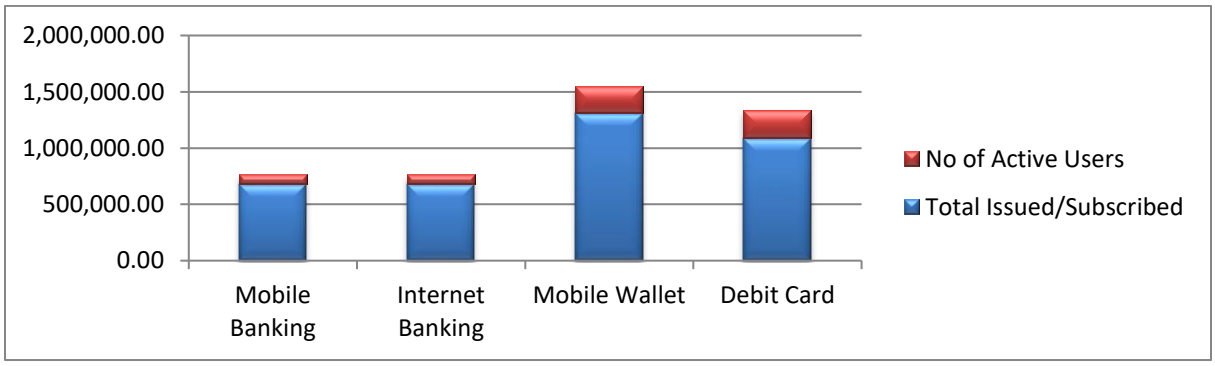
Table 4.7: Total issued/subscribed services against active users

Alternate Channels	Total Issued/Subscribed	No of Active Users	Active %
Mobile Banking	680,888.00	83,366	12
Internet Banking	680,888.00	83,366	12
Mobile Wallet	1,311,841.00	233,526	18
Debit Card	1,087,817.00	248,826	23

Source: Dashen Bank's Quarter Report (Secondary Data)

As presented in table 4.9 above in all channel services the active users ratio couldn't cover even quarter of the total debit card subscriber, Internet/Mobile banking users and mobile wallet subscriber.

Figure 1: Total issued cards/subscribed to number of active users



72% of the total respondent also either agree or strongly agree that Customers Purchase behavior using Alternate Channels is very limited and the same percent of respondent also believe customers acquired debit card not with purpose rather because of the pressure came from the bank's sales team.

Similarly, because the bank has not provided card issuance instantly most of the debit card issued may not be collected either on time or not at all by customers. These also supported and agreed by 89.1% of the respondent which in all case the bank remain with very few number of active card holders from the total subscribed.

4.3.4 Channels Availability (Uptime)

Availability is the probability that a system will work as required when required during the period of a mission. For any Alternate Channel Banking services, the system or channels provided by a bank shall serve 24/7 with nonstop failure.

Table 4.8: Dashen Bank's ATMs daily availability report

Reason for Down	% of contribution			Average Down Time
	April	May	June	
Cash Out	1	0	1	• 1/2 hours to 4 days • Average number of ATMs get failed in a day are 15
Power Problem	10	14	13	
Network Problem	21	26	33	
Cases Escalated to the Vendor	41	26	26	
Cash Jam/ Dispenser	19	31	27	
Other reason	8	3	0	

Source: Dashen Bank's Microsoft - 'Yammer' social network (Secondary Data)

The table above exhibited data collected from Dashen Bank issue tracking and registered record for ATM machines located across the country. To deal with the recent fact only a closer of three-month data (April to May) was collected to indicate the status or availability of those ATM machines. As seen above the average maximum down time if Dashen bank ATM failed is 4 days and mainly because of either the network problem or issues not clearly identified by the bank's technical team and escalated to the vendor for maintenance.

Usually global payment network providers like Visa, MasterCard, American Express and others insist banks needs to ensure 99.99% uptime of their payment card system and channels availability by implementing a robust automated monitoring and recovery system solution and higher. Dashen bank's ATM should also fit with this recommended standard.

Though the majority of the bank's ATM are fall under this standard with high availability, 3.83% (Average number of ATMs get failed in a day -15 to total No. of ATMs -391) of it still with down time range between 1/2 an hour to 4 days.

Interview result also showed that Absent of central ATM/POS monitoring tool, poor network provision and the challenging available infrastructure are contributed for the unavailability of those channels.

4.4. Financial Performance

Dashen bank is investing huge sums of money in Alternate Channel Banking services technology. This rapid development of electronic banking service has to make some of the functions of the banks more efficient and cheaper; this in return has to increase deposits, sales and other financial performance of Dashen bank. As stated in the scope of this study the researcher focused and study Dashen Bank's Alternate channel services financial performance only from direct revenue generation, cost reduction and direct foreign currency generation.

4.4.1 Revenue Generation

Commission and other service charge fees are the source of income type identified from Dashen Bank's Alternate channels. The table below showed the five year Dashen Bank income data from ATM, POS, Internet and Mobile banking services.

Table 4.9: Commission & Service Charge Income from Alternate Channels

Income Category	2015/2016	2016/2017	2017/2018	2018/2019	2019/20
Card Joining Fee	1,825,722	1,719,764	2,696,086	1,681,040	2,230,810
Card Annual Subscription Fee	2,415	50,700	666,267	441,427	655,246
POS Encashment Service - Foreign	1,459,326	884,989	`	1,378,813	88,104
POS Encashment Service - Local	738,618	518,822.41	326,743.77	247,737.70	186,149.95
Pin Re-Issue Fee	0	1,750	13,920	26,920	18,480
Account Link Fee	10	3,466	5,393	6,644	35,971
Service Fee Sponsorship	391,045	303,309	350,217	532,960	0
ATM Transaction Fee - Local	4,707,134	5,283,070	7,092,544	8,306,869	6,132,740
ATM Reimbursement Fee - Foreign	4,584,575	3,143,047	3,595,206	5,279,854	3,248,151
POS Reimbursement Fee - Foreign	480,629	313,787	347,371	593,049	507,570
Merchant Service	21,967,490	16,357,003	16,311,550	11,434,345	6,435,031
Acquirer Fee	22,989	571,824	2,369,877	5,592,217	4,769,364
Visa Access Point Sponsorship	1,250,768	1,443,070	1,546,799	1,684,129	0
POS Cash Advance fee Local	1,289	106,876	299,777	349,602	561,497
Total	**37,432,010**	**30,701,477**	**35,621,751**	**37,555,607**	**24,869,113**

Source: Dashen Bank's BIP report – Profit & Loss Statement (Payment Card)

From the table above Dashen Bank could manage to collect 37.4 million birr from its channels in the form of service fee and commission in 2015/16 fiscal year. Though the bank introduced additional channels services and increases its ATM, POS and debit card holders since 2015/16, the revenue is not growing neither proportionately nor increasing at an increasing rate and in 2019/2020 the figure drops by 34% from 2015/16 to birr 24.9 million, which tells that the bank has to work a lot and capitalize the huge investment made on those channels to generate revenue.

Table 4.10: Questions on DB Revenue Generation from channels

Questionnaire	Strongly Disagree (1)	Disagree (2)	Undecided (3)	Agree (4)	Strongly Agree (5)
Dashen Bank haven't multiple charge collection scheme			4	95	2
Alternate channels are not providing Dashen bank with higher profits with lower transaction costs			15	81	5
Investment in ATMs and other alternative channels is not mostly motivated by profits to the bank.			15	81	5

The low performance in income generating from those channels comes not from nowhere rather because of the limited charge collection features provided from those channels and also the investment in ATMs and other Alternative Channels is not motivated for profit. According to the questionnaire distributed 95% of the respondent also agreed that Dashen bank have introduced very limited charge types on its channels services and similarly 86% respondents also agreed that Dashen bank is not benefited with higher profits with lower costs from the channel services and Investment channels is not mostly motivated by profits to the bank.

4.4.2 Cost Reduction

One of the key improvements arising from the use of electronic banking in the enhancement of operations and activities of commercial banks is the reduction of overhead costs. Specifically, the costs related to the maintenance of physical branches, marketing and labor can be minimized substantially (Hernado and Nieto, 2007).

Table 4.11: Dashen Bank's Branch distribution and Employee strength in five years

	2016	**2017**	**2018**	**2019**	**2020**
Branches	156	220	303	373	413
Employee	3,025	3,264	3,727	4,538	4,747

Source: Dashen Bank's HR Department Third Quarter Report (Secondary Data)

Normally investment in ATMs, POS and other alternative channels increases both the volume and value of deposit accounts, reduces banking transaction costs, reduces the number of staff and the number of branches and consequently improves banks' profitability. However, the table above showed that the bank's permanent employee number and branches expansion increase from year to year for which couldn't decrease the associated cost of employee salary, stationery, storage and other branch initialization costs. As clearly seen in the above table both branch expansion and employee recruitment increase by 64% and 56% respectively between the year 2016 and 2020.

Table 4.12**:** Cost Reduction measures

Questionnaire	Strongly Disagree (1)	Disagree (2)	%	Undecided (3)	%	Agree (4)	%	Strongly Agree (5)	%
Lack of skills to implement costing the bank more for professional fee.	-	-	-	4	.04	79	78	18	17
ADC Still not minimize the cost of transactions.	-	11	11	1	.01	84	83	5	.05
ADC not reducing HR requirements of the bank	-	11	11	5	.05	85	84	-	-
ADC not reducing the need to open branches	-	11	11	5	.05	85	84	-	-
ADC not helped to reduce stationary & storage costs	-	11	11	5	.05	85	84	-	-

Respondents were asked whether they `Strongly agreed, Agreed, Undecided, Disagreed or Strongly disagreed ‘based on the five questions shown in the table 4.15 above to confirm the effectiveness of Dashen bank Alternative Channels in reducing costs. Accordingly, the sampled respondents agreed with the idea that Lack of skills from internal expert still costing the bank more for professional fee and represent 78% of the total respondent. In addition, though Dashen Bank has introduced an Alternative Channel banking services for long the majority of the respondent agreed that still the bank couldn't reduce cost of transactions, HR requirement, branch expansion and also not reduced its stationery and storage costs.

4.4.3 Foreign Currency Generation

Most commercial banks in the developing economies are adopting Alternate Channel banking; customers to transfer money, access their accounts, online shopping, get bank statement, pay bills, and conduct other transactions that took a long time of process in the past. Similar in Dashen bank also since the introduction ATM, POS and the Omni Channel Mobile & Internet Banking Foreign customers are used to transact on the bank's channel especially on the POS at the merchant site and support the bank to generate foreign currency.

Table 4.13: Foreign Currency Generate from ATM, POS Encashment and POS Purchase

Card Type	2015/16	2016/17	2017/18	2018/19	2019/20
VISA	44,369,283	32,108,548	26,136,213	31,608,896	36,179,147
MASTER	25,349,136	18,422,856	15,316,329	18,551,632	19,680,766
CUP	317,735	329,171	209,691	188,349	57,435
AMEX	9,669,817	8,481,651	7,399,736	7,607,724	9,878,554
Total	**79,705,973**	**59,342,228**	**49,061,970**	**57,956,603**	**65,795,904**

From the previous discussion and since the introduction Alternate channel banking services Dashen bank channel services are getting increase in terms card holder, Mobile/internet subscriber, ATM and POS distributions. Accordingly, it should also increase the financial performance of the bank in this case the foreign currency generated from year to year. However, the fact as seen in the table above showed the foreign currency generated is not getting increase as expected and in some years as seen above the total collected is even less than from the past years.

Though we can put different factors for such result and ineffectiveness of fore currency generation as compared among years, the researcher had raised two main questions to reason out Dashen bank's foreign currency generation and as seen below respondent give response for each question in the table below.

Table 4.14: SPSS Frequency Distribution data on DB channels usage to generate FX

Dashen Bank is not properly capitalizing its available alternate channels in increasing foreign currency generation?

		Frequency	Percent	Valid Percent	Cumulative Percent	95% Confidence Interval	
						Lower	Upper
Valid	Neutral	10	9.9	9.9	9.9	5.0	15.8
	Agree	70	69.3	69.3	79.2	60.4	78.2
	Strongly Agree	21	20.8	20.8	100.0	13.9	28.7
	Total	101	100.0	100.0		100.0	100.0

As depicted above 70 respondents or 69% of the total respondents Agreed that the bank is not properly capitalize its available channels in generating foreign currency.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter presents the overall summary of the study, conclusion and recommendation of the study. The recommendations consisted of two parts. It is made up of the main recommendation as well as recommendation for future research. It is important to also mention that the recommendations provided emanated from the findings of the study.

5.2. Summary of Findings

The study was an evaluation type of study aimed at investigating the effectiveness of Alternate channels banking service of the bank on the degree of utilization and financial performance. For this purpose, the study scoped and looked the effectiveness of the bank's alternate channels utilization after measuring the Transaction Volume from channels, Number of bank holders and Mobile/Internet subscribers, active cardholders/subscribers and the constant availability of the channels to service. Similarly, the study also tried to investigate the financial performance of those channels all the way through service time specifically from Revenue Generation, Cost Reduction and Foreign Currency Generation.

The study examined the various theories as well as specific empirical studies to form the background of the study. Among other things, the literature review captured the general view of alternate channel banking, benefits and features of using alternate channel banking, factors affecting the effectiveness of alternate channel banking and measures of the effectiveness of alternate channel to mention a few. Questionnaire was used as the principal tool for the data collection. The data was analyzed using basic statistical tools such as frequencies and percentages. All of the questions were framed in a closed ended manner. The SPSS windows software was used in analyzing the data. Equally to the primary data source the study also used secondary data as a support to strengthen the findings.

The finding from this research study are bulleted and seen below.

- Apart from the traditional banking service Dashen Bank is also currently serving its customers using different Alternate Banking Channels commonly ATM, POS and Omni channel services (Mobile and Internet Banking).
- In the Ethiopian Banking industry Dashen bank is the first bank and pioneer in introducing the Visa debit card using its channels primarily the ATM.
- However, those alternative channels available in Dashen bank are not effectively utilized by the bank and couldn't show visible and progressive revenue generation, cost reduction and foreign currency generation.
- The findings also showed the bank could distribute very limited number of debit cards and got few number of mobile/internet banking subscriber were in both case respectively only 30% and 19% users of the service the bank could manage to register. Even from these registered or issued card holders and Mobile/Internet subscribers only 23% of the debit card holders and 12% of Mobile/Internet banking subscribers are classified as active users.
- The bank's ATM/POS failed and stay down between the range of half an hour to four days and an average of 15 ATM registered in failed list every day.
- The study investigates the channels effectiveness from revenue generation, cost reduction and foreign currency generation points. As seen the five years' data from 2015/2016 to 2019/2020 the bank's revenue is not growing from those different electronic channels
- For the above the constraint is mainly because of the limited charge collection features provided from those channels and also the investment in ATMs and other Alternative Channels is not motivated for profit.
- Likewise, Dashen Bank's service delivery from the different Alternate Channels is not supported with visible cost reduction by decreasing the number of employees, branch expansion, stationery and storage costs.
- Frustrating result also exhibited in foreign currency generation from these channels in the last five years. From the study found that the foreign currency generated after five years that is in 2018/19 by far less than the one collected previously in 2015/2016.

5.2. Conclusion

It is difficult to say that the bank is effective on its channel banking services. Almost in all metrics taken in this study that are transaction volume from channels, Number of card holders and Mobile/Internet subscribers, active card holders/subscribers from the total card holders and Mobile/Internet banking subscribers, Revenue Generation, Cost Reduction and Foreign Currency Generation. On the other hand, the channels availability of the bank's ATM is within the range of internationally accepted standard which demands most system shall provide with 99% availability and in this regard the bank's ATM are in good condition with minimum downtime.

To conclude the effectiveness of the Bank's Alternate Channel banking services measured at low side or not effective as evaluated from those channels utilization level and their financial performance and impact

5.3. Recommendation

Based on the findings and conclusions of the study, the researcher forwards the following recommendations to Dashen bank in order to enhance its Alternate channels effectiveness

- Dashen Banks should check and evaluate the effectiveness from utilization, financial performance and other metrics for all its available Alternate Channels beside investing a millions of dollar on such technology and banking services.
- The bank should check the practice including at what level the bank inform and create awareness to customers of the bank when the first time they appear at the bank.
- The bank shall check its performance between years especially the relative good performance at the initial year taking the past five years against what the bank has scored recently.
- The bank should continue in convincing its customers to embrace the use of Debit cards to use on ATM and POS as this strategy was found to be positive related with financial performance.
- The study recommends that the Dashen bank should considered intensifying the internet banking as this will ensure to attract customers from abroad thus improving financial performance includes foreign currency generation.
- The study further recommends that Dashen Bank shall keep pushing customers to use mobile banking in their operations because the number of people with access to a mobile hand set is increasing every day and in parallel to this to increase its presence in the rural community the bank has to work strongly in this community.
- The bank shall increase and introduce additional features and functionalities (e.g. utility payments, services payments, etc.)
- To increase its revenue, source the bank still can introduce additional charge and commission scheme on those channels.
- Instant card issuance service has to be started to provide customers card request on the spot at the branch where they apply.
- To enhance the channels availability especially the ATMs the bank needs to have and use an Asset monitoring tools to control the channels from the center.

- The bank's marketing team shall closely work with the different merchants' sales personnel to operate the POS machines and to introduce commission to encourage the merchant's sale team.
- The bank shall sketch a strategy how to penetrate and get customers from abroad for its Internet banking.

Suggestions for Future Work

The study sought to determine the relationship between Alternate channel technologies and their utilization level and financial performance on the Bank. Although conclusions have been drawn, there are things that need further investigation. The research needs to be extended to see the effectiveness of Dashen bank's alternate channels huge investment against the financial return (ROA). In addition, the study recommends to cover in the future research on the effectiveness of channels from deposit mobilization and other spectrums.

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APPENDIX A: Questionnaires to be Completed by DB Employees

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

Investigating the Effectiveness of Alternative Channel Banking Services:

The Case of Dashen Bank

I Dejene Getahun, an MBA student at St. Mary University. As part of my studies I am carrying out research where I am evaluating the effectiveness of Dashen Bank's Alternate Channel services on those channels utilization level and financial performance. I will really appreciate it if you could kindly answer the following questions as honestly as you can. Your feedback will be treated as confidential as possible. It takes only 10 - 15 minutes. Please be assured that the responses you give are for academic purposes only.

You can fill and send your response for the questionnaire through Microsoft outlook at DegeneG2@dashenbank.local

Thank you

Section A: Biographical information

Please tick the appropriate box with an X

1. Highest level of education:

Diploma	First Degree	Master's Degree
1	2	3

2. Year of experience in the Bank?

1 - 5	6 -10	11 -15	15+
1	2	3	4

3. How long have you been operating in the Alternate Channel Banking line of business?

1 - 3	4 - 6	7 - 10	10+
1	2	3	4

Section B: Service channels

Channels Utilization

What is your level of agreement with the following statements regarding the effectiveness of alternate channel banking services utilization given below as they are reflected in Dashen Bank? Use a scale of 1-5 where 1= Strongly Disagree, 2-Disagree, 3-Undecided, 4-Agree and 5= Strongly Agree

Questions	1	2	3	4	5
Transaction Volume					
Customers of the bank more prefer to traditional banking than doing transaction from channels					
Merchant's sales personnel are not guiding & encouraging customers to use POS					
Most customers have a fear to technology and wants to stick with the traditional banking service					
Transactional charges from ATM impact card holders to transact from channels					
Dashen bank is not providing to its customers as many features and functionality as needed on its ATM and POS					
No of Card Holders/Mobile-Internet subscriber					
Majority of customers of the bank are not submitting request for a new debit card right when they open a new account					
Most customer are not equally request for mobile banking services while opening an account					
Dashen bank is not issuing card and deliver to its customer within a reasonable time					
Using Internet banking Dashen Bank is not attracting as many customers as from abroad					
Using the mobile banking services the bank is not intensively working to recruit customers from rural community					

Questions	1	2	3	4	5
No of active card holders					
Customers purchase/withdrawal behavior using different alternate channels is very limited					
Customers issue debit card not with purpose rather only because of pressure from the bank's sales team.					
Most of the debit card issued may not be collected either on time or not at all by customers.					
Channels availability (Up time)					
The network connection is not convincingly available for most of the merchant terminal					
Dashen bank's ATMs are not serving to customers with 99% availability or uptime					
Most Dashen bank ATMs are placed in a convenient location and easily reachable					
The bank is not using centrally supported ATM and POS monitoring tools.					
The available infrastructure countrywide is still a challenge to effectively utilize alternate channels					

Financial Performance

What is your level of agreement with the following statements regarding the effectiveness of alternate channel banking services in cost reduction, revenue and foreign currency generation given below as they are reflected in Dashen Bank? Use a scale of 1= Strongly Disagree, 2-Disagree, 3-Undecided, 4-Agree and 5= Strongly Agree

	1	2	3	4	5
Revenue Generation					
Dashen have multiple charge collection scheme for transaction from its channel services.					
Alternate channels are providing Dashen bank with higher profits with lower transaction costs					
Investment in ATMs and other alternative channels is mostly motivated by profits to the bank.					
Cost Reduction					
Lack of skills to implement Alternate channels by internal source costing the bank more for professional fee.					
The Alternative banking channel services provided by the bank is not minimizing the cost of transactions.					
Alternative banking services by Dashen Bank is not reducing HR requirements of the bank					
The Introduction of alternate channels services unable to reduce the need to open branches everywhere					
Adoption of alternate channels services has not helped Dashen bank to reduce stationary costs & storage costs as expected					
Foreign Currency Generation					
Dashen bank is properly capitalize its available alternate channels in increasing foreign currency generation					
Bank is not aggressively working in generating foreign currency generation					

APPENDIX B: Interview Questionnaires

1. Is distributing as many as debit cards to customers will increase proportionately the transaction volume from Alternate Channel?
2. Do you think centrally supported channel monitoring tool for ATM & POS is crucial for DB to enhance its channels availability?
3. Does Dashen Bank management have a practice of evaluating the bank's Alternative channels service effectiveness?
4. To what extent Dashen Bank channels are available constantly to service in a day
5. Do you believe the number of card holders will increase if Dashen Bank start instant card issuance?
6. Are the available functions or services provided by the Channels in Dashen bank fair enough for the customer to make Dashen bank more competitive.
7. What is the motive of Dashen Bank and the management in expanding Alternate Cannel banking service?
8. How far the bank's technical team is knowledgeable in giving technical support for any failure on those channels?
9. As a pioneer of Alternate channel base banking service in Ethiopia is Dashen bank could manage to keep its competitiveness as the bank where it stands before?