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B1542561

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE BACHELOR OF COMMERCE HONOURS DEGREE IN BANKING AND FINANCE OF BINDURA UNIVERSITY OF SCIENCE EDUCATION.

FEBRUARY 2019
APPORVAL FORM

The undersigned certify that they have supervised the student Mukuvuri Tatenda Innocent dissertation entitled ‘The effects of alternative banking channels on financial performance of commercial bank in Zimbabwe. In case study of ZB bank (2014-2018).’, submitted in partial fulfilment of the Bachelor of Business Studies (Honours) Degree in Banking and Finance.

To be completed by the student

I certify that this dissertation meets the preparation guidelines as presented in the Faculty Guide and Instructions for dissertations.

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Signature of the student            Date

To be completed by the supervisor

This dissertation is suitable for submission to the faculty. This dissertation should be checked for conformity with the faculty guidelines.

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Signature of the student            Date

To be completed by the Chairman of the Department

I certify, to the best of my knowledge that the procedure has been followed and the preparation criteria has been met for this dissertation.

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Signature            Date
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NAME OF AUTHOR: Tatenda Innocent Mukuvari


DEDREE TITLE: Bachelor of commerce honours Degree in Banking and Finance

YEAR DEGREE TO BE GRANTED: 2019

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DEDICATION

This research project is dedicated to my family members, my supervisor and all other people that were supporting me in the doing this project. Thank you all and God bless you.
The main focus of this study was to scrutinize the impacts of alternative ABC on financial performance of in the case study of ZB bank. The study employed descriptive research design. Data collection was done through the use of questionnaires and secondary sources and analysed using statistical tool. Alternative banking channels leads to competitive edge against competition. 24hrs a day and 365 day a year banking result in convenience thus in the long run create customer loyalty. Findings concluded that alternative banking channels for example ATM, internet banking, mobile banking, agency banking and payment cards has a great effect on the bank financial performance because revenue will increase, lower cost of transactions, increase bank asset, convenience and increase efficient.

The of relationship of alternative banking channels and performance of ZB bank is given in the table 4.9.1 where by N is 55 of respondents and the significant level is 0.05, the findings shows that independent variables have a positive high correlation to dependent variable equal to .621** and the p-value is .001 which is less than 0.05. When p-value is less than significant level, therefore researchers conclude that variables are correlated. As conclusion alternative banking channels positively impacted financial performance of banks as witnessed by ZB bank. This indicate that there’s an important positive relationship between alternative banking channels and performance of ZB bank. In conclusion alternative banking channels positively impacted the performance of the bank as witnessed by of ZB bank.
ACKNOWLEDGEMENTS

First and foremost, I would like to thank the almighty, without his grace all this were impossible. The researcher would like to acknowledge the supervisor, Mr. S. Mhazo for the wonderful guidance and encouragement in the compilation of this research study. Lastly, I thank my family for their continuous support and financial support they gave me without them the dissertation would just be a skeleton without flesh. Thank you and God bless.
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<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATM</td>
<td>Automated Teller Machine</td>
</tr>
<tr>
<td>ROE</td>
<td>Return on Equity</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on Assets</td>
</tr>
<tr>
<td>BUSE</td>
<td>Bindura University of Science</td>
</tr>
<tr>
<td>POS</td>
<td>Point of Sale</td>
</tr>
<tr>
<td>SMS</td>
<td>Short Message Service</td>
</tr>
<tr>
<td>RBZ</td>
<td>Reserve Bank of Zimbabwe</td>
</tr>
<tr>
<td>SPSS</td>
<td>Scientific Packages for Social Science</td>
</tr>
<tr>
<td>PINS</td>
<td>Personal Identification Number</td>
</tr>
</tbody>
</table>
CHAPTER 1

INTRODUCTION

Introduction

This chapter main focus on introduces the research problem. It focuses its devotion on the background of the problem. The statement of the problem, the main objectives, and the importance of the research were also examined as well the assumptions that will be used in conducting the research

1.1 Background of the Study

Alternative banking delivery channels are new canals and methods for providing banking services to customers directly. Recently challenges in economies and the complexity of market positioned unusual burden on banks. The need for a digital means in addition to the technological revolution, as well as the significant demographic change and changes in regulatory structure, subjecting the finance sector to substantial challenges in a time of severe market uncertainty. Equally, this time presents also opportunities for commercial banks to adopt change resulting in modernization over the delivery of financial services Kohali & Sheleg (2011). In an attempt to optimize services and diminish costs, the banks are frequently moving towards a 24-7 service delivery where customers are enjoying the superior sense of liberation that this creates. Accessibility is the main and important pillar as customers calls for instant access to deposits, loans and status of their account.

The increase of the digital clients and the cost of physical bank branch infrastructure and remote locations are resulting to a diminishing return on investment and assets (PWC, 2012). Bank branches continue to be an essential, playing an important role in complexity of relationship creation and selling of products for individual, retail, organisation and small business customers. The change in customer ways of banking in modern economies placed a greater question on the role of traditional banking branches. Mwangi (2007) recommends an approach that will align branches and innovation moving trends and economic trends to help the bank boost its ROI and have a better position for the future result in sound performance. Financial institution is moving away from greater focus on manging physical branch and to alternate channels across all delivery platforms
Commercial banks are organisations that are after profit maximisation Hannsens & Schultz, (2001). This is the objective that makes alternative banking channel of great essence to banks since they help to lower cost and enhance service delivery to customers. Financial institution has moved their focus on renovation and upgrading their services to be able to provide 24-7- and 365-day service to its customers and also as a way of differentiation from competitors in the industry (Park & Weber, 2002). The rise of new market, technologies, process and competitor banks placed pressure on banks to apply these channels to enhance their market position and performance Parasuman et al (2001).

Locally, Zimbabwe banking system has experienced positive changes in the last 20 years. Technological innovations and varying situations in economies has gave a driving factor for positive changes in banking system. Zimbabwe commercial banks implementing these alternative banking channels to enhance new channel of delivery services at a very high rate. The financial institutions adopted internet banking, ATMs, mobile banking, agency banking and payment cards as technological ways to provide its banking service through an integrated channel, these includes a physical bank branches and delivery channels (Mwangi, 2007). These distribution channel serve to bring an established set of banking services and are part of delivery channels that may be used either distinctly or in combination to form the general delivery channel strategy. It is noted that mobile phone branchless banking has positively performed mainly in Zimbabwe with 8 million customers.

The table 1.1 show the trends in Alternative banking channel

<table>
<thead>
<tr>
<th>PAYMENT STREAMS</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>VALUES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RTGS</td>
<td>14,499,231,288.40</td>
<td>37,637,564,118.55</td>
</tr>
<tr>
<td>POS</td>
<td>1,583,489,239.03</td>
<td>4,151,729,138.56</td>
</tr>
<tr>
<td>ATMS</td>
<td>118,617,660.73</td>
<td>77,972,379.51</td>
</tr>
<tr>
<td>MOBILE</td>
<td>2,828,024,721.20</td>
<td>17,268,033,670.82</td>
</tr>
<tr>
<td>INTERNET</td>
<td>1,456,553,800.54</td>
<td>5,628,587,532.29</td>
</tr>
<tr>
<td>TOTAL VALUE</td>
<td><strong>20,485,916,709.90</strong></td>
<td><strong>64,763,886,839.73</strong></td>
</tr>
<tr>
<td>VOLUMES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RTGS</td>
<td>1,420,517</td>
<td>3,220,722</td>
</tr>
<tr>
<td>POS</td>
<td>47,685,061</td>
<td>130,085,342</td>
</tr>
<tr>
<td>ATMS</td>
<td>2,170,358</td>
<td>1,652,192</td>
</tr>
<tr>
<td>MOBILE</td>
<td>140,846,148</td>
<td>717,947,730</td>
</tr>
<tr>
<td>INTERNET</td>
<td>896,416</td>
<td>2,931,865</td>
</tr>
</tbody>
</table>
According to RBZ statistics above shows that the mobile payment has increased from 13 to 14% values and volumes. In total proportion the RTGS constituted 58% of values and volumes while the remaining 42% is for the other payment channels which comprises ATMs, payments cards, internet banking, mobile and POS shown in the table 1.1. According to the monetary policy (2018) there was a significant increase in all the channels in terms of value and volumes transacted using these channels.

Implementing alternative banking channels by banks have faced various hindrance which put in question the impacts of the ABC in the performance of banks Maungu, (2015). There are various challenges hindered which include security concerns, customers confidence, system failures, card cloning on the rise, transaction errors and rampant cases of network failures. Further with adoption of this alternative banking channels, it has been noted that bank halls continue to be congested. This challenges and trends in banking system puts more question on the impact of these channels of performance of the banks assumed that branches are still congested and more customer still visits these branches more often.

**1.2 Statement of the problem**

This research focuses on to establish the effects of alternative banking channels on financial performance specific with special reference given to ZB bank. Also seek to analyse the relationship of alternative banking channels and financial performance of ZB bank. The purpose of these study is to analyse the impact of alternative banking channels in Zimbabwe where there’s no effort made to understand the effects of these channels on performance of banks.

**Objectives of the study**

- To analyse the of alternative banking channels on the financial performance of commercial banks in Zimbabwe with special reference to ZB bank.
- To investigate the relationship between alternative banking channels and the financial performance of banks at ZB bank.
- To ascertain impacts of income from alternative banking channels on the financial performance of banks.
- To identify challenges faced by banks while using alternate channels
Research Questions

- What the effects does revenue from alternative banking channels have on the financial performance of bank.
- Is there interaction between alternative banking channels and the performance of banks case of ZB bank?
- What are challenges faced by banks while using alternative banking channels?
- What are the effects of alternative banking channels on the financial performance of commercial bank specific reference of ZB bank?

Significance of the research

1.5.1 To the financial institutions

The main focus of these study is to assist and to provide important insight and information to financial system, commercial banks executive to have a great appreciation of the effect of alternative banking channels on performance and how they can adopt it to boost the banking financial performance. It is of importance for the executive and for those responsible for making policies to have a great understating and have more of alternative banking channels with a notion of to making strategic decisions that leads to increase in increase of performance. The study is also important to the bank as it is going to give more information on to the bank on how to improve alternate channels to boost performance and also to promote smooth operations.

1.5.1 To the researcher

The researcher benefited to a greater extend in the field of banking and finance as he manages to collect important information about alternative banking channels. The researcher benefitted not only in academically but also in the communication skills since he got the chance to interact and interview major stakeholders in industry such as the executive, research and development management and team and information and technology specialist. Furthermore, the study was done as a partial fulfilment of the Bachelor of Business Studies Degree (Honours) in Banking and Finance.

1.5.3 To the university

This study is also going to be used and to provide literature to the student since it will be placed in the library collection on alternative banking channels. On top of literature it will also provide
students a clear understanding on the effects of alternate channels on performance of commercial banks which will encourage them to conduct additional or supplementary studies on the topic under consideration.

1.6 The assumption of study

The study was conducted base on the following assumption:

- The study presumed the findings of the study will apply to most commercial banks in Zimbabwe.
- Though they are numerous factors that affect ZB bank financial performance. It is assumed alternative banking channels is the only factor in this project.
- Subjects under examination shall remain constant throughout the period of research.

Delimitations of the study

The research was conducted in Harare at ZB bank Graniteside branch. Data used was collected from the departments of finance, treasury and investments. Executive management, middle managers, lower level management, accountants and senior accounts clerks were the only considered respondents to this research. The study undertaken covered the period from January 2011 to December 2018.

1.8 Limitations of the Study

- The research was based in Harare however, the researcher looked at the major departments of ZB bank.
- Not all the respondents did understand the requirements of the questions therefore the researcher had to explain the demands so as not to ruin the research findings.
- It was difficulty to get information from respondents because of privacy and confidentiality of information. To get access to this information the researcher assured total confidentiality.

1.9 Definition of key terms

**Financial performance** – The financial performance is the financial soundness of the organisation or the outcome that results from the decision made by management and how are they executed to improve the final performance of the firm (Greenwood & Jovanovic, 1990) financial performance is postulated as the degree to the organisation increase sales, profits and return on equity. Various of authors have postulated a tool, which encourages the use of non-
financial and financial performance through an integrated of four variables these are internal 
business processes, customers, learning and growth. The widely used measures of financial 
performance are categorised in five major groups namely solvency, profitability, liquidity and 
efficiency (Crane, 2010)

**Commercial bank**- is a financial institution the accepts deposits, offer loans to business, 
individual and corporations, mortgages to customers, offer saving, account checking services. 
A commercial bank is the type of financial institution where most customers do their banking, 
as compared to an investment bank.

**Alternative banking channels**- incorporate all other mean of provide banking services to 
customers outside of traditional banking that were previously used. ABCs compromises all 
various of providing services bought by recent technological advancement in technology that 
resulting in a diversified strategy. Alternative banking channels that are popularly used in 
modern banking comprises ATMs, mobile banking, internet banking, agency banking and 
payments cards (Chris et al, 2005).

**1.10 Summary**

This chapter presented the problem of research, the objectives, background, research questions, 
justifications and limitations of the study as well as the research scope. The following chapter 
looks at different author’s literature review and what other authors say about the presented 
problems and the other empirical studies done in the area of research by others related to the 
problem.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focuses on revelling philosophies and literature available from researches done by other scholars. The literature review in this cover a wide range of theoretical and empirical that have been done in the area of banking system. The study investigates the drivers of alternative banking channels and how this affects the banks in form of financial performance. Furthermore, the research is broken down into two sections of theoretical and empirical literature review. Furthermore, this chapter also identify the research gap in the previous research done and the current study.

2.1 Theoretical review

This theoretical review will be based on a number of theories done before in the of banking this will help identify how banks operate. These theories comprise the financial intermediation theory, resource based, transaction and management theory

2.2.1 Financial intermediation theory

The financial intermediation is a result of the work done by Gurley and Shaw (1960). This financial intermediation theory is based on the transaction cost theory, agency theory and information asymmetry Bert and Dick (2003). Financial intermediation is a process which involve the surplus unit depositing funds with the bank and the bank lend those funds to deficits units Bisignano (1992). As postulated the theory of financial intermediation come into existence to solve the problem associated with information asymmetry, high costs and regulation methods.

Financial intermediation theory regard institutions such as banks as a better way of lowering = the problem of information asymmetry and able to reduce transaction cost by attracting deposits at a lower cost and economies of scale through the availability of resources Alexandra et al, (2009). The most important influence of financial intermediaries is the steady flow of funds from surplus and deficit units. This study assumed the financial intermediation theory since it attempts to validate the main reasons for banks adopting alternative banking channels. This theory relates to research the through the idea that the banks attempts to improve performance by evolving channels that will allow customers to easily and suitably perform transaction with
the bank through the adoption of alternative channels and is assumed as a way that will promote long term growth and efficiency.

2.2.2 Resource base theory

This theory was based and developed from the research of Wernerfelt (1984) give more emphases on the essentials the firm’s resources have and the implication they have the performance of the of organisation. This theory postulates that the firm can obtain competitive edge to out compete its competitors in innovation and being able to give quality service to customers. This can be attained when the organisation has all the necessary resources and use them in optimality Barney (2011). The resource base theory also advocates that the numerous that the form has are important inputs of production Crook (2008). Currie (2009) proposes that firms are made up of numerous resources that aid in have a competitive edge.

The organisation abilities and capabilities dependents on quality and amount of resources that it possesses. In periods of intense and fierce competition an organisation needs to be at its best, utilising its available resource to their advantage to achieve competitive advantage. The performance of the firm is mainly determined by the competence of the available resource Crook (2008). The resource based is used to enlighten how organisations advance it position through innovation and delivering of quality service to customers, the main focus is on identifying the exceptional resource and exploiting them to their edge. The theory is of great importance the research because of the impression that companies with better and quality resources be in a greater position to innovate and adopting alternative banking channels to distribute services provided to customers efficiently thus profitability in the long run. The success of the firm is based on the competence of its resources.

2.2.3 Transaction cost theory

This notion was established by Coase (1937) who postulated that the transaction motivates the governance structure. The transaction cost are expenses incurred by customers when buying goods or services. Transaction cost also represent the effort and labour that is required to bring goods and service to market to facilitate exchange. The transaction cost theory advocates that in transaction the concern is the cost involved in the transfer of good or services. The view proposes that the cost of transaction typically rises when the considered transaction performed are uncertain. This notion was farther expounded and put into operation by Williamson (1985). Williamson (1985) suggested that, the transaction cost theory essential emphases is mainly the
cost of effecting transactions by one organisation. Coase (1937) further postulates that without taking transaction costs consideration, it is problematic for the organisational managers to clearly comprehend the operations and be able to develop successful policies. This view is essential to this research for its suggestion that organisations are evolving alternate channels to lower transaction cost for that firm and customers to generate more income through numerous transactions performed thus boost more transaction and diminishes cost to increase profitability result in performance.

2.2.4 Stakeholders Management Theory

Stakeholder management theory was established in the 80s work of freeman (1984. This theory has been used as a material technique since its development. It was developed to assist management to have a wider understanding of their accountability in the firm and for them to promote activities that create value in the organisation Rusconi (2007). The main objective is for management to find proper balance in factors and several relationships that can affect the firm and its effects on the in thriving to achieve its objectives Freeman & Philips (2002). The stake holder technique has been defined as strong way to have a clear understanding of the organisation its environment Oakley (2011).

This is a tool proposed to give a broad vision to management and their duties as well tasks that are beyond the profit maximisation objectives Mansuri & Rao (2004) and participants recognized in all operations of organisation, and also to recognise the different interest and rights of groups of the firm. Patton (2008) expounded stakeholder approach demands all participates with direct interest be involved in firm’s operation to obtain benefits and so that no informed decision will be made and all interest will be considered Karl (2007).

2.3 Conceptual framework

2.3.1 Types of alternative banking channels.

Alternative banking channels encompass of mobile banking, internet banking, telephone banking, ATM cards, agency banking.

2.3.2 Internet banking

Internet banking is become a very important services for the banks and its customers. Internet banking enables the account holders to have access and to be able to transact using their bank accounts through the bank’s website Essinger (1999). According to James, (2009) internet
banking comprises being able to access banking services such as payments of goods, statement of accounts, funds transfer, balance inquiry, account management, purchase of airtime and ZESA tokens using electronic devices in particular the computer, mobile phones without physically visiting the banking hall

Munyoki (2013) advocates that online or internet banking is widely used as a technique to retain and attract customers since now in business, cost of attracting customer is now expensive. Internet banking service is most probable to have positive contribution on the bank’s performance. Internet banking has gained momentum and has increasingly caught the attention from bankers and all other financial system stakeholders, regulators and policy makers. This is as a result of the positive contribution it poses to bring to the bank in particular the reduction of costs, increase revenue and flexibility it will bring for customers.

However, despite the attention, scarce literature still exists regarding internet banking, bankers and organisation policy markers are still using contingent information and speculations and market trends when handling such issues of internet banking Karen et al (2010). The use of internet lowers the bank cost in stationary, reduce level of staff required, increase commission income due to increased transaction and in Zimbabwe this makes more contribution to banks income and increase convenient for customers hence positive impacts on the bank profitability. Internet banking promote flexibility and give total control to customers compared to traditional banking Essinger (1999).

2.3.3 Automated Teller Machines (ATMs)

ATM are also called automated banking machine due to their function and capabilities. ATM are computerised electronic devices the provide access to withdrawals and depositing services to the account holders without any human intervention. In the developed countries this is the oldest alternative banking channel and new in the developing since they are still embracing technology in banking sector. The ATMs have the highest acceptance level by bank account holders (Hans & Kamath, 2013). The use of ATM cards on ATMs the account holders can now access account information and also be able to transaction. This facilitates the flexibility and convenience since the account holder does not have to visit the physical banking hall and facilitates 24-7 services to customer than to wait the other working day to be able to do their transaction. ATM also replace transaction system that were labour intensive and replace with paperless banking Ogbuji et al (2012). In Zimbabwe this channel is one of the mostly adopted due to a number of factors prevailing in the economy.
2.3.4 Payment card (Credit or Debits)

Payment card (electronic cards) part of payment system issued by financial institutions to customer that enables them to access their funds the designated bank accounts and it comprises debt and credit cards. These are physical plastic cards that are used to uniquely identify the account holder and can be used to make to electronic payments. Payment cards are used to make transactions on other electronic devices on particular ATMs and POS machine terminal that are used to make payment to the dealer or merchant with the protection of a four-digit password James (2009). This channel was widely adopted and used in Zimbabwe due to prevailing cash constrains in the economy and electronic card are used as a measure to lower the needs of hard cash in day to day activities that’s promoted its rapid adoption.

There are various types of payments cards that are used includes credits and debits cards. Debit cards are those used by individual who has saving account with a local bank and also is linked to an individual mobile phone provision of payment confirmation immediately, account balance inquiry and cash withdrawal from an ATM and POS terminal Littler (2006). Credit cards if a form of credit to the customer linked to a client normal bank account and the credit line provided repaid at the end of month, it can also be used a means of accessing local and international service provider.

2.3.5 Agency Banking

Agency banking involves providing banking services through partnership with shops, pharmacies, individuals other non-bank retail outlets to facilities convenience to financial services and as a way to promote financial inclusion. According to Mwangi (2011), these agents who provide agency banking are given contract based on a number of aspects the will be considers such as geographical area, credit rating, liquidity, ability to carry out money laundering procedures and the services they will provide as it is the major concern in the banking system and financial prospects of the business. The bank’s use of retail agents encourages convenient and easy accessibility and efficient to the account holders and potential customer since it reduces direct interference with the branch of the bank Ivatury, Lyman & Staschen (2006) thus promoting enhancing financial inclusion. This in long run will boost the bank market share result in more income and profits. The use of these agents presents a great opportunity to outreach people in remote location especially those in areas that a difficult to reach because of infrastructure and location. It has permitted customers to be able to have access to banking system service in particular, cash deposit, cash withdrawal, purchase ZESA
tokens, school fees payment and bank balance inquiry and also selling ZB Pauri card to customers conveniently within the comfort of area.

2.3.6 Mobile banking

This comprises the provision of banking services via the use of mobile phones devices. Mobile banking is an alternate channel where the users interacts with the bank through the use of mobile devise and computers that are connected to the internet of use contracted services provide channel Barnes & Corbitt (2003). ZB bank is used the mobile application called the ZB E-wallet app which is also linked to Khonapo Pauri card. This app allows even the non-account holders to access banking services without opening the actual account the same way like normal account holders. Porteous (2006) proclaims that organisations provide the mobile banking services allows their clients to have access to their accounts, ordering of financial statements, transfer of funds, credits and debits alerts and bill payments. This is becoming a very important aspect for banks since it is now very important to customers.

2.4 Financial Performance

Financial performance quantifies the effectiveness and efficiency by which the organisation its physical and financial resource or the capital to create wealth and add more value to its share. Some authors postulated the composed framework that gives background, encourages the use of financial and non-financial measure of performance through integration four aspects variables comprises the financial, business process, customers and growth Kaplan and Norton (1992). The key suggested measures of financial soundness these are liquidity, profitability, return on assets and equity and solvency Zenios et al (1999)

2.4.1 Determinants of financial performance of commercial banks.

Quach, (2005) postulated that a number of studies divided the determinants of performance into two broad categories these are internal and external determinants. Internal factors that determinants performance is those within the control of the management and broadly classified into to two these are financial variable and non-financial variable.

2.4.1.1 Financial Variables

Financial variables mainly focus the decisions affecting the objectives of the firm in the balance sheet and the statement of income comprise. The development of new products or innovation is a major task of the management, which also involves environment scanning, product
development, marketing needs and opportunity identification Quach (2005). The internal manageable factors comprise the asset quality, capital adequacy, liquidity and solvency Richardson (2002).

2.4.1.2 Liquidity

Liquidity is measuring how the firm is able to organisation to fulfil its short-term obligation financially as they mature without affecting the smooth operation of activities of the firm. Liquidity measures gives a clear indication of the firm’s capability to meet its all indebtedness if all of the assets are liquidated Zenios et al (1999). Two suggested measures and popular used measures of liquidity are the working capital and current ratio. Current ratio is a measure of the relationship between current asset and liabilities. If the ratio is high the more liquid the firm is said to be. Working capital is a measure of the availability of funds to fund finance day to day activities and keep operations going on daily basis for example purchase inputs and inventory Quach (2005).

2.4.1.3 Solvency

Solvency is the measure the amount of borrowed funds employed by the firm in capital in the organisation relation the amount injected by owners’ in the company called owners’ equity. Measures of solvency provide a clear indication organisation capability to fulfil all its obligation it the assets of the firm where to be liquidated. It is concerned with both long terms as short-term assets whereas liquidity is short term Quach (2005). Three popularly financial ratios to determine solvency are the debt to asset ratio and the equity to debt ratio Quach (2005). These three solvency ratios provide equivalent information.

2.4.1.4 Profitability

Profitability measures the level to which an organisation makes a profit from factors of production employed by the firm these are labour, capital and management. Is a particular measure of how a firm can utilise it available resources from primary source of business to generate income. Profitability relates to the interaction between the income and expenses of the firm and the level of income relative to the type of investment Quach (2005). Four important profitability ratios involve ROA, ROE, operating profit and net income

Alternative banking channels is one of the major aspects that have led to increased profitability in commercial banks in Zimbabwe in particular ZB bank. Alternative banking channels has led to the reduction of overhead cost of the banks for example labour, stationary and other related
costs. The use of these channels, customer no longer have to visit the physical branch to access their account this will lower the congestion in branches result in reduced labour costs and increased transaction hence increased profitability. Alternative banking channels provide continuous production to commercials banks even into remote areas since customer have 24 hours accessibility of their accounts

2.4.2 Non-Financial Factor

Non-financial variables comprise all the factors that has no direct impact to the performance of the firm. The examples of non-financial factors comprise the following ranges from management, ownership structure, size of the firm, location, status and number of branches promotes economies of scale and cost advantage in processing. According to Zenios et al. (1999) the ownership structure of the firm affects the performance of the firm be it private or public.

Technological advancement level in the economy is important for the effective functioning of alternative banking channel. The environment for business is changing due to the evolving of technology. Alternative banking channels has brought number of advantages to commercial banks in Zimbabwe. It has provided another source of profit for commercial banks in Zimbabwe a cash constrained economy. Mobile banking has allowed customers to transact through internet in instance ZB E-wallet app. Mobile banking has permitted customers to pay their bills easily for example DSTV and ZESA through e-wallet app. Technology has expressively reduced operating cost and increase its financial performance of banks.

2.5.0 Relationship between and financial performance
Table 2.1 Relationship between alternative banking channels and performance

2.5.1 Internet banking and financial performance

Internet banking is service that use electronic gadgets, network and internet to distribute and access banking services and products Beier, J. and, Fox, S. (2006). Internet (online) banking allow customers to do transactions in particular transfers of funds, balance inquiries, payments
of bills, and request mini statement Hernando, I., Nieto, M.J. (2007). Internet banking refers to a banking service that will be accessible to customers with the use of internet as a channel. The internet banking requires the customer to register and registered customers are provided with their unique credentials to log in to company website and access this service. It can also be referred to as online banking Gerrard and Cunningham (2003). It is beneficial to both the bank and customers, hence improved efficiency in delivery of service to clients. Internet banking is cost efficient and convenient way to provide services. Furthermore, the development of internet banking has changed and transformed the distribution channel in banking industry Giannakoudi (1999).

Internet banking has managed to improve efficiency in the banking sector in the way service are offered to customers. Zimbabwe financial institutions cannot turn a blind eye on information systems, they play a major role in the operation daily and since clients are becoming more aware and the need for technological innovations and need superior quality services the result in performance. In the study of internet banking and mobile banking of performance of banks in Zimbabwe it was resolved that the adoption of this channel will enhance performance of banking industry due to more deposits that will be attracted, increased number of transactions, convenience and transaction cost. This will result in improved performance Olivia M. (2012).

2.5.2 Agency banking and performance

Agency banking means the provision of banking services to the customers through the engaged agents abide by valid agency agreement. It is the owner of a retail outlet, who provide and conducts banking transactions on behalf of the bank Ferdous, Mosharafa & Farzana (2015). Bank agent refers to any third party who is contracted to acting on behalf of a bank Lauer, Dias, & Tarazi (2011). Traditional banking required customers to visit physical banking hall and make queues at to receive services from banks this affects the performance of the bank since it takes time and overcrowded. For this reason, commercial banks sought to move near to its customers by developing agents within local towns and locations Mwende, Bichanga and Mosoti (2015).

Agency banking has promoted greater accessibility to formal banking services and it’s a cheaper alternative to traditional branch-based banking. Through the use of delivery channels like retail outlets, mobile phones, internet and automated teller machines (ATMs) this was made possible. In pursuit take advantage of the cost-saving and accessibility brought about by
the agency banking, Zimbabwe financial institutions have over the last five years embarked on an aggressive development of agency banking to increase performance. (CBK 2014), suggested there was substantial increase in retail deposits in commercial banks that have adopted agency banking. Kithuka (2012), studied factors that affected the growth of agency banking in Kenya and concluded that convenience of its technology, accessibility and cost has influenced its use and adoption. Agency banking have managed to reduce queues in the banking considerably, more accounts being opened by the targeted populace and financial services made accessible to the unbanked and remote areas, these agents have significantly affected the performance of commercial banks.

2.5.3 Mobile banking and financial performance

Mobile banking is a banking service provided by banks in collaboration with network providers in collaboration with mobile network providers Rose (1999). It allows customer to conveniently access their banking transaction at anytime and anywhere in the country using their mobile devices. Mobile banking is also a mode to promote financial inclusion that is providing to those less privilege and low income and unbanked those that do not able to maintain normal account. Mobile banking services comprises accounts opening, balance inquiry and cash transfers within Zimbabwe and bill payments. Recent days mobile banking is accessed through the use of SMS services or the mobile internet through use of programs designed for mobile devices Hicks and Niehans, (1998) ZB E-wallet if the programme that banks offer to account holder and non-account to access the bank services through mobile.

Reed et al. (2014) postulated that innovations in technology is increasing the number of people having mobile phones but do not have bank accounts this presents an opportunity to the banks to fill the gap and increase client base through the introduction of this service. The postal and telecommunication regulation authority of Zimbabwe (POTRAZ) (2012) states that 10.9 million of 13 million population of Zimbabwe owns mobile phones, this is a viable opportunity for financial service to target this 70% of unbanked population that has mobile phones to increase performance. 70% of the population in Zimbabwe live in rural areas and only 11.7% have the access to the banking services according to Reserve Bank of Zimbabwe RBqQXZ31212Z (2011). The current situation in Zimbabwe of cash crisis results in almost 80% of transaction performed through mobile banking. In the study done by Hernando and Nieto (2007) on the effects of mobile banking on performance of Spanish commercial bank it was concluded that banks implemented mobile banking able to attract more customer base this
will result in increased more deposits more customers and this led to increased access to customer deposits, transaction and commissions resulting in performance.

**2.6 Challenges faced by banks in using alternative channels**

The development and adoption of a successful and effective transfer system in banking sector is associated with many challenges.

**Poor infrastructure**

In developing countries, the challenges faced associated with poor infrastructure and unreliable power supply and poor communication links. It requires government and organisation to provide stable power supply and reliable networks to facilitate the adoption and promote convenience Oleka (2009). Lack of government supports and regulation for the improvement of alternative banking channels, there should be a participation of the central bank to promote confidence in banking system.

**Security issues**

Lack of provision of adequate security systems for the prevention of fraud and money laundering, banks should resort to provide CCTV camera and other secondary measures in identifying and confirm the account owners and adopt good security measures preventing and detecting the efforts by computer hackers. The rampant increase in cases of card cloning in Zimbabwe banking sector, fraud cases caused by the adoption of these channels.

**Lack of adequate investment in capital and skill**

In the banking system funds are used to acquire the technologies in for upgrading and modernizing the existing channels that are in short supply. The lack of skill and investment in these skills that are required to help implement these channels. And also there are a number of banking systems which continue to experience innovation in term of development James (2009).

**Increase in risk associated alternative channels**

There are many risks that have been inherent in the use of ABC. According to BCBS (2001), the implementation of rapid changing technology has resulted to the development of new risks that are categorised as business strategic risks, operational risks and legal and reputation risks. ABC technology used by banks sector and other financial intermediaries opens paths for threats and opportunities. The implementation advantage of ABC is that performing out bank
transactions with the bank becomes more convenient. The drawback is that ABC may open the way for identity theft and other forms of unethical behaviour in banking.

2.7.0 Empirical Evidence

2.7.1 Kumbhar (2011) evaluated the alternative banking channels on the customer satisfaction in government and private sector in India Banks.

The research mainly focused on the factors that influences the customers satisfaction from alternative banking channels services provided by public and private banks in India. The factors involve education, age, service quality, brand perception and profession of the bank customers and perceived value. The research data was collected using scale based questionnaire. The other factors involve brand perception and perceived value of quality services were found to be positively relation with customer satisfaction. The findings show that there is significant relationship between the customer satisfaction and alternative channels. The study recommends that banks should enhance service quality of alternative banking channels to boost customer satisfaction.

2.7.2 Ndungu (2015) study the effects of alternative banking channels on financial performance of commercial banks in Kenya.

In this study by Ndungu a descriptive research design was employed the data used was the secondary date extracted from the bank's yearly reports and financial statements from the Central bank of Kenya. The findings of the study states that alternative banking channels such as mobile banking, agency banking and customers deposits caused 73.4 % in the financial performance of commercial banks in Kenya. The study found that the rate of mobile banking usage declined since 2013 but this also contradicts with the current trend in Zimbabwe where it is going up according to POTRAZ report (2017). The study concluded and recommend that banks should adopt more alternative banking channels and exploiting more innovation to increase financial performance.

2.7.3 DeYoung, R (2005) the performance of internet-based business models: Evidence from USA banking industry.

This study, De Young et al (2007) analysed the impact of electronic banking on the performance of bank in consideration of US community bank market and in relation to the performance of virtual click and mortar bank with brick and mortar bank. The findings determined that electronic banking enhances profitability of banks and hence income.
Electronic banking is driven by the need to lower costs of operations and maximise profit, as suggested by Simpson (2002). Banks that have embraced internet-based bank services delivery have enjoyed economies of scale. Delgado et al. (2004 and 2006) found the same result on banks that have adopted internet banking.


The research pursues to establish the relationship between performance and electronic banking components. The study used make use of the secondary data that was collected from the reports of commercial on the Central bank of Kenya. It made use of both the inferential and descriptive statistics. The study find that electronic banking has a significant effect on the financial performance of commercial in Kenya. There is a positive relation between the two variables of performance and electronic banking. The significance test illustrate that the effects of innovations and profitability was important meaning that the effect of these innovation is essential in explain the profitability of commercial banks.

### 2.7.5 Tchouassi (2012) sought to find the weather the mobile phones work to extend banking services to the unbanked using empirical evidence from countries in sub-Saharan Africa.

The research focused on the debate on how the mobile phones could be used to provide banking services to the unbanked, most vulnerable and poor population. The study identified that poor, vulnerable and low-income households in Sub-Saharan countries lacked access to bank services and accounts and faced high transaction cost in performing this financial transaction. Mobile phones create a great opportunity for the providing of financial services to the unbanked. This in the long run will result in performance of the bank.

### 2.8 Research Gap

The literature reviewed it is evident that more studies on various factors of innovation and on performance in particular mobile banking and internet banking. All these reviewed literatures did not focus on analysing the effects of alternative banking channels on financial performance in commercial banks in Zimbabwe focusing on all the variables discussed above. These previous studies provided important insights into these channels and few researches focus on alternative banking channels in other countries and none has been done in banking system of Zimbabwe. Hence this research sought to fill the research gap.
2.9 Summary

This chapter focuses on the model and theories that anchor the existence of banking system and the literatures that have been done in the areas of the banking system. Financial intermediation gives authoritative and instinctively forecasts on the importance of intermediaries guaranteeing a smooth flow of funds in from surplus to deficit unit. Resource based theory advocated that availability of the resources to determine the efficacy of the tools to determine profitability and performance. Transation cost theory advocates the firm reduce the cost they face offering services when offering services, the increase profitability hence performance.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter is going to focus and give a description of the way the study will be conducted will be accomplished, taking into consideration all the procedures and activities that will be assumed during the research. This chapter deals with the methods, styles and techniques that are used to gather data process and analyse data. This chapter is a collection of the following subsections these are design of the research, target population, sample design, instruments and data collection methods.

3.1 Research design

This research adopted a descriptive research design. Mugenda (2003) postulated that a descriptive study is mainly concerned with the findings out of where, what and how. Dul and Hak (2008) suggests that the research design is the road map or lay out to be followed when looking for answers to the study. The study adopted descriptive research and correlation analysis. Kothari (2004) suggests this tool is suitable for the identification of relationship exists between to variable or more. Hence, the descriptive design enables the researcher to examine the effects of alternative banking channels on financial performance in Zimbabwe in case study of ZB Bank.

3.1.1 Descriptive Research Design

Descriptive research design is a technique of data collection and gathering of information through interviews or the use of questionnaires to a sample or target. Berry (2004) postulate that a descriptive research design is used to obtain information regard the phenomenon and the relationship exists between the condition in a particular situation. The researcher opted this descriptive research design because it gives primary information through conducting questionnaire’s and interviews. The research design was proper in identifying the relationship exist between alternative banking channels and the financial performance of ZB bank. Descriptive research allowed for the collection of both quantitative and qualitative data and use of some statistical approaches were adopted to summaries the data.
3.2 Population size

Targeted population is the population that the researcher findings of the study will be generalise and extracted Mugenda & Mugenda (2003). Kothari (2004) describes a target population as the all the respondents in the environment of interest to the researcher. In this regard, the population target is 1 (one) commercial bank in Zimbabwe, case study of ZB bank.

3.3 Data collection

This is important part of the research since it gives the researcher correct from which the conclusion will be drawn Kombo & Tromp (2006). The study relied on both primary and secondary data extracted from ZB Bank website, financial statements of ZB bank, publications, industry analysis and trend analysis. The research considered a four-year period from 2014-2018.

3.3.1 Primary data

This is the information collected from the original sources. Collins et al (2000) postulated that for the researcher how the population feel, things they remember, the experience, what the motives and emotion e and reasons for acting in certain ways best way is to ask them. In this study the information gathered comprises of findings from original sources as questionnaire responses. The primary data collected and gathered was through questionnaires carried out including accounting department, Research department, E-banking department and Head of Alternate Channels. The justification for the use of primary data collection is very consistent and reliable since it is essential because it helps to provide recent and up to date information. However, this information is be expensive to collect this data as there is need more skill and communication skill to meet the relevant people so as to access and gain the information due to confidentiality.

3.3.2 Secondary Data

Secondary data is the data that is already filtered and collected for other reason but have a relevant to the topic under study Collins (2000). Secondary data extracted from the ZB bank Website, audited financial statements, publications, trends analysis and industry analysis. The data was be gathered from academic articles, management journals, financial gazette, internet, textbooks and other documents from the Reserve Bank of Zimbabwe. The secondary sources of higher quality since it has been scrutinized for credibility, window dressing,
misrepresentation and prejudice and prepared for publications. This data is cheap to collect and less time consuming.

3.4 Research instruments

3.4.1 Questionnaire

Saunders et al (2009) defined as a research instrument that consist of a series of question that are designed for the purpose of collecting data. Is a technique of data collection which respondents are have to answer asked question in a predetermined manner. It represents information in writing and requires answer to be in writing as per the question. In this study the researcher used self-administered questionnaires to gather and access required information from managers and employees of ZB bank. Questionnaires were distributed to middle managers, lower level, senior managers, managers, accountants and bankers. Questionnaires were then collected back after a two week.

3.4.1.1 Advantages of Questionnaire

The researcher adopted the use of questionnaire as one of the main techniques due to the various because of its advantages. Questionnaire is very economical since it can provide large amount of data for a relatively low cost as compared to interviews. Questionnaires ensures confidentiality and privacy of the information provided since there is no reason for respondents to fill in their names and this will help in the gathering effective information from the respondents.

3.4.1.2 Disadvantage of Questionnaire

The major drawback of questionnaires is optional that the respondent will answer if he /she is willing to, there’s no guarantee of responses. The researcher has to be care full with the wording, spelling and the jargon to be used for accurately capture of information. Have to consider careful the target population composition. The researcher had to make a lot of phone calls to achieve a favourable response rate. The questionnaire had its own drawbacks which that some of the respondents took time result in delaying in analysis of data

3.4.2 Documentary review

This study literature obtained and gathered from the organisation under consideration. The literature comprises of annual reports, financial statement and other relevant reports from the bank. This method was important in providing background information and facts about
alternative banking channels on performance of the bank before primary data could be collected. Before field data is collected, wide collection of data had been collected and this was used to cross check and provided statistical evidence with the primary data that is to be obtained by the field.

3.5.0 Reliability and Validity

3.5.1 Validity

Validity is the extent at which the survey measures the right elements that need to be measured. Measurement representing the degree to which the measure reproduces the underlying study done, that is, it measures what it is intended to measure. Leady (2001) suggested that validity is an effort to determine whether a type of measure actually measures what it will be supposed to measure. The questionnaires were distributed to individuals with the knowledge of the use and knowledge of Alternative banking channels. The respondents were professionals that is they provided valid information that they believed and assured to be valuable to the research. The sampling procedure ensured that the sample is a representative of ZB Bank thus ensuring validity of data collected.

3.5.2 Reliability

Reliability according to Muchengetwa (2010) refers to the degree to which research methods yield the same result. Particular technique applied continually to the same facet would produce the same results each time. It involves the degree of consistency and accuracy with which an instrument measures the characteristic it is intended to measure. Reliability means that the same results would be obtained other researchers if the study were to be done by other researchers using the same technique. The results will also be compared to the past researches to see if the reasons stated have any connection with other studies.

3.6.0 Sampling techniques

Sampling is the method of selecting a number of individuals to represent the larger population from which they are selected Coolican (1990). The researcher used both probability and non-probability sampling techniques.
3.6.1 Random Sampling

A population is selected independently of the other members of the population to represent a sample. Everyone in a population has an equal chance of being chosen to be part of the sample. However, this technique was not adopted by the researcher.

3.6.2 Non-probability sampling

Non-probability sampling states that the units that makes the sample are collected with no probability structure, the probability of selecting elements is unknown suggested Cooper and Schindler (2001). It is any sampling plans where without possible way to specify the probability unit will be considered in the sample. This study adopted the use of a non-probability sampling called convenience sampling. The researcher employed this method to get responses from management individuals in the Research and Finance department. Its justified by that the sample is created quickly with any additional burden to available resources because senior management had tight schedules due to their nature of job and travelled extensively.

3.6.3 Stratified sampling

Stratified sampling technique is a process of dividing the population into strata of small groups with similar characteristics after that the random sampling will be done so as to come up with a sample Remanyi (2002). The strata are formed based on some common characteristic in the population data, after dividing the population into strata researcher randomly select the sample. The justification of this sampling technique was to ensure that particular groups within a department are sufficiently represented in the sample and also to improve efficiency.

3.7 Data Analysis and Processing

Data analysis is the process of reducing accumulated data to controllable sizes, identifying trends, developing summaries and applying statistics techniques suggested Lancaster (2005). Quantitative and quantitative data collected from the bank’s yearly report and questionnaires distributed was analysed using inferential and descriptive statistics and also the statistical Social Sciences (SPSS V.21.0) and MS Excel was used to assist in data analysis. The research findings were presented using, figure, charts percentages, tabulations,

3.8 Summary

The chapter provided the background on how research is to be done. The instruments adopted in the study were analysed. It focused mainly at the research design, research instrument, data
collection and data analysis and process. Data collection was centred on a sample of respondents who includes of ZB Bank personnel’s and stakeholders. A number of data collection methods where used comprises questionnaires and secondary data form Bank reports and records. The following chapter will be the presentation and analysis of findings from this chapter.
CHAPTER IV

DATA PRESENTATION ANALYSIS AND DISCUSSION

4.0 Introduction

The main aim of this chapter is in the presentation, discussion and analysis of the finding of study data. The chapter comprises of the analysis of data, research findings obtained during the research process. The presentation of data is done by the of tables, bar graphs and pie charts. The primary and secondary data were used to improve validity and reliability of the research findings.

4.1 Questionnaire response rate

The response rate shows the percentage of the actual completed questionnaire completed relative to the number that where issued by the researcher issued by the researcher Remenyi (2002). The questionnaire response rate the is outlined below:

Table 4.1 Questionnaire response rate

<table>
<thead>
<tr>
<th>Sample</th>
<th>Targeted sample</th>
<th>Achieved sample</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>7</td>
<td>6</td>
<td>86</td>
</tr>
<tr>
<td>Middle Managers</td>
<td>12</td>
<td>9</td>
<td>75</td>
</tr>
<tr>
<td>E-banking department</td>
<td>10</td>
<td>8</td>
<td>100</td>
</tr>
<tr>
<td>Accountants</td>
<td>7</td>
<td>6</td>
<td>80</td>
</tr>
<tr>
<td>Bankers</td>
<td>14</td>
<td>11</td>
<td>78</td>
</tr>
<tr>
<td>Alternative Channels</td>
<td>5</td>
<td>4</td>
<td>80</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
<td>45</td>
<td>82</td>
</tr>
</tbody>
</table>

Source: Survey Data 2018

The table 4.1 clearly shows the target sample of questionnaires sent to executive, accountants, bankers, middle managers, e-banking and to alternative channel team. The highest response
rate of 100 was obtained from the E-banking department. Out of the 7 questionnaires targeted to executive, 6 questionnaires were completed and returned making up a 86% response which is a successful response rate. Alternate channel team had response rate of 80%. Middle managers had 75% response rate and overall 82% of response rate. The response rate of 82% is fit enough to reduce finding to be valid and reliable according to Collins et (2009)

4.2 Respondents Profile

4.2.1 The education level of respondents

Table 4.2 Educational level of respondents

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>PhDs</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>Masters</td>
<td>15</td>
<td>27</td>
</tr>
<tr>
<td>Degree</td>
<td>17</td>
<td>31</td>
</tr>
<tr>
<td>Professions</td>
<td>14</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data 2018

Table 4.2.2 shows that the respondent’s educational level, 25% of the respondents were professionals, 31% was degree holders, 27% master’s holders and 16% the PhDs holders. This means that since the respondents can read and write they can provide correct information, interpret and understand the information presents by questionnaire. The gathered data was believed to be consistent and was believed to be consistence and presented results. The respondents should have enough knowledge to read, understand and interpret questionnaires so that the findings are consistent Bell, J., (1995) postulated.
4.2.3 Age Structure

Figure 4.1 clearly shows that majority of banking sector employees age range between the ages 31 -35 years and they have 48% representation, followed the ages of 36 and above years of age with 35 representation and 23 % representing those between the ages 26-30 years while the remaining 9 % represents youth in between the ages 22 to 25 years of age. The old age still remains the dominant in the banking industry because of the experience they possess that is need in the banking sector to keep going and also that they have matured enough, the data collected was supposed to be more reliable.

Source: Primary Data 2018
4.3 Alternative Banking Channels tool adopted by ZB bank

Table 4.3 Alternative Banking Channel

<table>
<thead>
<tr>
<th>Alternative banking Channels</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency banking</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Mobile banking</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>ATMs</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Payments cards</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Internet banking</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data

Table 4.3 application of alternative banking channels in ZB bank, where 30% of the respondents agree that ZB bank applied alternative banking channels through mobile banking, 10% internet banking, 12% agency banking, 20% ATMs and 25% electronic cards. The research findings agree with the research findings of Suoranta and Mattila (2004) concluded that mobile banking is the most recent used alternative banking channel in modern day banking. This suggests that ZB bank adopted alternative banking channels in a numerous way varies from mobile, internet, agency, ATMs and payments cards. This is a good indication that delivery of banking services has improves bank financial performance indicated by the utilization of this channels. According to the RBZ monetary Policy (2018) large percentage of banks income was from commission from this channel since the facilitated transaction in a cash constrained economy.

4.4 Effects of payments cards on financial performance.

Payments cards (plastic money) is one of the alternatives banking channels that have been greatly adopted in Zimbabwe. There’s a great relationship between the payment’s cards and financial performance of banks usually on profitability and sales of the institution. The movement in the payment’s cards directly affects the profitability of banks in the modern societies due to technological advancement. The analysis will try to expose the effects of the
independent variable which is alternative banking channels against the dependent variables profitability and return on assets.

Source: Primary data 2018

4.2 Profitability and payments card

The figure 4.2 shows the degree to which payments card affects profitability of a bank. The highest percentage of respondents of 53% agrees the use of payments cards positively affects the profitability of bank. Some of the respondents go on to site reasons since Zimbabwe economy is cash constrained the use of payments cards increases commissions and fees since it is now the source of income due to decrease in interest income and other lending activities. Customer are failing to meet with draw their balances so they reside to the use of payments cards this increase the number of transaction and commissions hence profitability. 20% of respondents strongly agree, 16 % of respondents are neutral and 10% disagree. This finding is in concurrence with the Zimbabwe monetary policy of (2018) were there’s a sharp increase in use of payments cards by 6.41% from the previous year and constituted a large chunk of banks income.

4.5 Mobile banking and financial performance of ZB bank

The research also further pursues to find the effects of mobile banking on financial performance of ZB between the period of 2014 and 2018.
Table 4.4 Ratio of active e-wallets per year.

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>e-wallets registered</td>
<td>54 000</td>
<td>54 415</td>
<td>55 612</td>
<td>56 825</td>
<td>61 500</td>
</tr>
<tr>
<td>Ratio of Active e-wallets</td>
<td>1.6</td>
<td>0.8</td>
<td>2.2</td>
<td>2.1</td>
<td>7.6</td>
</tr>
</tbody>
</table>

Source: Research Data

The table 4.4 shows that there was an increase in the number of mobile banking users from 2014 by 1.6 to 7.6 in 2018 this was constituted by the move to achieve to goal of financial inclusion by 2020. Increase in e-wallet use increases the number of transactions per day that will be performed since more customer will use the option of balance inquiry, top up, ZIPIT and transfer and increase commission and fee to the bank.

Source: research data

The figure 4.3 Shows the most used electronic payment method
Figure 4.3 illustrate the electronic payment methods mostly used by ZB bank. From the above the RTGS comprises 40% of all the payments methods and is the highest followed by mobile banking with 26% of all the electronic payment methods bought by alternative banking channels, followed by 11% of internet banking, 18% of payments cards and with the least is ATMs lowest percentage of 5%. The above figure clearly show that mobile banking and internet banking have contributed significantly to the payment system and number of transactions performed this have effect on financial performance. RBZ (2018) monetary policy states that more than 99% of domestic transaction were through the mobile and electronic payments with mobile banking embrace the highest of 84%. This has been significantly caused by the objective of financial inclusion which is now possible through the use of mobile banking which now stands at more than 80% and also in comparison terms of Zimbabwe is now the one of leading countries in mobile banking services. Further from the monetary policy the mobile banking channel was the second highest in the years of 2018. In the study done by conclude that mobile banking service has altered the way banking actives done resulting in low transaction cost, congestion in the banking hall, reduce costs branch and, resulting in mobile branch

4.6 The roles of Alternative Banking Channels

Alternative banking channels play a number of pivotal roles in the provision of banking services which were previously provide by physical branch. Figure 4.6.1 show the major roles of these channels.
Figure 4.4 Roles of Alternative Banking Channels

The figure 4.4 illustrate the respondent’s perception on roles of Alternative banking channels in ZB bank. The illustration above shows that respondents agree that alternative banking channels are used for depositing, withdrawals, balance inquiry, transfers and bill payment. In this economy of Zimbabwe where cash is a major problem all the cash deposits are now done through the use of channels transfer 48% agree that it used for depositing and 52% agree for transfer. Alternative banking is used for depositing, withdrawal, transfer and balance inquiry with the bank. The respondents stated that the alternate channels for withdrawal of money from their bank accounts, it is now made convenient because customers can at any time and it have phased out paper banking that was so challenging to many customers due to used signatures. Customer can access all the services through the use ATM, mobile banking, internet banking, agency banking and payments cards direct from the bank and this can allow customer to make independent decision on amount to deposit or withdraw. Conclusion alternative banking channels promotes effectiveness and efficiency in service delivery since it provides banking to customer 24 hours at any time. This will in the greater extent promote performance.

4.6 Impacts of alternative Banking channels on income of ZB bank

Table 4.5 Contribution of alternate channels on total income of ZB bank
The table 4.5 shows the contribution exerted by the impacts of alternative banking channels on the overall income of ZB bank. There a significant increase in income largely contributed by the increase in commission and fees from these channels. The total percentage contribution will be illustrated in the figure below.

![Graph of % of total contribution to income of Alternate channels]

**Source: ZB financial analysis 2014-18**

**Figure 4.5 contribution of alternate channels to total income of ZB bank**

Figure 4.5 illustrates the total contribution of alternative banking channels in ZB bank. In 2014 the total contribution was only 66% and it was increasing from there to 72% in 2015, 75% in 2016, 78% in 2017 and 83% in 2018. This is as a result of changes in the banking system and innovations. Zimbabwe is faced with a cash crisis and customer have moved from traditional
way of banking to modern banking were almost 90% of transaction are done electronically. According to RBZ supervision report (2017) the banking system of Zimbabwe remained profitable in the years ended December 2018, with total aggregate amount of $241.94 million net profit. The total increase was principally driven by non-interest income, particularly from fees and commission related with electronic payments systems.

4.6 Financial performance of ZB Bank

Source: 2014-2018

Fig 4.6 Financial performance of ZB bank

Figure 4.6 shows the trends in financial performance of ZB bank. The trend shows the there was an increase in return on assets from 2014 to 2016 because on more investments on research and adoption of more alternate delivery channels to enhance the service delivery and to keep up with the ever-changing customer needs and technological advancement. We noticed a decrease in return on equity in 2015 to 2016 due to increase due to the introduction of bond note, cash crisis and changes in interest rates. The findings correspond with the study done by Opondo Mukhongo (2014) on the effects of alternative banking channel on profitability of commercial banks in the case of Co-operative bank of Kenya and it was concluded that when convenience of access services from banks through alternate channels increases profitability. ZB bank have performed well in the past years and large part of its income comes from fees and commission of alternative banking channels.
4.7 The effects of alternative banking channels on performance of ZB bank

Source: Primary Data 2018

Figure 4.7 shows the effects of alternative banking channels on the performance of ZB bank. On revenue, it indicates that all the respondents agree that alternative banking channels contribute positively to the revenue of the banks. 42% of respondents strongly agree and 58% agree that these channels contribute to the revenue of the banks. The major reasons for this increase are that they increase commission and fees, increase the number of transactions, and this is becoming a major source of income for banks due to major challenges in the Zimbabwe banking sector, such as cash crisis and high unemployment.

Alternative banking channels bring convenience to customers since they offer personalized banking at the comfort of their home and space. 35% of respondents strongly agree and the other 55% agree with this statement, while 10% disagree citing the challenges incurred on the side that will be discussed in the following chapter. Since it allows customers to perform banking transactions without visiting the bank branch, customers can now check their balance, transfer funds, deposit, and withdraw without physically visiting the bank. The illustration shows that the respondents agree that alternative channels have effects on the financial performance through lowering of cost and increase of assets. Alternative banking channels, as shown from the above figure, contribute to positive effects of performance. Opondo and Mukhongo (2014) on the effects of alternative banking channels on profitability of commercial banks.
banks in the case of Co-operative bank of Kenya and it was concluded that when convenience of access services from banks through alternate channels increases profitability. The findings concur with Asia (2015) that electronic banking promotes financial performance of bank through profit increase, management quality improved and increase in bank asset.

4.8 Benefits bought by the adoption of alternate channels in ZB bank

Alternative banking channels are of great essence the banking system of Zimbabwe because it came with a number of benefits that will in the long run result in positive financial performance of bank. The figure below shows the findings of the study and the major benefits accrue to ZB bank as a result of these alternative banking channels.

Source: Primary Data 2018

Figure 4.8 Benefits of alternative banking channels

Figure 4.8 shows the respondents 12(24%) agrees that alternative banking channels lower the cost of operation of the bank. Alternative banking channels lower the burden of expenditure to the bank though the lowering of cost through reduced manual labour wages and salaries, rents and cost of setting up a physical branch this will result in bank cutting cost of operation. All these channels help the bank since they can help customer to access banking services without physically visiting the bank.

Increase of revenue is also a major benefit of alternative banking channels 10 (20%) of respondents asserted that since these channels brings a number of positive contributions to the bank. These channels attract transaction cost this will be the source of income to ZB in the form of fees and commissions. In the past decade fees and commissions are the major source
of revenue that is making financial statement bank more attractive. Since the high level of unemployed and lack of investment in Zimbabwe resulted in the collapse of lending income. According to Zimbabwe monetary policy (2018) the large number of banks income was from fees and commission from these channels and all banks recorded profits.

Convenience of alternative banking channels allows banks to open for business anywhere and anytime through the use of internet connection and 8 (16%) of respondents where in support. ZB bank open 24 hrs a day, 365 days of the year. This makes banking easier, more efficient and even more effective because consumers are able to access their accounts whenever there like. Hence this results in fostering improved relations between clients and the institution hence rising profitability. The findings concur with Siam (2006) that the evolution of e-banking has completely transformed the way banking was done traditionally and the activities and way customers ways of doing banking transactions. Electronic banking offers.

### 4.8 Drawback of alternative banking channels in ZB bank

![Figure 4.8 Challenges affecting the implementation of alternative channels banking](image)

**Source: Primary Data 2018**

**Figure 4.8 Challenges affecting the implementation of alternative channels banking**

Figure 4.8 shows the factors affecting the implementation of alternative banking channels system in ZB bank. These factors range from system failure meaning that there are high cases of system failure in Zimbabwe banking system will result in customers face challenge to use alternative banking channels, 25% of the respondents of alternative banking channels
challenges are system failure. ZB bank, 21% lack of skill, 30% are security issues and 24% comes from inadequate skill. Internet coverage is a major problem in Zimbabwe because of poor infrastructure and remote locations and not all customer has internet facility.

Some of the customer don’t have the skill to operate have the alternative banking channels and this pose a great threat on financial performance of the bank. Lastly there is also a security issues threat as the systems can be accessed by unauthorised users and hackers and also a rampant case of card cloning this in danger both customers and bank inform of confidence, losses and confidentiality of customers information. These research findings were consistent with the arguments by Njuru (2007) that emphasize on the lack of required infrastructure, resource and skills from the team and power supply are major challenges faced by bank in using electronic banking.
4.9 The relationship between alternative banking channels and performance

Table 4.5 The relationship between alternative banking and performance

<table>
<thead>
<tr>
<th>Alternative Banking channels</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
<th>Financial Performance</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternative Banking channels</td>
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<td></td>
<td></td>
<td>Financial Performance</td>
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<td></td>
<td>55</td>
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<td>1</td>
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<td>55</td>
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<td></td>
<td>.621</td>
<td>.005</td>
<td>55</td>
<td>1</td>
<td>.005</td>
<td>.005</td>
<td>55</td>
</tr>
</tbody>
</table>

Correlation is significant at the 0.05 level (2-tailed)

The relationship of alternative banking channels and performance of ZB bank is given in the table 4.9.1 where N is 55 of respondents and the significant level is 0.05, the findings show that independent variables have a positive high correlation to dependent variable equal to .621** and the p-value is .001 which is less than 0.05. When p-value is less than significant level, therefore researchers conclude that variables are correlated. As conclusion alternative banking channels positively impacted financial performance of banks as witnessed by ZB bank. This indicate that there’s an important positive relationship between alternative banking channels and performance of ZB bank. In conclusion alternative banking channels positively impacted the performance of the bank as witnessed by ZB bank.

4.10 Chapter summary

The chapter was mainly focused on presentation and analysis the gathered data in research through questionnaires and secondary data sources form the ZB website. The questionnaire response and financial statements of the past five years and reports contributed a large chuck of data presented in this chapter. Most results obtained concurs with both theoretical and empirical literature. The next chapter will provide summaries, give conclusion and recommendations based on the findings of study.
CHARPTER V

SUMMARY, CONCLUSION AND RECOMANTATIONS

5.0 Introduction

This chapter summarizes the research findings, draws conclusions based on the study objectives and the researcher makes recommendations for further research. The main objective of this was to analyse the effects of alternate channels on financial performance of commercial banks in Zimbabwe case study of ZB bank. The limitations of the study are also highlighted.

5.1 Summary of findings

5.1.1 Alternative Banking Channels Tools used by ZB bank

The research shows that ZB bank uses various alternative banking channels tools in particular mobile banking, ATMs, internet banking, agency banking and payments cards. ZB bank have different alternative banking channels services for their customers in order to successfully provide. This different alternative banking channels promotes efficient and effective services distribution since clients now be able to withdraw and depositing, payment authorisation and balance enquiry with physically visiting the bank.

5.1.2 Effects of payments card on financial performance of ZB bank

The findings show that 52% of respondents agree that alternative banking channels affects profitability of commercial banks with 20% extremely agree that payments cards in the current Zimbabwe economy contribute more to the financial performance. Payments cards was widely adopted in Zimbabwe in the past decade as a result of cash crises. Mostly 3rds of transaction are being performed electronically according to RBZ statistics 2018 and also since all salaries are now being processed electronically this give rise to the adoption of payments card.

5.1.3 Effects of alternative banking channels on performance ZB bank

The respondents agreed alternative banking channels has positively impacted performance of ZB bank in that return on equity, return assets and net profit have been increasing for the last five years since 2014 to 2018. Customer’s satisfaction and confidence being restored, management quality improved and bank asset increased over the last five years. Banking technologies and innovations have positively impacted the financial performance of banks.
5.1.4 The relationship between alternative banking channels on Performance

The relationship of alternative banking channels and performance of ZB bank is given in the table 4.5 where N is 55 of respondents and the significant level is 0.05, the findings shows that independent variables have a positive high correlation to dependent variable equal to .621** and the p-value is .001 which is less than 0.05. When p-value is less than significant level, therefore researchers conclude that variables are correlated. As conclusion alternative banking channels positively impacted financial performance of banks as witnessed by ZB bank. This indicate that there’s an important positive relationship between alternative banking channels and performance of ZB bank. In conclusion alternative banking channels positively impacted the performance of the bank as witnessed by of ZB bank

5.2 Challenges of alternative banking channels in ZB bank

Drawbacks hampering the adoption of alternative banking channels tools in ZB bank, range from system failure meaning high case of system failure result in customer face challenges in accessing banking services. Internet coverage is also a major problem due to poor infrastructure, remote locations and lack of internet connectivity. Lack skills to operate the alternative banking channels technologies and negatively impact performance of the bank. Lastly issues of security as the system can be accessed by unauthorised users and hackers and rampant cases of card cloning this is a major threat to the bank and customers.

5.3 Conclusion

The research concludes there is a robust association exists between alternative banking channels on the financial performance of commercial banks in Zimbabwe case of ZB bank. The changes in the financial performance of banks can be credited to alternative banking channels. The study also concludes that ATMs banking, mobile banking, agency banking, payments cards and internet banking positively impact the financial performance of ZB bank and in a significant way. They have a great effect on the bank performance because they impact profitability return on equity, return on investment and assets, management, increase bank assets and promotes bank growth and expansion.

The relationship of alternative banking channels and performance of ZB bank is given in the table 4.5 where N is 55 of respondents and the significant level is 0.05, the findings shows that independent variables have a positive high correlation to dependent variable equal to .621** and the p-value is .001 which is less than 0.05. When p-value is less than significant
level, therefore researchers conclude that variables are correlated. As conclusion alternative banking channels positively impacted financial performance of banks as witnessed by ZB bank. This indicate that there’s an important positive relationship between alternative banking channels and performance of ZB bank. In conclusion alternative banking channels positively impacted the performance of the bank as witnessed by of ZB bank.

This means there’s interaction between alternative banking channels tools and performance of ZB bank. As conclusion alternative banking channels contributes to financial performance of banks in spite of few challenges in particular system failure, inadequate skills, poor infrastructure and security issues has a great threat to the reliability, speed, convenience, confidentiality and integrity of banks.

5.4 Recommendation

The study established that alternative banking channels tool that comprises ATMS banking, mobile banking, payments cards, agency banking and internet banking have affected the performance of ZB bank. Thus, the researcher wishes to make the following recommendations for policy makers. Commercial banks should invest heavily in alternative banking channels for instance agency banking mobile banking, ATMs, payments cards and internet banking and exploiting more innovation that enhance alternative banking since this will result in improved financial performance of the bank. The Zimbabwean government through its hand as Reserve Bank of Zimbabwe (RBZ) should come up with sound policies that create an attractive and conducive environment for commercial banks to invest in these channels and operate in since they have a positive impact economic growth of the country and channels fund and attract funds for economy growth. Banks should keep on upgrading their systems and technologies in order to minimise cases of system failure and errors and insure security of customers funds and information and efficient system for effective service distribution. The research recommends that ZB bank should promote and convince customer to embrace the use of payments cards this tool was found to be a positive relationship with the performance.
REFERENCES


APPENDIX 1

QUESTIONNAIRE

My name is Tatenda Innocent Mukuvvari, a fourth-year student at Bindura University pursuing a Bachelor of Business Studies (Honours) Degree in Banking and Finance. I am currently involved in carrying out a research in partial fulfilment of the degree programme. The focus of the research is concerned with assessing on the effects of alternative banking channels on the financial performance of commercial banks in Zimbabwe particular reference given to ZB bank, Harare. I would be most grateful if you would spare precious time and complete the questionnaire below. Your responses will be treated with utmost confidentiality and will be used strictly for academic purposes only. Your cooperation is greatly appreciated.

Instructions

The questionnaire is divided into two: Bio data of respondents and Specific objectives. Please tick the response that you think is most appropriate to each question and indicates your response in the space provided. Tick whichever is applicable to you:

A: BIO DATA

1. What is your age? (Tick appropriately)
   a. 22- 25 [    ]
   b. 26- 30 [    ]
   c. 31- 35 [    ]
   d. 36 and above [   ]

2. Educational qualification:
   a. Secondary [    ]
   b. Undergraduate [    ]
   c. Post graduate [    ]
   d. Others specify [    ]

3. How long have you been working with ZB bank?
   a) 1 - 3years [    ]
   b) 3 – 5 years [    ]
   c) 5– 10years [    ]
   d) 10 years and above [    ]

4. What is your position or department in ZB bank?
   Executive Manager [    ]
   Middle Manager [    ]
   E-banking department/ Alternative channel team [    ]
SECTION I: ALTERNATIVE BANKING CHANNELS TOOLS USED BY ZB BANK

5. What is your view on following ways ZB bank applies alternative banking channels?
Definition of the Scale for the assessing the application of alternative banking channels in ZB bank
(1 = strongly disagree, 2= disagree, 3= neither agree nor disagree, 4= agree, 5= strongly Agree)

<table>
<thead>
<tr>
<th>APPLICATION OF INTERNET BANKING</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOBILE BANKING</td>
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<tr>
<td>PAYMENT CARDS</td>
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<tr>
<td>INTERNET BANKING</td>
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<tr>
<td>AGENCY BANKING</td>
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</tr>
<tr>
<td>ATMS/POS</td>
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</table>

6. What types of alternative banking channels in ZB bank are you aware off?
   a. ATMs   [ ]
   b. Mobile banking [ ]
   c. Agency banking [ ]
   d. Payment cards [ ]
   e. Internet banking [ ]
   If others specify………………………………………. ……

7. Does alternative banking channels lower transaction cost?
   a. Strongly agree [ ]
   b. Agree [ ]
   c. Neither agree nor disagree [ ]
   d. Disagree [ ]
   e. Strongly disagree [ ]

8. Is there relationship between payments cards and financial performance?
   a. Strongly agree [ ]
   b. Agree [ ]
   c. Neither agree nor disagree [ ]
   d. Disagree [ ]
   e. Strongly disagree [ ]
9. How effective are the following roles in promoting banking efficiency?

<table>
<thead>
<tr>
<th>ROLES OF BANKING</th>
<th>STRONGLY AGREE</th>
<th>AGREE</th>
<th>DISAGREE</th>
<th>STRONG DISAGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEPOSITING</td>
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<tr>
<td>WITHDRAWAL</td>
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<td>TRANSFER OF FUNDS</td>
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<td>CHECK BALANCE</td>
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<tr>
<td>BILL PAYMENTS</td>
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</table>

If other specify ………………………………………………………………………………………………………

SECTIONII: FINANCIAL PERFORMANCE OF ZB BANK

10. Do you think alternative banking channels has promoted financial performance of the bank in the following ways?

Definition of the Scale for the assessing how alternative banking channels has promoted performance of ZB bank

(1 = strongly disagree, 2= disagree, 3= neither agree nor disagree, 4= agree, 5=strongly agree

<table>
<thead>
<tr>
<th>Performance Measures</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>Increased revenue</td>
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<tr>
<td>Reduced Cost</td>
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<td>Liquidity</td>
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<td>Profitability</td>
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<td></td>
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<tr>
<td>Increase assets</td>
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</table>

11. How was the financial performance of the bank for the last five years from 2014 to 2018?

a. Excellent               [ ]
b. Very good               [ ]
c. Good                    [ ]
d. Fair                    [ ]
e. Bad                     [ ]
15. Do you know about Capital Adequacy Ratio of measuring the capital base of banks?
YES [ ] NO [ ]

16. What is the Net Income Margin (NIM) of your Bank from 2014 to 2018?
(i) Below 10% [ ]
(ii) 10% [ ]
(iii) Above 10% (Specify) …………

17. Indicate the liquidity levels of the ZB bank using the following liquidity ratios for the years 2014-2018: (Please tick one appropriate answer);
(i) Less than adequate [ ]
(ii) Adequate [ ]
(iii) More than adequate [ ]

18. How was the financial performance of the bank before alternative banking channels?
   a. Excellent [ ]
   b. Very good [ ]
   c. Good [ ]
   d. Fair [ ]
   e. Bad [ ]

19. How was the financial performance of the bank after alternative banking channels?
   a. Excellent [ ]
   b. Very good [ ]
   c. Good [ ]
   d. Fair [ ]
   e. Bad [ ]

20. What are the factors affecting the effectiveness of alternative banking channels?
   a. Security issues
b. System failure

c. Inadequate skill

d. Poor infrastructure

e. Power failure

Others, specify ..............................................................................................................................................................................................................