

**E-BANKING ADOPTION AND BUSINESS PERFORMANCE OF SMES IN UGANDA A  
CASE STUDY OF KABALE MUNICIPALITY.**

**BY**

**NAKAZIBWE MARTHA**

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KABALE UNIVERSITY**

**MARCH, 2023**

## **DECLARATION**

I, NAKAZIBWE MARTHA hereby declare that this dissertation is my original work and has never been submitted to any University or institution of higher learning for any award.

Signature.....

Date.....

**NAKAZIBWE MARTHA**

**2020/A/MBA/2088/W**

## APPROVAL

This is dissertation by NAKAZIBWE MARTHA has been done under our supervision and guidance and is now ready for submission to Kabale University examination board with my approval.

Signature.....

Date.....

Dr Sunday Arthur

Supervisor

Signature.....

Date.....

Ms Anny Bwengye Katabaazi

Second Supervisor

## **DEDICATION**

I dedicate this research dissertation to my beloved family, my son Kamoga Reuben Yiga and friends who helped me financially, spiritually and emotionally and have made me who I am. May God bless you so much.

## **ACKNOWLEDGEMENTS**

I am most grateful to God, who has led me and provided me with the knowledge necessary to complete this research dissertation. I am overjoyed with the blessings he has given me.

I would want to express my deep gratitude to my dear family, who did all for me and helped me succeed academically.

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## LIST OF ACRONYMS

**SMEs:**        **Small and Medium Enterprises**

**E-B:**         **Electronic Banking**

## ABSTRACT

This research was conducted in Kabale municipality Kabale District to examine the effect of e-banking adoption on business performance of SMEs. The predictor variables under study were Level of E-banking, Level of Business performance and relationship between variables while business performance of SMEs was the outcome variable. The study followed a cross sectional survey. Data from 109 respondents was collected and analyzed quantitatively complemented with qualitative analysis. Since descriptive analysis entailed description of a single variable and its attributes, frequency tables were used to present the data. At the bivariate level, a Pearson correlation matrix was conducted to ascertain the relationships between the predictor variables and the dependent variable. A linear regression model was used to fit the data. Research findings from the regression model show that level of e-banking adoption ( $R= r=668^{**}$ ), level of business performance ( $R=456$  and relationship between variables ( $R=549$ ) have a positive significance. The main conclusion drawn from this research is that level of e-banking, level of business performance of SMEs and the relationship between variables. The study therefore recommends that the report suggests that in order to reduce the financial risks associated with moving money around, all SMEs in Kabale Municipality should switch to electronic banking

# CHAPTER ONE

## INTRODUCTION

### 1.0. Introduction

This chapter examined the effect of adoption e-banking on business performance of SMES in Uganda. a case study of Kabale municipality. E-banking was independent variable while business performance was dependent variable. Adoption E-banking was measured by web- usability, security, convenience while Business performance was conceived by revenue Growth, Customer Satisfaction Level of Transactions. Therefore, this study covered the background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, and hypothesis of the study, justification of the study, significance of the study, scope of the study, conceptual framework and definitions of operational terms.

### 1.1. Background of the study

#### 1.1.1. Historical perspective

Success of SMEs, which are recognized as the main economic drivers in both advanced and transitioning countries, is crucial for any nation's economic stability (Kitigin, et al 2021). They make a vital contribution to economic development, the reduction of poverty, and job creation in all economies. In the majority of EU member states, SMEs make up more than 99 percent of businesses. In the UK, SMEs account for 67 percent of jobs and 59 percent of GDP. By 2013, the MSE sector employed 6.4 million people, provided up to 84% of all jobs, and contributed 18.4% of GDP (Basri, & Shetty, 2018). While exploiting the enormous potential of e-banking solutions, the majority of SMEs lag behind the economies of the rest of the world, forfeiting the benefits, claim Karim et al. (2018). Instead of implementing E-banking all at once, it must be done so gradually and in little phases. In keeping with their corporate goal, SMEs who use e-banking techniques gain access to new markets, networking opportunities, and customer service networks (Jibril, et al, 2020). The performance of SME businesses is impacted by the adoption of e-banking

technology. An environment that is beneficial to SMEs is created by the installation of e-banking systems, which aims to reduce cash management costs and enhance payment system performance (Hanafizadeh, & Ravasan, 2018).

The African continent has grown significantly in recent decades when compared to the rest of the world. For instance, while the rest of the world's nations struggled with economic growth, including South America and Europe, African growth averaged more than 5% during the past 10 years, much above that of America. Certain countries on the continent, notably Zimbabwe, Angola, Rwanda, and Malawi, are doing well despite the region's overall consistent growth. A significant boost to long-term economic growth is predicted as a result of Africa's generally positive growth and direct investment, mainly from the USA, China, and India.

SMEs make up more than 90% of businesses in Africa and almost 50% of the continent's GDP (Engwa et al., 2021). For instance, SMEs in Kenya account for 40% of the GDP, over 50% of newly created jobs, and 80% of the workforce (Kitigin, & Khavere, 2021). In 2003, SMEs employed 3.2 million Kenyans. Similar to this, SMEs accounted up 70% of all industrial jobs and 95% of Nigeria's manufacturing sector, as well as 70% of all businesses and 70% of Ghana's workforce. Also, this sector employs 18% of Zambia's workforce and 97% of businesses (Parker, 1996). In addition to their significant and positive contributions, SMEs in Africa face a number of challenges, including inadequate knowledge, corruption, a lack of funding, insufficient managerial capabilities, and limited access to power. It is remarkable that the majority of African governments give very little assistance to SMEs, ignoring a significant economic engine that should be one of the pillars of development.

The Uganda Ministry of Trade, Industry, and Cooperatives (MTIC), 2015 reports that SMEs in Uganda account for 90% of all jobs and 18% of the nation's GDP. SME contributions to GDP are; still, lower than in other nations throughout the world. It is seen as being of utmost significance to the growth of small and medium-sized enterprises (SMEs) in the country (Kimiagari, & Baei,

2022). Mujahed et al. (2021) list management competency and skills, a lack of business management training, inadequate financial knowledge, and technological limits as challenges in a business' internal environment. Management skills have a positive impact on SMEs' performance. Most small business owner-managers struggle severely with financial literacy and have very little knowledge of accounting and finance. On the other hand, owner-managers of small and micro firms frequently lack knowledge of financial concerns, and those who are not skilled in financial planning even disregard the information gathered from financial statements. According to Al-Omouh, et al. (2019), the adoption of internet banking has increased in Uganda, hastening the country's shift to a cashless society. The electronic system's objective, according to Hanafizadeh, et al. (2018), is to promote electronic payment methods rather than to discourage cash holdings. E-banking has significantly changed how many businesses in Uganda conduct business, and this trend is expected to last. According to Kitigin et al. (2021), exposure to a bigger market, stronger customer support, reliability, and accessibility, as well as improved operating performance and increased supplier partnership capabilities, are some of the benefits of E-banking for the commercial performance of SMEs.

Jibril et al. (2020) assert that a number of factors prevent SMEs from adopting e-banking, including unequal infrastructure distribution, unequal technological access capabilities across socioeconomic strata, and sizable population segments without Internet access. Because they dislike online transactions and prefer in-person contacts, the majority of customers who use the internet or have the opportunity to do so lack an innovative culture. So, in order to promote investment in the area, it was necessary to identify new factors impacting the relationship between e-banking usage and SMEs' success through research (Nashold 2022). Agaba & Turyasingura (2022) list a number of obstacles to SMEs using e-banking, including uneven infrastructure distribution, unequal socioeconomic class access to technology, and sizable population segments without Internet access. However, as evidenced by their dislike of online transactions and



preference for face-to-face interactions, the majority of SMEs that use the internet or have the capability to do so lack a creative culture. In order to further encourage investment in the field, research was needed to discover the additional factors impacting the association between e-banking technology and MSE performance (Nashold, 2020). Despite major technological advancements on a global scale, Uganda's small businesses are still limited by a lack of technical implementation. Without technology, small businesses find it difficult to compete or grow. As a result, business managers need to up their game and embrace the quickly changing technology

### **1.1.2. Theoretical background**

The theory of constraints, which was created by Goldratt and Cox, served as the study's guiding principle (1984). According to the theory, business productivity is constrained. According to the notion of constraints, at least one restriction limits a system's ability to execute and accomplish its objectives. The performance of the system can be improved by locating the constraint that is the most restrictive. The theory's strength is that, by making the restriction more efficient, capacity is raised. It makes it possible to produce more goods. It raises revenue. Because the limitation is optimized, lead time is cut down. The process of improvement is highlighted by its strength. Because it focuses primarily on generating quick changes, TOC is the ideal answer in circumstances when there is an urgent need to improve. Limitations are what prevent an association from accomplishing its objectives. Because of the quality of this study, it will be founded on The Theory of Constraints. This study was based on the strength of the theory to understand the effect of e-banking adoption and business performance of SMES in Kabale district

### **1.1.3. Conceptual perspective**

The study examined the effect of E-banking on business performance of SMEs in Uganda, a case study of Kabale Municipality.

ATMs (Automated Teller Machines) are defined by channels of electronic banking: These machines are accessible in public spaces and banks. Using an ATM, debit card, credit card, or

Internet banking? Here are some things to keep in mind. Telephone banking, online banking, core banking, mobile banking, SMS banking, and internet banking (Chmielarz, & Zborowski, 2020)

It has been said that technological access capabilities are the firm's capacity to design and develop new processes, products, and upgrade knowledge and skills about the physical environment in a distinctive way, and to transform the knowledge into instructions and designs for effectively producing desired performance (Kimiagari, & Baei, 2022). Technological capability is the ability of the company to execute any relevant technical function, including the ability to develop new products, processes, and technological knowledge in order to obtain higher levels of organizational efficiency (Al-Fahim, et al, 2022). A level of internet connection is a connection offered by an Internet Service Provider that lets particular computers or other hardware units to exchange data over the open Internet. These units may be used singly or as part of a Local Area Network (Martin, et al, 2018).

Business performance is the ability of a corporation to adopt optimal organization with the goal of providing a product or service that satisfies the expectations of consumers and customers determines business performance, which is strongly related to commercial effectiveness (Mohammed, 2020). The phrase "business performance" refers to how well an organization is performing. Depending on their business, objectives, and size, various firms may have varied ideas of what optimal performance looks like. Using metrics that assess several components of their operations, businesses can gauge their performance (Vijaya, & Irwansyah, 2019).

Small and medium-sized enterprises, (SMEs) are companies with staff and income below a particular threshold (Mousa et al 2021). Revenue Growth is the amount of money your business produces during a predetermined period of time relative to the same period the year before (Rajasulochana, & Khizerulla, 2022). The revenue growth indicator is crucial since it shows the state of a company's sales, and as a result, it is still a common way to determine how successfully a company sells its own goods and/or services (Mohammed, (2020).

Customer satisfaction is a metric that measures a company's customers' level of satisfaction with its goods, services, and capabilities (Vijaya, & Irwansyah, 2019). Information about customer satisfaction, such as surveys and ratings, can assist a business in deciding how best to adjust or improve its goods and services. Customer satisfaction is a term frequently used in marketing. It is a measure of how products and services supplied by a company meet or surpass customer expectation. Financial transaction is an agreement or communication between a buyer and a seller to trade products, services, or assets in exchange for money (Kingshott, et al, 2018). Financial transaction is an agreement, or communication, between a buyer and seller to exchange goods, services, or assets for payment. Any transaction involves a change in the status of the finances of two or more businesses or individuals (Sinha, 2019).

E-banking is the delivery of various financial services and products via electronic and telecommunications networks (Nduta, & Wanjira, 2019). With a computer or mobile device, a customer can handle various transactions and access account information thanks to e-banking (Chmielarz, & Zborowski2020). Internet banking is a sort of electronic payment system that enables customers of banks and other financial organizations to conduct a range of financial transactions via the financial institution's website, often known as internet banking, online banking, or home banking (Mavaza,2019). Branches, field representatives, automated teller machines (ATMs), payment terminals, point-of-sale devices, mobile branches, mobile phones, and internet banking (e-banking) will all be used as delivery channels for infrastructure distribution (Al-Fahim, et al,2022). Business performance is a collection of performance management and analytical procedures that makes it possible to control the performance of an organization in order to meet one or more predetermined objectives ((Mavaza,2019).

#### **1.1.4. Contextual Background.**

The Kabale district in southwest Uganda is where the Kabale municipality is situated. Kabale was granted the status of a town board in 1958 after first being acknowledged as a township authority

in 1932. In 1962, it was established as a town council, and in 1984, it became a municipality. (Kitigin, 2021). Since its founding, the municipality has served as a home to numerous SMES. SMEs in the regions where they operate encounter several challenges as a result of the limited availability of E-banking. Using electronic banking has many benefits for SMEs. SMEs can control their bank accounts more effectively and incur less transaction costs since they can check account balances, make payments, pay invoices, and collect receivables. Yet, SMEs in Kabale Municipality face challenges as a result of their unique traits that reduce their risk tolerance.

## **1.2. Statement of the problem**

In Kabale Municipality, SMEs are not performing well. Kitigin et al (2022). Access to technology is causing the SMEs in the municipality increasing amounts of anxiety. E-debut banking's appears to be the primary issue. Since they no longer keep track of account balances, make payments, pay bills, and collect receivables, small and medium-sized businesses (SMEs) are having problems maintaining their bank accounts and cutting transaction costs (Al-Gharaibah, 2020). Turyasingura et al. (2022) claim that there hasn't been much advancement in educating Kabale Municipality's SMEs about the benefits of electronic banking and how they might enhance company operations. Businesses in Kabale continue to have low commercial performance as a result of inadequate e-banking adaptation. Only 5% to 10%, according to Private Sector Foundation (2016), have used e-banking. According to Jibril et al., many SMEs in Kabale municipality will continue to fail if they don't use modern E-banking technologies (2020). Infrastructure expansion, technological accessibility, internet connectivity speed, and the creative environment that fosters the adoption of new technologies can all be viewed as contributing factors in this. Despite the association between these two problems having been highlighted elsewhere in Uganda, there is no empirical evidence linking the challenges with e-banking adoption with the poor performance of SMEs in Kabale Municipality. This study seeks to investigate the impact of E-banking adoption on business

performance of SMEs and propose solutions to the problems in order for SMEs to profit from their labor by utilizing E-banking.

### **1.3. Purpose of the study**

The purpose of the study is to examine the effect of E-banking adoption on the performance of SMEs in Uganda: A case study of Kabale Municipality.

### **1.4. Objective of the study**

- 1) To establish the level of E-banking adoption of SMEs in Kabale Municipality
- 2) To establish the level of business performance of SMEs in Kabale Municipality
- 3) To establish the relationship between E-banking adoption and business performance of SMEs in Kabale Municipality

**3.1** To examine the relationship between Technological access and business performance of SMEs in Kabale Municipality

**3.2** To establish the relationship between internet connectivity and business performance of SMEs in Kabale Municipality

**3.3** To establish the relationship between innovative culture and business performance of SMEs in Kabale Municipality

### **1.5. Research Questions**

- 1) What is the level of E-banking adoption on business performance of SMEs in Kabale Municipality?
- 2) What is the level of business performance of SMEs in Kabale Municipality?
- 3) Is there a relationship between E-banking adoption and business performance of SMEs in Kabale Municipality?

### **1.6. Research Hypothesis**

1. There is no relationship between E-banking adoption and business performance of SMEs in Kabale Municipality

1.1 There is no relationship between Technological access and business performance of SMEs in Kabale Municipality

- 1.2 There is no relationship between internet Connectivity and business performance of SMEs in Kabale Municipality
- 1.3 There is no relationship between Innovative Culture and business performance of SMEs in Kabale Municipality
2. There is no significant effect between E-banking adoption and business performance of SMEs in Kabale Municipality
  - 2.1 There is no significant influence between Technological access and business performance of SMEs in Kabale Municipality
  - 2.2 There is no significant influence between internet Connectivity and business performance of SMEs in Kabale Municipality
  - 2.3 There is no significant influence between Innovative Culture and business performance of SMEs in Kabale Municipality

### **1.7. Significance of the study**

- 1) This study aims to increase public awareness of how infrequently Businesses use e-banking services. This could help them develop tactics that are appropriate given the study's findings and recommendations for how to boost SMEs' adoption and use of these services.
- 2) The issues and recommendations that may be raised by this study may inspire other researchers to become engaged in gathering more data regarding e-banking literacy and abilities and how they affect the financial management of SMEs from different aspects.
- 3) For those wishing to encourage SMEs to frequently utilize electronic banking, the findings of this study may serve as the basis for further research.

### **1.8. Scope of the study**

#### **1.8.1. Content Scope**

This study was limited to the effect of E- banking adoption on business performance of SMEs in Kabale Municipality. The dependent variable was business performance

of SMEs and the independent variable was be adoption of Electronic banking,

### **1.8.2. Geographical scope**

This study was conducted in Kabale Municipality district in South Western Uganda.

The choice of this area is because it has a wide range of SMEs and many financial institutions in the area.

### **1.8.3. Time Scope**

Due to the fact that during this time period, numerous financial institutions upgraded their electronic banking services, this study took a 3-year window from 2019 to 2021. (Agaba et al, 2020). This time frame allowed the researcher to gather the knowledge from the pertinent literature required for an accurate investigation of the study variables.

## **1.9. Operational Definition of Key Terms**

**SMEs** will mean Small and medium-sized enterprises

**Business performance** will mean a set of performance management and analytic processes that enables the management of an organization's performance to achieve one or more pre-selected goals

**E-Banking** is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website.

**Technology capabilities** will mean the ability of the company to execute any relevant technical function, including the ability to develop new products, processes, and technological knowledge in order to obtain higher levels of organizational efficiency

**A level of internet connection will mean** a connection offered by an Internet Service Provider that lets particular computers or other hardware units to exchange data over the open Internet.

**Customer satisfaction** will mean a metric that measures a company's customers' level of satisfaction with its goods, services, and capabilities

## **CHAPTER TWO:**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter includes research on the particular variable mentioned in the conceptual framework and study objectives. On the basis of the theoretical review and the study's objectives, an analytical evaluation of the literature was conducted, focusing on the effect of technical access capabilities, internet connectivity, and innovative culture on the performance of SMEs' businesses. The definitions of burden, causes, effects, and potential interventions of E-banking adoption on business performance of SMEs are highlighted in this chapter.

#### **2.1 Theoretical review**

##### **2.1.1. The Theory of Constraints**

The theory of constraints, which was created by Goldratt and Cox, served as the study's guiding principle (1984). According to the theory, business productivity is constrained. According to the notion of constraints, at least one restriction limits a system's ability to execute and accomplish its objectives. The performance of the system can be improved by locating the constraint that is the most restrictive. The theory's strength is that, by making the restriction more efficient, capacity is raised. It makes it possible to produce more goods. It raises revenue. Because the limitation is optimized, lead time is cut down. The process of improvement is highlighted by its strength. Because it focuses primarily on generating quick changes, TOC is the ideal answer in circumstances when there is an urgent need to improve. Limitations are what prevent an association from accomplishing its objectives. Because of the quality of this study, it will be founded on The Theory of Constraints. This study was based on the strength of the theory to understand the effect of e-banking adoption and business performance of SMES in Kabale district



### **2.1.2. Theory of entrepreneurship**

Richard Cantillon created the theory of entrepreneurship in 1755. According to the notion, SMEs must adapt to a dynamic, shifting ecosystem that sustains national and international borders in order to support their ongoing, sustainable contributions to economic growth. In order to increase production and output, the businessperson shifts financial resources from a place with low productivity. Theory of Entrepreneurship's strength is that, it helps the SMEs comprehend the diverse entrepreneurial behaviors that different entrepreneurs display. They help one comprehend the necessity of entrepreneurship and the reasons why some people exhibit greater levels of entrepreneurship than others. The theory highlights different methods and viewpoints held by businesspeople. The typical entrepreneur puts in 66 hours a week, but many put in much more. It can be challenging to take a step back when you feel like everything depends on you. One of the most upsetting difficulties in entrepreneurship is that it may lead to burnout, damage your relationships, and even be detrimental to your health.

### **2.1.3. Technology Acceptance Model**

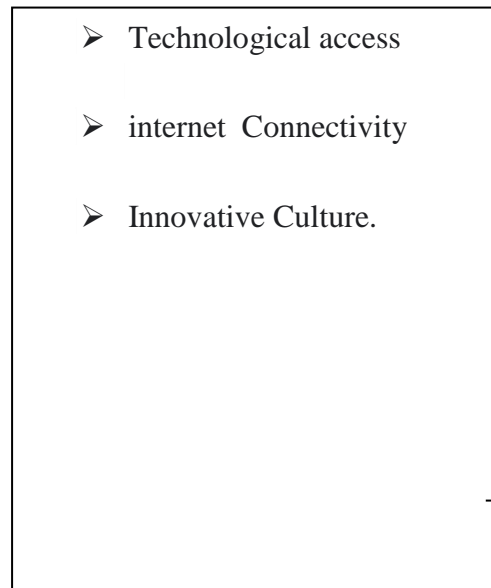
The Technological Acceptance Model by Fred Davis (1989) was also utilized in this study (TAM). According to the idea, the Technology Adoption Model is fueled by a focus on technological difficulties. This model illustrates how individuals utilize IT and their behavioral objectives (Kitigin, et al, 2021). It is hypothesized that a person's genuine conduct is influenced by his or her attitude toward and perception of the utility of that technology, which together make up his or her behavioral intent to use or social expectation to use. Yet, philosophy and the perceived utility of technology are both impacted by usability. Before adopting the TAM, it is essential to comprehend the demands of end users in terms of utility and usability (Karim & Gide, 2019). Usability and usefulness have an impact on users' impressions of any service in this paradigm. Additionally, Basri & Shetty (2018) advocate analyzing consumer criteria based on perceived utility and system usability rather to utilizing any objective assessment. The research makes the assumption that

Davis's findings point to the application of e-banking technology traits. TAM offers factual proof in favor of the theory that perceived utility and usability are driving forces behind technology adoption. Its adoption is further elucidated by a variety of end-user technologies (Ogutu, 2018). Throughout a wide range of empirical TAM analyses, perceived utility continually emerged as a strong predictor of the intention to adopt IT (Hanafizadeh, & Ravasan, 2018). Understanding the components of perceived utility and perceived ease of use constructs is essential since they serve as the main drivers of user-intention and evolve over time as a result of increased system usage.

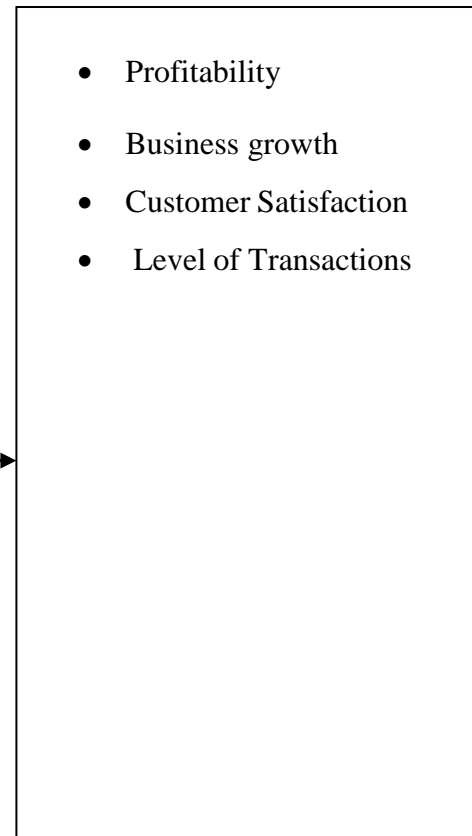
## 2.1. Conceptual Background

**Figure 1: Conceptual Background**

### Adoption E-banking (IV)



### Business Performance of SMEs



**Source: Ying-, et al, (2017) Modified by the Researcher 2023.**

Adoption E-banking is an independent variable conceptualized by technological access capabilities, level of internet connection and innovative culture. Business performance of SMEs was dependent variable by accountability, revenue Growth, customer satisfaction and level of Transactions

## 2.2. Level of performance of E-banking adoption

One of the most modern e-banking services is online banking, which refers to any method that allows consumers to conduct financial transactions electronically rather than in person at a physical location (Kimiagari & Baei, 2022). The rapid advancement of technology has had an effect on practically every business, including banking, as a result of the clear global adoption of

innovative techniques like Internet banking. India has not been immune to the extensive financial sector developments. Internet banking is now a reality, in part due to India's economic globalization in the 1990s. The Indian government made clear that the financial industry preferred that the implementation of many of the committee's recommendations for banking reforms fall under the purview of digital banking (Nduta, & Wanjira, 2019).

This explains why (a) a sizable fraction of India's urban population works in the IT industry, giving them access to the Internet, and (b) the Indian population engages in more professional activities on a global scale than the populations of other industrialized nations. India has experienced high demand for the implementation of e-banking (Chmielarz & Zborowski, 2020).

In order to safeguard their customers against online fraud, the vast majority of Indian banks have now established user-friendly online banking services with high levels of security. The majority of Internet users in India choose to perform their banking and financial transactions online due to its simplicity and time-saving benefits. Internet banking exposes customers to fraud, nevertheless.

Banks in the public and private sectors use online banking for two key reasons. The major goal is to make customers' life easier by meeting their demands, such as by providing online access to account information, statement information, bill payment, money transfer, and the option to register for new accounts, as well as e-clearance for things like rent and loan payments. Reduced operating costs is the second goal. The dependability, efficacy, and quality of online banking services were examined in this study. The study on online banking patron satisfaction . Consumer pleasure is quite uncommon, particularly in India, despite the fact that it has numerous applications and is routinely studied in a variety of contexts (Mavaza, 2019). Investigating the elements that might influence people to use internet banking is the goal of this study. A number of variables, such as service quality, performance, reliability, protection, understanding, the quality of the Internet connection, the amount of time and money saved, and the benefits that customers perceive, such as convenience and cost savings, all have an impact on the level of

customer acceptance and satisfaction with online banking. Customer satisfaction and a bank's perceived dependability and usefulness are closely tied. Although there are certain advantages to online banking, such as a lesser chance of fraud and hacking, there are also some drawbacks.

### **2.2.1. Technological access capabilities on business performance of SMEs,**

"Banking technology" refers to the application of modern information and communication technologies along with computer science. It helps banks to offer their clients better services in a secure, dependable, and cheap way while preserving a competitive advantage over rival banks (Laghouag,2022). Because to technology, small businesses may now engage with their customers via email, blogs, social networks, and forums. By asking for customer feedback and, if appropriate, implementing it straight away, small business owners may take advantage of this instantaneous connection (Abhilash, et al, 2021).

The daily operations of small enterprises depend on technology (Laghouag, 2022). Small businesses are impacted by technological improvements in a variety of industries, including printing, online file storage, web-based applications, and laptop computers with Internet connection. Technology can have both positive and bad consequences on small businesses, depending on the goals a company has, the products it chooses to use, and how well business owners and their personnel adapt to new systems (Rahi, 2022). Small business owners and their employees can work in an office setting, from home, while traveling, or even from another country thanks to technology. Technology makes it possible for small business owners to hire employees from around the world, giving their companies a competitive edge in the global market. Small business owners are no longer obliged to mail questionnaires to customers and wait weeks for a response, or to telephone clients for feedback. Because to technology, small businesses may now engage with their customers via email, blogs, social networks, and forums. By asking for customer feedback and, if appropriate, implementing it straight away, small business owners may take advantage of this instantaneous connection (Baran, 2019).

Instead than spending money on expensive storefronts, artists, clothes and accessory designers, and artisans can start online stores (Yabebal, 2020). Customers increasingly resort to the Internet for everything from locating gifts to placing supermarket orders, increasing the popularity of online shopping. Companies with physical stores might launch online ventures to expand their clientele and tap into markets beyond their immediate vicinity. As they incorporate new technologies into their business operations, small businesses must train both new hires and experienced staff. While it is anticipated that fresh employees will quickly become accustomed to the technologies, it is possible for seasoned employees to resist them or go through a learning curve. This could temporarily impair production (Nduta, 2020). In order to efficiently produce desired performance, a firm must have the technological capabilities to create and develop new processes, products, and information and skills about the physical environment. This knowledge must also be transformed into instructions and designs. A firm must possess the technological capability to perform any required technical function, including the capacity to develop new products, processes, and technology knowledge, in order to achieve higher levels of organizational efficiency.

### **2.2.3. Level of internet connections on business performance of SMEs**

Small and medium-sized businesses (SMEs) can use the Internet to grow their market reach, increase operational effectiveness, and contribute more to the economy. Small and medium-sized firms (SMEs) that operate online, on the other hand, can use the Internet to extend their market reach, operational efficiency, and economic output. Yet, internet-based ICT solutions also boost SME productivity in poor countries (Halil, 2021). He also learned via their empirical inquiry how ICT and the internet have recently impacted Sri Lanka's small and medium farm industry. The agricultural industry was helped by the usage of the internet in areas including new global markets, gaining access to valuable sources of knowledge and information on the agricultural sector, including recent studies by others (Kingshott, 2018). His study demonstrated how the internet

facilitates the flow of vital know-how by offering information and access, serving as a worldwide middleman for remote and underdeveloped agricultural communities.

A business network is a "cluster of related enterprises" (Kingshott, 2018). If there were no center and no borders, it might behave similarly, connecting with people in all directions without restriction (Felix, 2018). The traditional definition of interaction centers on two-way communication and trades of agreed-upon products and services; however, networking extends beyond this to imply different facets of a connection, multiparty involvement, and movement allowed in any order. Networks between businesses are becoming more popular in various fields. This organizational structure is best adapted, according to contemporary management literature, to meet the expectations of the "new economy," which include a customer-focused approach, personalized solutions, and decreased time and cost (Halil, 2021).

Broad strategic business networks that can be delivered have been found. A membership firm can utilize the platform to share information, expertise, and resources that can be used to advance, develop strategies, and innovate, according to Halil (2021). This operates much like a large organization that can offer a variety of services linked to professional knowledge. When considering the functions of strategic SME networks and how they appear to be constructed, it is defined as a "cluster of SMEs joined together that are typically in close proximity, typically in similar industries, and typically use the same resources while agreeing to coordinate and cooperate among themselves in order to achieve a defined objective" (Naeem, 2021). A powerful business network should be creative, transparent, all-encompassing, international, non-disruptive, smart, scalable, reliable, and perceptive. A start-up small business has the opportunity to benefit from the network's collaborative advantages by joining an effective business network. Networks for strategic development help organizations update their resources and capabilities, such as their products, technology, expertise, and production efficiency (Manala, 2018). Many researchers have investigated what drives a successful corporate network. Unfortunately, no one discussed

how innovation affects SME profitability. The first construct variable, competition, describes the conflict that exists between the network's participating businesses. But since it can hinder the network's potential to expand, the competition between the corporations must be managed with caution. Tensions between cooperation and competition are obvious because the firms are network participants and work toward (at least partially) common goals and a future, but they must be addressed (Putra, et al,2020).

### **2.3. Level of business performance of SMEs**

The difficulties of product marketing, such as a lack of market knowledge, technology proficiency, and networks, have made it difficult for SMEs to flourish (Maisamari, 2021). Strong suspicions point to a weak entrepreneurial personality, a managerial position that is not yet firm in its control over the company, and a lack of innovation while the business climate is still changing as the causes of this condition. Although if entrepreneurship is the result of discipline and a methodical process of leveraging innovation and creativity to meet market demands and opportunities, these shortcomings could affect how well it is executed. Entrepreneurship is the practice of creating something fresh and original through original thought and creative action (Naeem, 2022)

The ability to generate anything is what enthusiasm is. Innovation is becoming increasingly important for the long-term success of the firm because the corporate environment is changing so quickly. A team's ability to innovate indicates how likely it is for them to win the tournament. Innovation needs to be important for all aspects of operations, work processes, and procedures in order to become a part of the learning culture. The organization will enter a new performance dimension thanks to innovation. Entrepreneurs must have the ability to innovate, which is one of their most important qualities. In a similar vein, Hamakhan (2020) claims that innovation and creativity have a big impact on how well organizations perform in the global market. In 1934, Schumpeter asserted that a company's long-term success is mostly fueled by continual innovation



activity. Artz et al. (2010) showed that a company's potential for innovation may be more important than ever before for boosting performance and preserving competitive advantage due to the fierce competition and reduced product life cycles. At the time, innovation is the goal of every firm.

It has been demonstrated in a number of earlier research that innovation enhances corporate performance (Chmielarz, & Zborowski, 2020). Moreover, some data suggest that not all innovation indicators have an impact on business success; whereas process, marketing, and organizational innovation have an impact on performance, product innovation has no such impact. Innovation improves company performance, as has been shown in a number of earlier studies. Furthermore, according to Parra-Sánchez (2021), not all innovation indicators have an effect on business performance; whilst process innovation, marketing innovation, and organizational innovation do, product innovation does not. The gap left by the conflicting outcomes of the relationship dimensions of innovation and performance has to be filled by researchers.

#### **2.4. E-banking adoption and business performance**

The literature has paid some empirical attention to the performance of SMEs with e-banking. For instance (Karim, et al, 2018). Al-Gharaibah (2020) looked into how mobile phone-based money transfers affected the financial performance of small and medium-sized firms in Nairobi County, Kenya. A descriptive survey methodology was employed in the study. The information was gathered using self-administered questionnaires and an interviewing guide. The data was examined using software from the Statistical Package for Social Sciences. The study's findings revealed a connection between SME financial performance and company expansion, effective service provision, information accessibility, and convenience and reliability. The proliferation of mobile money transfer services, which increase service delivery effectiveness for businesses, has an impact on the market. Although mobile money transfer services are dependable and practical, access to information through them depends on the surroundings. The study recommends a

comprehensive technology-to-performance model that should include task, person, and technological characteristics as explanatory variables for technology use and performance.

Due to banks' significant shift from traditional banking to electronic banking over the past few years, the performance of SMEs has improved. E-banking services and the user base have grown as a result of innovation trends and technological breakthroughs, paving the way for financial services to become more advanced and accessible. Thanks to electronic banking services, customers may now use their cellphones to track their financial accounts, credit payments, checking accounts, messages and emails, payment swaps, and other organizations without depending on bank instructions (Martin, et al, 2018). Al-Fahim and Abdulghafor (2022) highlighted that e-banking, also known as internet banking or mobile banking, has made life easier for SMEs all over the world. This is in keeping with their observations. Internet banking and mobile banking are two separate platforms that banks can make use of to increase customer access to their services. Online banking requires computers with an internet connection, whereas mobile banking requires wireless mobile devices. Customers' perceptions of personalisation as the most important aspect of mobile banking services illustrate the differences between the needs for online and mobile banking services. An important component of online banking is reliability. Despite the prevalent impression that Internet banks provide the least expensive services, bank clients feel that digital banks are underutilized.

The introduction of e-banking benefits both banks and their customers by enabling them to conduct financial transactions online from any location in the world. This is because it makes it possible for them to more affordably, swiftly, and easily offer and sell products or services online (Vijaya, & Irwansyah, 2019). Due to their ability to draw in and keep consumers, digital banking platforms have evolved into competitors for banks. The bank began connecting with customers through an excellent online experience. It was underlined that by utilizing the Internet, businesses may find novel and creative ways to boost their revenue by giving customers value. This can be

done by using online portals, which can provide businesses and consumers with more possibilities to participate.

The bulk of customers in today's society base their purchases on internet content that has been given or traded by other consumers. Online banking significantly affects how consumers view, feel about, and think about a business because the majority of people regularly visit the Internet when they make purchases. They assist in the information's electronic diffusion. The relationship between the quality of service and the likelihood of making a purchase was investigated using data from 201 respondents, and it was found that pleasure acts as a mediator between the two. In 2020, Mohammed, Ibrahim, and a group of 708 individuals from various firms examined the same problem and found that client retention.

A emphasis on customer happiness and higher requirements for product quality go hand in hand (Mousa, et al 2021). Significantly, the viability and e-dependability of banking have a bigger impact on the expansion of SMEs' operations. Many businesses recognize the importance of a company's ability to retain client satisfaction, but the service industry places a premium on this skill. Customers must purchase and utilize the goods or services in order for consumers to be happy. Customers' opinions and preferences directly affect a bank's business. Rajasulochana and Khizerulla (2022) assert that enhanced electronic banking, corporate success, and consumer goals are all linked to customer pleasure, which sped up the expansion of SMEs around the world, especially in Africa. What extent do customers

## **2.5. Performance of SME**

Agaba et al. (2022) describe performance as a result of an organization's ability to accomplish its goals and objectives by making efficient and effective use of the available resources. In the finance and accounting literature, financial ratios such as profitability ratios, liquidity ratios, market ratios, and debt ratios are used to evaluate the performance of SMEs; however, these are only the final performance indicators because they are also influenced by how well firms perform in terms of

their efficiency and productivity as well as how input and product prices change (Padachi, et al, 2019). To evaluate the performance of SMEs, however, operational, subjective, and objective indicators may be employed (Turyasingura et al 2022). Because each financial statistic (obtained from a company's accounts) can be quantified and independently confirmed, they are referred to as objective metrics. Conventional financial performance metrics, including the management account and the statement of assets and liabilities, are insufficient to appropriately evaluate the performance of businesses that seek to survive and grow shareholder/owner value. Performance in SMEs must be measured by determining the company's processing levels and linking key performance indicators to those processes (Agaba& Turyasingura, 2022).

### **2.5.1. Profitability**

The most crucial performance parameter for SMEs fighting for survival is profitability, which they must also use to prove to their lenders that they are creditworthy and solvable. Profitability is determined in this study using income and expenses. Ratios like the gross profit margin and the pre-tax margin are used to quantify the difference between revenue and expenses that results in profitability (Mulisa, 2018). Most SMEs do not measure profitability ratios, despite the fact that they are essential for evaluating performance. The majority of SMEs in developing countries lack adequate documentation (Felix, 2018). Businesses that depend on loans to survive have a difficult time paying off their debt. Businesses become less profitable if operational money is utilized to pay off debt more frequently. The same study found that high debt repayment costs reduce shareholder profitability. Metrics of profitability can be used to assess the success of a business venture. A company cannot succeed if it is not earning money or producing revenue (Anouze & Alamro, 2019). A profitable company can give investors their money back as a return on their investment. most Businesses are located in poor countries 20. (Felix, 2018).

### **2.5.2. Business growth**

The development and implementation of growth possibilities inside and across firms are tasks and procedures that are involved in business growth. It is a subdivision of the business, economics, and organizational theory areas (Agaba, et al 2022). Business growth is the process by which consumers, markets, and relationships are used to create long-term value for a firm. Any activity carried out by a small or large organization, nonprofit or for-profit firm, with the aim of "growing" the business in some way can be referred to as "business growth.". A business growth consultant can also carry out internal or external business growth initiatives. Planning systems, which governments implement to help small businesses, can promote external business growth. Moreover, reputation management has been shown to support organizational growth.

### **2.5.3. Customer satisfaction**

Customer satisfaction is a metric that gauges how satisfied a company's clients are with its products, services, and abilities (Agaba, et al 2022). Survey and rating data on customer satisfaction can help a company decide how best to modify or enhance its products and services. The term "customer satisfaction" is frequently used in marketing. It assesses whether a company's products and services meet or surpass the expectations of its clients (kissui, 2019). It is impossible to overstate how crucial client satisfaction is. Customer satisfaction levels and revenue generation are closely tied. In addition to impacting business decisions, your customer satisfaction score (CSAT) affects customer loyalty, word-of-mouth recommendations, and repeat purchase rates. The number of customers, or percentage of all customers, whose reported experience surpasses stated satisfaction targets, is what is referred to as a customer's reported experience with a firm, its products, or its services (ratings). Consumers are essential to keeping a product or service relevant and have a big impact on this.

### **2.5.4. Level of transactions of SMEs**

Value added (VA) made by SMEs is stated as a share of all VA made by businesses, and it is used to assess SMEs' performance (Naeem, 2021). The European Union (EU) countries were chosen

as the study's participants using a cluster analysis procedure. In order to improve the performance of SMEs, innovation and an entrepreneurial mindset are crucial (Nduta, 2020). Knowledge management acts as a barrier between the performance of an organization and an entrepreneurial mentality as well as between the performance of an entrepreneurial innovation. The amount of isolation is a measure of how well transaction isolation performs. Transaction isolation levels are particularly defined by the presence or absence of the following phenomena: tidy reads A dirty read is when a transaction reads data that hasn't yet been committed.

## **2.6. Summary and Literature gap**

In this chapter, the study was compared to earlier research that had been done in relevant domains. The majority of past studies indicate that e-banking implementation has an effect on SME firm performance. Measuring imaginative culture, internet connection speed, and technical access abilities was made possible by reviewing specified literature. The majority of these studies concentrate on the adoption of e-banking with little to no consideration given to technological access capabilities, internet connection speeds, and innovative cultures, which were discovered to be the gaps that were the subject of this study. In an effort to close the gaps, an empirical study was done on the study variables of E-banking and SME company performance. This study gathered information on funding, technological access, and internet usage.

# **CHAPTER THREE**

## **METHODOLOGY**

### **3.0 Introduction**

This section presents the methodology that was used in the study. It covers a description of the research design, target population, sampling design, data collection procedures, data collection tools, validity and reliability of the research instruments and data analysis methods as well as limitations of the study and ethical considerations.

### **3.1 Research Design**

This study used a cross-sectional survey approach to investigate, report on, and compare the impact of E-banking on the business performance of SMEs in Kabale Municipality. A cross sectional survey provides a unique opportunity for a detailed and in-depth investigation of several aspects of the collected data (Agaba et al, 2022). After accounting for the target sample's views, preferences, behaviors, fears, attitudes, and opinions among the entire population at a particular time, results are extrapolated to the entire population (Karim, 2019). Cross-sectional surveys are suitable for this study because they take into account issues like design economy, quick data collection, and the ability to understand a population from a small piece of it (Turyasingura et al, 2022). A cross-sectional survey design will be employed with a mixed approach. By using both qualitative and quantitative methodologies, bias that can arise from the use of one method is neutralized. While questionnaire surveys will be conducted using a quantitative approach, key informant interviews were conducted using a qualitative technique.

### **3.2 Study Population**

Population is the total number of people living in an area who fall into a specific set of social, cultural, socioeconomic, ethical, or racial categories (Ogutu, 2018). The fraction of the population that has been specifically chosen so that the traits of the parents can be studied is referred to as the sample size. The complete group of people, events, or interesting things that the researcher intends to analyze is referred to as the "population" (Agaba et al, 2022). According to Sepashvili (2020), results are often more accurate with a larger sample size. Yet he also said that if every element of a population is the same, then picking a smaller one will produce information that is absolutely accurate because the population under study is homogeneous. As a result, it is indicated that given comparability in terms of the characteristics to the researched area, a small sample would produce a sufficiently accurate estimate during the study process. Based on its accessibility and familiarity with the subject of the study, the study population was chosen. SMEs, the

municipal department of community development, and commercial banks with operations in the municipality were among the respondents the survey specifically targeted.

### 3.3 Sample size determination

A total of one hundred and fifty (150) respondents will be selected for the study and the researcher used Tora Yamane (1970:886-87) formula to determine the sample size as illustrated.

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$$n = \frac{N}{1+Ne^2}$$

Where N is the total population and  $e$  is the precision level (or margin of error). A total population of 150 people will be used at a confidence level of 95% or error of 0.05 and the sample size,  $n$  will be;

$$n = \frac{150}{1 + 150(0.05)^2} \cong 109$$

Therefore, out of the total population of 150, 109 respondents will be sampled.



**Table 1:Categories of Respondents**

<b>Respondent</b>	<b>Target population (Ni)</b>	<b>Proportionately selected sample (n)</b>	<b>Sampling technique</b>
SMEs	141	103	Proportionate sampling
Commercial Banks	3	3	Proportionate sampling
Community development staff	6	4	Proportionate sampling
<b>TOTAL</b>	<b>150</b>	<b>109</b>	

**Source: Determining adequate sample size according to Amin, 2005 as adapted from Krejen and Morgan (1970) modified by the researcher 2022**

### **3.4 Sampling techniques and procedure**

Anane (2019) defines a sampling approach as the method through which the researcher selects representative elements or people from the population. Sampling methods are procedures for selecting samples from the population. Both probability and non-probability sampling were used by the researcher. Sampling makes it possible to thoroughly examine things in the community. Also, gathering data from a sample is less expensive than doing it for the entire population in terms of time, money, and effort (Anane,2019). This results from the diverse things, persons, and objects having various chances of being included in the sample. The researcher used these sample procedures to lower excessive sampling error and study bias.

#### **3.4.1 Non –Probability sampling**

Biased sampling or non-random sample techniques are referred to as non-probability sampling (Echhabi et al., 2019). These techniques include snowball sampling, inadvertent sampling, quota sampling, and purposeful sampling.

##### **3.4.1.1 Purposive sampling**

According to Echhabi et al. (2019), purposeful sampling comprises choosing the sample in a way that is not random, based on the researcher's assessment of and familiarity with the population. The researcher chose this method because it allows for participant selection based on how the use

of electronic banking by SMEs affects company performance in Kabale Municipality. The researcher also considered this sampling approach since it is economical because only those people who are most pertinent to the subject of the study were included in the sample. Using this procedure, the researcher chose the four community development officers and the three commercial banks. This strategy is suitable for the study because it obtained exact data from respondents who are believed to be more knowledgeable.

### **3.4.2 Probability sampling.**

Probability sampling is a sampling method that uses some form of random selection (Creswell, 2017). Examples of probability sampling procedures include simple random sampling, systematic sampling, stratified random sampling, cluster sampling, and multistage sampling. The researcher employed a straightforward random sample procedure in these circumstances to guarantee that each respondent had an equal probability of being picked. Also, it lessens prejudice and facilitates the analysis of data in a certain field.

#### **3.4.2.1 Simple random sampling**

With a probability sampling approach, each component in the study region had an equal chance of being chosen in this sample strategy. The simple random sampling method selects an impartial sample from a target and reachable population. The method was used to select samples at random from groups of women. This method guarantees that each respondent has an equal chance of being selected, which supports its use for the study. It also lessens prejudice and simplifies the findings analysis.

### **3.5 Data collection methods**

Data collection necessitates the employment of wide approaches or a work plan, claim Okpara et al. (2018). In order to learn more about the use of E-banking and the success of SMEs in the Kabale municipality, the researcher used surveys, interviews, observation, and document analysis. These methods are applied to ensure that the relevant data for the study area is acquired.

### **3.5.1 Questionnaire survey**

In order to support the questionnaire method of data collection, questionnaires were made available for 103 SMES operating in the Kabale District Municipality, each of which received a sample question. A questionnaire is a research tool that gathers information from a significant sample (Nderitu, 2018). This featured both open-ended and closed-ended questions to facilitate data collection.

### **3.5.2 Interviews**

Asking another person or group of people questions during a face-to-face conversation is known as an interview, and the goal is to extract information or opinions (Nderitu, 2018). During the face-to-face, unstructured interviews, the researcher controlled the order of the questions asked to the respondents. The methodology emphasized face-to-face communication, during which the researcher engaged the respondents in conversation and elicited information from them. This strategy was distributed to four community development officials and three commercial banks.

### **3.5.3. Documentary review**

Document analysis is the process of looking at or analyzing documents, whether they are printed or electronic (computer-based or sent over the Internet). Similar to other analytical techniques used in qualitative research, document analysis requires data to be reviewed and interpreted in order to elicit meaning, develop insight, and provide empirical knowledge (Harvey, & Reed, 2017). The systematic assessment of this study used of a wide variety of documents. The researcher also used manuals, background papers, books and brochures, diaries, journals, event programs (like printed outlines), letters and memoranda, maps, charts, organizational or institutional reports, survey results, and various public records in addition to entity plans, financial records, meeting agendas, attendance sheets, and minutes from different water users' groups. Moreover, scrapbooks and photo albums offer documentary information relevant to the study's research issue. These types of records can be found in libraries, newspaper archives (clippings/art,

press announcements, program plans, application forms, and summaries), newspaper offices, historical societies, and organizational or institutional files (Neil, 2017).

### **3.6 Data collection instruments (tools)**

#### **3.6.1 Questionnaire**

A questionnaire is a professionally crafted tool with statements and questions for gathering information directly from individuals (Mugenda and Mugenda, 2003). It is a crucial research tool that quickly and accurately collects data from a wide sample of respondents. To guarantee a sufficient response rate for the study, a closed-ended questionnaire was created and distributed to respondents. It included sections on demographic (background) information and study variables. Strongly Agree (SA), Agree (A), Undecided (UD), Disagree (D), and Strongly Disagree (SD) are the five categories on which it will be based (SD). The Likert scale can be created more readily than most other forms of attitude measures and is quite adaptable (Amin, 2005). It lets the test taker to choose the response that most accurately captures how he or she felt about each statement. All of the responses are averaged and weighed from 1 to 5. (Aduba, 2021). The survey will be used to gather information from 103 people.

#### **3.6.2 Interview guide**

A list of topics and/or questions that are covered during the interview is known as an interview guide (Aduba, 2021). An interview guide will be used to simplify the interview approach of data collection. This includes the structure of the questions that served as the study's direction when the researcher conducts interviews.

#### **3.6.3 Documentation review checklist**

Document analysis is the systematic study or assessment of both printed and electronic (computer-based and Internet transmitted) resources (Kothari, 2014). Similar to other analytical techniques used in qualitative research, document analysis requires data to be reviewed and interpreted in

order to elicit meaning, develop insight, and provide empirical knowledge (Adepoju & Adeniji,2020).

### 3.7 Reliability of research instruments

Any instrument's suitability for use in research is determined by its validity and reliability. Reliability is the term used to describe an instrument's suitability. It is the ability of the tool to deliver precise findings and measure the things that it is designed to measure. Reliability is the ability of an instrument to consistently measure whatever it is intended to measure. (Amin, 2005)

#### 3.7.1 Validity of the research instrument

Validity refers to how well data analysis results match the phenomenon under investigation. The study materials were developed by the researcher, reviewed by the supervisors (Kabale University), and pre-tested using selected respondents in the Kabale Municipality who shared the same criteria. Pre-testing the research tool enables the early identification and correction of defects such as unclear or ambiguous questions, insufficient space for writing responses, cluttered questions, and inaccurate numbering (Kothari 2014). The content validity index (CVI) was calculated by adding the number of items that each judge found to be valid divided by the total number of items after consulting with the two (Kabale University) supervisors and enlisting the help of four judges to provide expert evaluations of the items for each instrument.

Thus,  $CVI = \frac{\text{Number of items rated relevant by expert}}{\text{Total number of items in the instrument}}$

Total number of items in the instrument

For instance, if the instruments have 40 questions and the following summary of the data is obtained; Average CVI will be calculated.

Judge	Score	Valid
Judge 1	38/40	0.95
Judge 2	36/40	0.90
Judge 3	36/40	0.90

Judge 4	34/40	0.85
<b>Total</b>		<b>3.60</b>
<b>Average</b>		<b>0.90</b>

**Source:** *Primary data 2022*

These results imply that research instruments are suitable for learning about E-banking and company performance. The average content validity index (CVI) for instruments should be 0.7 or higher, according to Amin (2005, p. 288). The average index of 0.90 may exceed the permitted maximum. For the same reason, instruments would be regarded as legitimate.

### **3.7.2 Reliability of research instruments**

The degree to which an instrument consistently measures whatever it is intended to measure is known as its reliability (Amin, 2005). A survey instrument's reliability is determined by the Cronbach alpha (Cronbach, 1951) reliability coefficient, which is used to quantify the internal consistency or average correlation of its items. The created scale is more dependable the higher the score. Aduba, 2021, for instance, contends that a reliability value of 0.7 alpha is adequate. In order to ensure reliability in this study, the researcher administered the same instruments to the same respondents three times to check for consistency in the responses. The researcher carried out a pilot study on how Kabale Municipality's financial responsibility affects service delivery. The goal is to evaluate how consistently different study participants responded. After that, the 1951 Cronbach's Alpha Coefficient was calculated, as shown below.

**Table 2: Reliability Statistics**

<b>Variable List</b>	<b>Cronbach's Alpha</b>	<b>N of Items</b>
Technological access capabilities	.812	7
Level of internet connection	.742	7
Innovative culture	.811	7
<b>Overall</b>	<b>0.788</b>	<b>21</b>

If the reliability test will be 0.7 and above, the instrument will be reliable as the basis to make decision.

### **3.8 Procedure of data collection**

Kabale University granted the researcher permission to start fieldwork and provided a consent letter when the application was approved and successfully defended. The researcher requested authorization from the Kabale Municipal Council to conduct interviews with participants in his study. The tools were tested, improved, and prepared before the researcher left into the field to do study. Throughout a two-month period, respondents' responses were gathered by the researcher. After the data was analyzed and interpreted, a report was produced.

### **3.9 Data analysis**

According to Schrepp, (2020) is the evaluation of data. It is the process of systematically applying statistical and logical techniques to describe, summarize and compare data.

#### **3.9.1 Qualitative data analysis**

All of the qualitative data was organized by the researcher using key informant interviews and document analysis, and it was then coded, analyzed, and key themes were created to aid the reader in understanding the phenomenon under investigation.

### **3.9.2 Quantitative data analysis**

The quantitative data analysis employed both descriptive and inferential statistics. The data was first investigated by computing frequencies, which comprised means and percentages, to establish respondents' perceptions of the influence of e-banking adoption on the performance of SMEs in Kabale municipality. The correlation approach, based on Pearson's coefficient (+ or - to show the direction of the association between the variables), was based on two-tailed correlations and significant more than or equal to 0.05. A negative correlation indicates an inverse relationship between the two variables, whilst a positive correlation suggests a direct positive association between the variables. Estimating the degree to which the independent variables will influence the dependent variable will be done using the adjusted R<sup>2</sup> values and significance values of the regression analysis (Amin, 2005).

### **3.10. Measurement of variables**

Nominal, ordinal, and interval scales were used to assess the study's variables. Information on variables that can be classified into two or more categories that are equally exclusive and mutually exclusive, such as categorizing gender and educational background were gathered using a nominal scale. The interval scale will also be used by the researcher to gauge the respondents' varied opinions and attitudes. Responses were evaluated using a 1–5 point Likert scale (1–Strongly agree, 2–Agree 3–Not sure, 4–Disagree, and 5–Strongly disagree).

### **3.11 Ethical issues**

The researcher made sure that all ethical factors are taken into account in order to prevent reducing the standard of the research. Prior to collecting data from respondents, the researcher obtained their informed consent. She also protected respondents' privacy when interviewing the selected key informants and tried to minimize plagiarism issues by crediting authors.



## CHAPTER FOUR

### PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

#### 4.1. Introduction

The purpose of the study is to examine the effect of E-banking adoption on the performance of SMEs in Uganda: A case study of Kabale Municipality. This chapter presents results according to the study objectives that included; to establish the level of E-banking adoption on business performance of SMEs in Kabale Municipality, to determine the level of business performance of SMEs in Kabale Municipality and to establish the relationship between E-banking adoption and business performance of SMEs in Kabale Municipality. The analyses and presentation of findings are presented according to the study objectives, preceded by the response rate and findings on the respondents' demographic characteristics.

#### 4.2 Socio-Demographic Characteristics of the Respondents

The findings on the respondents' gender, academic background, age, and marital status, are presented in this part. All of these factors were thought to be significant for the study.

##### 4.2.1. Gender of respondents

**Table 3: showing the sex of respondents**

	Frequency	Percent
Valid Male	30	27.5
Valid Female	79	72.5
Total	109	100.0

**Source: Primary data, 2023**

According to Table 3, there were 72.5% more female respondents than male respondents (27.5%), meaning that women made up the majority of the respondents. This suggests that the majority of

respondents who used electronic banking in Kabale Municipality were women rather than men. This demonstrates that women save more money than men.

#### 4.2.2. Age of respondents

To improve the performance of SMEs in Kabale Municipal Council, the responses were divided into several age groups to determine which age group is most interested in e-banking. These age ranges were selected to aid the researcher in collecting correct information from the respondents and in determining whether or not age should be taken into account when analyzing and interpreting the results.

#### 4.2.3. Age of respondents

Respondents were categorized according to their age. The frequency table (table 4.3) was used to show the distribution of the respondents by age.

**Table 4: showing Age groups of the respondents**

	Frequency	Percent
Valid 20-30	16	14.6
31-40	55	50.6
41-50	25	22.9
51-60		
60& above	13	11.9
Total	109	100.0

**Source: Field Data 2023.**

According to Table 4, the majority of respondents (50.6%) were between the ages of 31 and 40, followed by those between the ages of 41 and 50 (22.9%), those between the ages of 20 and 30

(14.6%), and those aged 60 and up (11.9%). This suggests that the majority of respondents who used e-banking to improve the performance of SMEs were in active years.

#### 4.2.4. Academic background

Respondents were asked to describe their educational backgrounds. The goal was to determine whether the sample had been fairly chosen from the population. The reactions that were elicited were shown in Table.

**Table 5: showing academic background**

	Frequency	Percent
Primary	15	13.8
Secondary	50	45.9
Valid Degree	27	24.8
Postgraduate	17	15.5
Total	109	100.0

**Source: Field Data 2023**

According to Table 5, the majority of respondents who are using e-banking to improve the performance of SMEs in the Kabale Municipality had academic backgrounds. 55.9% of respondents were secondary school graduates, followed by 24.8% of respondents with degrees, 15.5% of respondents with postgraduate degrees, and 13.8% of respondents with only basic school education. This suggests that those who have completed their schooling are more likely than those who stopped at the primary level to understand the value of saving money. This occurs as a result of the low income in comparison to people with education.

#### 4.2.4. Marital Status of the respondents

We asked respondents to characterize their marital situation. Finding out if the sample had been fairly selected from the population was the main objective. Table displays the responses that were elicited.

**Table 6:showing the marital status of respondents**

	Frequency	Percent
Valid Single	10	9.2
Married	62	56.9
Divorced	20	18.3
Widow/widower	17	15.6
Total	109	100.0

**Source: Field data 2023**

According to Table 6 above, the majority of respondents (56.1%) were married, followed by divorced respondents (18%), widowed respondents (15.6%), and single respondents (9.2%). This shows that respondents who are married use online banking to improve business performance in the Kabale municipality. However, each one of them affects how well SMEs function commercially in Kabale Municipality as measured by E-banking.

#### **4.2.5. SME utilize online banking services**

**Table 7:showing the sex of respondents**

	Frequency	Percent
Valid Yes	90	82.6
No	19	17.4
Total	109	100.0

**Source: field data 2023**

Majority of respondents in table 7 indicates that majority of respondents with 82.6% SMEs utilization in online banking compared to 17.4% of respondents who disagreed. This implies that, E-banking is being utilized by business community in Kabale Municipality.

#### 4.2.6.E-banking services used by SME.

**Table 8:showing e-banking services used by SME.**

	Frequency	Percent
Electronic Funds Transfer	16	14.6
Mobile banking	55	50.6
Valid Internet banking	25	22.9
ATM	13	11.9
Enterprise Online		
Total	109	100.0

**Source: Field Data 2023.**

Table 8 shows that the majority of respondents (50.6%) believed that mobile banking is the most popular form of electronic banking in the Kabale municipality, followed by internet banking (22.9%), electronic funds transfer (14.6%), and then 11.9%. This shows that all SMEs use online banking to grow their businesses in Kabale Municipality, Kabale District.

#### 4.3 Empirical findings

The purpose of the study was to examine the effect of E-banking adoption on business performance of SMEs in Uganda: A case study of Kabale Municipality. E-banking was conceptualized by level of E-banking, level of Business performance as well as identifying the relationship between e-independent and dependent variables. Business performance was measured by profitability, business growth, customer Satisfaction and level of Transactions. The analyses and findings are presented according to the study objectives. Descriptive statistics,

correlations and regression basing on responses to the questionnaire and qualitative findings from the interviews conducted as thematically analyzed are presented in this section.

#### 4.3.1. Level of E-banking adoption on business performance of SMEs

This first objective was aimed at establishing the level of E-banking adoption on business performance of SMEs in Kabale Municipality. This study was guided by the research question which states “What is the level of level of E-banking adoption on business performance of SMEs in Kabale Municipality’ The data to achieve this was obtained from the primary sources and secondary data. This was done using a five-scale questionnaire of strongly Agree (SA), Agree (A), Undecided (UD), Disagree (D) and Strongly Disagree (SD). A summary of the responses is presented in the table below.

Key: Strongly Agree (SA) 5, (Agree (A) (4), Undecided (UD) 3, Disagree (D) 2 and Strongly Disagree (SD) 1

**Table 9: Analysis on the nine statements that were subjected to the respondents.**

Response	Agree		Undecided		Disagree	
	F	%	F	%	F	%
I have been using E-banking as a business acumen	100	91.7	9	8.3	00	00
E-banking promotes business growth of SMEs	109	100	00	00	00	00
My business has improved due to E-banking adaptation	98	89.9	11	10.1	00	00
I will always promote E-banking in our area	99	90.8	10	9.2	00	00
E-banking has a relationship with Business performance of SMEs	109	100	00	00	00	00

**Source: Field data 2023**

Table 9 above provides assessments of the five statements that were given to respondents in order to gauge the impact of SMEs' use of electronic banking on their ability to conduct business in Kabale Municipality. When asked if they have used electronic banking as a business skill, 8.3% of respondents were unsure, leaving 91.7% of respondents in agreement with the statement. This shows that the Kabale Municipality's SMEs are significantly utilizing e-banking. When asked if online banking helps SMEs grow their businesses, all respondents—100%—agreed with the assertion. When questioned again whether the adoption of E-banking had benefitted their business, 89.9% of respondents agreed with the assertion, leaving 10.1% of respondents unconvinced. When asked again whether they would always promote online banking in our region, 90.8% of respondents said they would, leaving 9.2% of them unclear. Finally, when asked if there was a connection between online banking and the success of SMEs, 100% of respondents agreed with the assertion. This shows that the implementation of E-banking has greatly improved the performance of SMEs.

In order to determine whether the amount of E-banking adoption affects the business performance of SMEs in Kabale Municipality, the respondents to the survey were given five statements about it. Based on the responses' nature and the descriptive statistics displayed above, it can be concluded that there is a high level of e-banking adoption in Kabale Municipality. Since all respondents agreed with the statements designed to gauge how much e-banking adoption has an impact on SMEs' business performance, this conclusion can be drawn that, e-banking adoption positively affects business performance of SMEs in Kabale Municipality, Kabale District. Following the examination of quantitative data, qualitative analyses of qualitative data produced by key informant interviews were carried out. The qualitative findings regarding the adoption of e-banking are shown below.

Responses from One respondent

*“Because you can borrow money using cent mobile money and bank money using online banking, it has helped our business. This has confirmed for us the truth that our money is always safe. We used to travel to Kampala with money to go shopping, and occasionally we would be robbed by thieves, which seemed absurd to us. However, we are now confident in e-banking”.*

#### Second respondents

*“The rapid advancement of technology has had an effect on practically every business, including banking, as a result of the clear global adoption of innovative techniques like Internet banking. India has not been immune to the extensive financial sector developments. Internet banking is now a reality, in part due to India's economic globalization in the 1990s. The Indian government made clear that the financial industry preferred that the implementation of many of the committee's recommendations for banking reforms fall under the purview of digital banking.”*

Adoption of e-banking paradigms generally has a beneficial impact on business performance of SMEs. The study confirmed that there was a relationship between quantitative and qualitative findings after doing a qualitative data analysis. The two data sets agreed, and it was obvious that qualitative data supported quantitative data.

#### **Hypothesis testing**

To be able to generalize the results from the population samples, the study put the hypotheses to the test. Statistical inference was used to accomplish this. In order to determine whether there was a relationship between the independent and dependent variables, its strength and direction, to create a relationship model, and to test the two hypotheses, correlation and regression analyses were carried out.



The Pearson's product moment correlation coefficient was used to calculate the strength of the link in order to test the alternative hypothesis that the level of E-banking adoption has no impact on the performance of SMEs' businesses. The results are presented in the table below.

**Table 10: Correlation analysis for E-banking adoption**

		Business performance of SME	Level of E-banking adoption
Business performance of SME	Pearson Correlation	1	.668**
	Sig. (2-tailed)		.000
	N	109	109
Level of E-banking adoption	Pearson Correlation	.668**	.000
	Sig. (2-tailed)	109	109
	N		

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

### Primary Data as of 2022

In Table 10 above, a correlation coefficient is shown. E-banking adoption and SME business performance have a significant, 0.668 association coefficient. A regression analysis was therefore carried out to determine the strength of the relationship between E-banking adoption and the business performance of SMEs, i.e., how much of the variance in the independent variable would affect the dependent variable.

**Table 11: Showing the model summary of E-banking adoption .**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.668 <sup>a</sup>	.925	.924	.15216

a. Predictors: (Constant), E-banking adoption

The correlation coefficient .668 suggests that the use of e-banking has an impact on the business performance of SMEs. Consequently, there has a very favorable significance. Therefore, the higher the commercial success of SMEs, the more E-banking adoption there is. Therefore, the implementation of e-banking contributes 92.4% to the success of SMEs in Kabale Municipality.

**Table 12: Regression output summary on, E-banking adoption and business performance of SMEs.**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.385	.134		2.882	.005
E-banking adoption	.921	.030	.668	30.953	.000

Source. Field data 2022

a. Dependent Variable: Business performance of SMEs

Once more, the outcome showed a regression coefficient of at the 0.01 level of significance, indicating a positive significant. The use of e-banking has an impact on the business performance of SMEs, as evidenced by the results, which show a Beta value of 0.668 at a 95% level of confidence. Accordingly, the researcher has a different theory, according to which "E-banking adoption has a major effect on business performance of SMEs in Kabale Municipal.

### 4.3.2. Business performance of SMEs in Kabale Municipality

The second objective was aimed at determining the level of business performance of SMEs in Kabale Municipality. This study was guided by a researcher question which states that, “*What is the effect of business performance on SMEs in in Kabale Municipal Council.* The data to achieve this was obtained from the primary sources (staff) and by secondary data (documented work). A summary of the responses is presented in the table below.

Key: Strongly Agree (SA) + Agree (A) = Agreed Undecided (UD) 3, Disagree (D) + strongly Disagree (SD) = Disagreed

**Table 13: A summary business performance of SMEs**

Responses	Agree		Undecided		Disagree	
	F	%	F	%	F	%
Technological access is ok with us in Kabale Municipality	100	91.7	9	8.3	00	00
I am aware of the different electronic banking services offered by financial institutions	102	93.6	7	6.4	00	00
I am able to check my latest transactions using e-banking services	100	91.7	9	8.3	00	00
The financial institutions actively solve the problem of customers’ ignorance regarding e-banking services	90	82.6	19	17.4	00	00
Financial institutions usually teach us about new e-banking products/services	100	91.7	9	8.3	00	00

The financial institutions always provide reliable information to the customers on their e-banking services	109	100	00	00	00	00
I am aware of the different electronic banking services offered by financial institutions	100	91.7	9	8.3	00	00
I am able to access my account anytime from anywhere using e-banking services	96	88.1	13	11.9	00	00
Due to the services offered, I am willing to continue using the e-banking services	105	96.3	4	3.7%	00	00
I am aware of the e-banking charges and I don't have any problems with it	109	100	00	00	00	00

**Source: Primary data 2023**

The analyses on the 10 statements that were given to respondents and used to gauge the performance of SMEs in Kabale municipality and Kabale District are shown in Table 13 above. The following explanations are provided for the descriptive statistics in the above table: When asked if they agreed or disagreed that technological access was acceptable in Kabale Municipality, 91.7% of respondents said they did, while 8.3% were unsure. When asked if they were aware of the various electronic banking services provided by financial institutions, respondents gave a 93.6% positive response, leaving 6.4% of them unclear.

When asked if they could examine their most recent transactions using e-banking services, 91.7% of respondents said yes, compared to 8.3% who were unsure at the time the data was collected. 82.6% of respondents agreed with the statement when asked again whether financial institutions actively address the issue of customers' ignorance regarding e-banking services, compared to the 17.4% of respondents who disagreed with the statement during data collection.

When asked if financial institutions typically inform us about new e-banking products and services, respondents gave a 91.7% positive response, compared to an 8.3% negative response during data collection. More respondents were questioned about whether financial organizations always give customers accurate information about their e-banking services. During data collection, the statement was agreed upon by all respondents with 100% of the respondents. When asked if they are aware of the various electronic banking services provided by financial institutions, respondents gave a 91.7% positive response, compared to an 8.3% negative response during data collection. When asked if they could access their accounts from anywhere at any time using e-banking services, 88.1% of respondents said yes, leaving 11.9% of respondents unsure throughout data collection. When asked again if they would continue using e-banking services as a result of the services provided, 96.3% of respondents agreed with the statement, while 3.7% of respondents were unsure at the time of data collection. Finally, when asked if they were aware of the e-banking fees, all respondents said with 100% agreement, "I don't have any problems with it." This shows that the implementation of e-banking affects the business performance of SMEs in Kabale Municipality and Kabale District.

Following the examination of quantitative data, qualitative analyses of qualitative data produced by key informant interviews were carried out. The qualitative findings regarding business performance of SMEs are shown below.

One key informant noted that;

*“The difficulties of product marketing, such as a lack of market expertise, technological proficiency, and networks, have made it difficult for us to flourish. Strong suspicions point to a weak entrepreneurial personality, a managerial position that is not yet firm in its control over the company, and a lack of innovation while the business climate is still changing as the causes of this condition has been rectified due to adoption of E-banking. Even if entrepreneurship is the*

*result of discipline and a methodical process of leveraging innovation and creativity to meet market demands and opportunities, these shortcomings could affect how well it is executed. Entrepreneurship is the practice of creating something fresh and original through original thought and creative action'*

Most of the paradigms of business performance show that the introduction of E-banking has had an impact on SMEs. The study confirmed that there was a relationship between quantitative and qualitative findings after doing a qualitative data analysis. The two data sets agreed, and it was obvious that qualitative data supported quantitative data.

**Hypothesis Testing;**

The Pearson's product moment correlation coefficient was thus used to calculate the size of the association in order to confirm the alternative hypothesis that there is a strong relationship between company performance on SMEs, as shown in the table below:

**Table 14:Correlation analysis business performance**

		SMEs	Business performance
SMEs	Pearson Correlation	1	.456**
	Sig. (2-tailed)		.000
	N	109	109
Business performance	Pearson Correlation	.456**	
	Sig. (2-tailed)	.000	.000
	N	109	109

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

**Source: Primary Data 2022**

Table 14 above shows a correlation coefficient of 456\*\*, which is significant at the 0.01 level and points to a very strong significant positive relationship. Hence, a regression analysis was carried out to determine the impact of business performance on the performance of SMEs in Kabale Municipality. This demonstrates the potential impact of the volatility of the independent variable on the dependent variable.

**Table 15: Model summary business performance**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.456 <sup>a</sup>	.099	.087	.32040

a. Predictors: (Constant), Business performance

**Source: field data 2022.**

The coefficient of the determinant. The consequence of 456 is that SME performance at Kabale Municipality is influenced by business performance. Thus, a noteworthy link. This suggests that the Kabale Municipality's SMEs perform worse when commercial activity increases. As a result, business performance has an impact on 45.6% of Kabale Municipality's performance.

**Table 16: Regression output summary of business performance**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.680	.507		5.282	.000
1 Business performance	.362	.124	.456	2.928	.004

a. Dependent Variable: SMEs performance

**Source: Field Data 2022**

With a regression coefficient of.456 at the 0.01 level of significance, the results once more demonstrated a meaningful association. The findings further highlight how business performance affects SME performance with a Beta value of 0.456 at a 95% level of confidence. The research hypothesis, "Company success has a beneficial significance on SMEs performance in Kabale Municipality," is supported by this.

### 4.3.3. Relationship between E-banking adoption and business performance of SMEs in Kabale Municipality

The third objective was aimed at establishing the relationship between E-banking adoption and business performance of SMEs in Kabale Municipality. This study was guided by a research question which states that, *“Is there a relationship between E-banking adoption and business performance of SMEs in Kabale Municipality”*. The data to achieve this was obtained from the primary sources and secondary data A summary of the responses is presented in the table below.

Key: Strongly Agree (SA) + (Agree (A)= all agreed , Undecided (UD) , Disagree (D)+strongly Disagree (SD) = All disagreed.

**Table 17:A summary on the E-banking adoption and business performance of SMEs in Kabale Municipality**

Statements	Agree		Undecided		Disagree	
	F	%	F	%	F	%
I have witnessed the level of internet is good with us at Kabale municipality	100	91.7	9	8.3	00	00
I have witnessed the level of internet is good with us at Kabale municipality	90	82.6	19	17.4	00	00
We are using different types of E-banking due to good internet connectivity	100	91.7	9	8.3	00	00



There is market reach due to internet connectivity	109	100	00	00	00	00
Internet has improved our operational efficiency,	100	91.7	9	8.3	00	00
There is increase of economic contribution by using the Internet	96	88.1	13	11.9	00	00

**Source: Primary data 2022**

The five statements that were given to respondents and used to gauge the association between company performance in Kabale Municipality and the use of e-banking are broken down in Table 4.13 above. When asked if they had observed the Kabale municipality's internet service to be of a high standard, respondents gave 91.7% of the affirmative answers, compared to 8.3% of those who were unsure. 82.6% of respondents agreed with the statement that "As SMEs our business is performing well because of the internet," whereas 17.4% of respondents were unsure at the time the data was collected. Once more, respondents were asked if they use various forms of electronic banking as a result of strong internet connectivity. During data collection, 91.7% of the respondents agreed with the respondents as opposed to 8.3% of the respondents. When asked again whether the Internet has increased our operational efficiency, every responder answered "yes" with 100% agreement. Finally, when asked if utilizing the Internet increased economic contribution, 88.1% of respondents agreed with the statement, leaving 11.9% of respondents unsure. This suggests a connection between SMEs' business performance in Kabale Municipality, in Kabale District, and the use of electronic banking.

On qualitative data that had been produced through key informant interviews, qualitative analyses were carried out after doing quantitative data analysis. The qualitative results are shown below about the association between SME company performance and the usage of e-banking.

*Respondent*

*“sincerely speaking we have witnessed there is a relationship between E-banking adoption and business performance of SMEs in Kabale municipality. We do many transfers, using E-banking, Electronic Funds transfer, internet banking, mobile banking “.*

In general, the model on the association between e-banking adoption and SME company performance demonstrates that they have enhanced the commercial sector in Kabale municipality Kabale District. Both sets of data were in agreement, and it was evident that qualitative data supported quantitative data.

**Hypothesis Testing;**

To verify the alternative hypothesis that there is strong relationship between E-banking adoption and business performance in Kabale Municipality, the Pearson’s product moment correlation coefficient was thus, used to determine the magnitude of the relationship as shown on the table below:

**Table 18: Correlation analysis on relationship between e-banking adoption and business performance Correlations**

	Business performance of SMEs	E-banking adoption
Business performance of SMEs	1	.549**
Pearson Correlation		
Sig. (2-tailed)		.000
N	109	109
E-banking adoption	.549**	
Pearson Correlation		

Sig. (2-tailed)	.000	.000
N	109	109

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

**Source: Field Data 2022.**

Table 18 above shows a correlation coefficient of 549\*\*, which is significant at the 0.01 level and denotes a very strong significant positive relationship. A regression study was carried out to determine the strength of the relationship between the use of e-banking and business success in Kabale Municipality. This demonstrates the potential impact of the volatility of the independent variable on the dependent variable.

**Table 19: Model summary of the relationship e-banking adoption and business performance of SMEs .**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.549 <sup>a</sup>	.159	.154	.14749

a. Predictors: (Constant), Relationship between E-banking adoption and Business performance

**Source field data 2023**

The coefficient of determination. .549 implies that there is a relationship between e-banking and business performance at Kabale Municipality by 54.9%.

#### **4.9. Empirical finding on business performance of SMEs**

This section presents the findings on dependent variable; business performance of SMEs of Kabale Municipality using the questions set to generate information from the respondents. The

data to achieve this was obtained from the primary sources and secondary data. A summary of the responses is presented in the table below.

**Table 20:A summary of the findings on organizational performance at Kabale Municipal Council.**

Statements on business performance of SMEs	Agree		Undecided		Disagree	
	F	%	F	%	F	%
I have realized profits due to e-banking adoption	90	82.6	19	17.4	00	00
Revenue has increased due to e-banking	98	89.9	11	10.1	00	00
Customer satisfaction has increased and things are going on well due to e-banking	99	90.8	10	9.2	00	00
Level of transactions have increased per day	109	100	00	00	00	00
There is generally business growth of SMEs in Kabale Municipality	98	89.9	11	10.1	00	00

**Source: Primary data 2022**

Five (5) statements about the business performance of SMEs in the Kabale Municipality were given to the respondents. When asked whether they had achieved profits as a result of adopting e-banking, the respondents in the research area responded in the affirmative 82.6% of the time, compared to 17.4% who were unsure.

When asked if revenue has increased as a result of e-banking, 89.9% of respondents said yes, while 10.1% expressed uncertainty. The question of whether e-banking has improved customer happiness and the state of affairs was also put to the respondents. 9.2% of respondents were unsure, leaving 90.8% of respondents in agreement with the statement. During data collecting, respondents were also questioned if the number of transactions per day had increased; 100% of

them agreed with this assertion. In response to the final question about whether SMEs in Kabale Municipality are generally growing their businesses, 89.9% of respondents agreed with the statement, while 10.1% of respondents were unsure at the time of data collection. This shows that there is a connection between E-banking and the success of SMEs in Kabale Municipality.

## CHAPTER FIVE

### SUMMARY DISCUSSIONS, CONCLUSIONS, AND RECOMMENDATIONS

#### **5.0 Introduction**

This chapter presents the study summary, discussion of findings, conclusions and recommendations made. It also presents the proposed areas for further research. The discussion, conclusions and recommendations are presented according to themes based on the study objectives.

#### **5.1.1 Level of E-banking adoption on business performance of SMEs in Kabale Municipality**

The study findings on objective one revealed that E-banking adoption is positive and significantly related on the business performance of SMEs in Kabale Municipality. Based on descriptive statistics and qualitative analyses. On the five questionnaire components of E-banking adoption, the respondents agreed at an average rate of 92% and with  $r=668^{**}$ . It was also confirmed by the qualitative findings from the key informants that stated that E-banking adoption affects business performance in Kabale Municipality, Kabale District.

#### **5.1.2. level of business performance of SMEs in Kabale Municipality**

The second objective of the study was to the level of level of business performance of SMEs in Kabale Municipality. On the ten questionnaire components on the level of business performance of SMEs, the respondents agreed at an average rate of 90% and with  $r=456^{**}$ .

#### **5.1.3. Relationship between E-banking adoption and business performance of SMEs of Kabale Municipality.**

The third objective was to establish the relationship between E-banking adoption and business performance of SMEs of Kabale Municipality. From the descriptive statistics, the respondents agreed with 90% budgetary control has a relationship between organizational performance of r. 549<sup>\*\*</sup>

## **5.2 Discussion of findings**

This study was carried out focusing on three specific objectives; to establish the level of E-banking adoption on business performance of SMEs in Kabale Municipality, to determine the level of business performance of SMEs in Kabale Municipality and to establish the relationship between E-banking adoption and business performance of SMEs in Kabale Municipality. In this section, these findings are further discussed to check their relevance to the overall knowledge generation and testing. This discussion is organized in line with the objectives of the study and paying special courtesy to the key findings attained from the process of data analysis.

### **5.2.1. Level of E-banking adoption on business performance of SMEs in Kabale Municipality**

Study outcomes on objective one was set to establish the level of E-banking adoption on business performance of SMEs in Kabale Municipality. Basing on quantitative findings that were supported by qualitative findings that were generated from key informant interviews on business performance of SMEs in Kabale Municipality which could be influenced by the independent variable of e-banking adoption which has a significant contribution. The findings on objective one is in agreement with Online banking, according to Nimaigeri and Baei (2022), is one of the more modern e-banking services available globally. It refers to any method that allows consumers to conduct financial transactions electronically rather than in person at a physical location. The rapid advancement of technology has had an effect on practically every business, including banking, as a result of the clear global adoption of innovative techniques like Internet banking. India has not been immune to the extensive financial sector developments. Internet banking is now a reality, in part due to India's economic globalization in the 1990s. The Indian government made clear that the financial industry preferred that the implementation of many of the committee's recommendations for banking reforms fall under the purview of digital banking (Nduta, & Wanjira,2019).

This explains why (a) a sizable fraction of India's urban population works in the IT industry, giving them access to the Internet, and (b) the Indian population engages in more professional activities on a global scale than the populations of other industrialized nations. India has experienced high demand for the implementation of e-banking (Chmielarz, & Zborowski, 2020). In order to safeguard their customers against online fraud, the vast majority of Indian banks have now established user-friendly online banking services with high levels of security. The majority of Internet users in India choose to perform their banking and financial transactions online due to its simplicity and time-saving benefits. Internet banking, however, puts customers at risk for fraud. Banks in the public and private sectors use online banking for two key reasons. The major goal is to make customers' life easier by meeting their demands, such as by providing online access to account information, statement information, bill payment, money transfer, and the option to register for new accounts, as well as e-clearance for things like rent and loan payments. Reduced operating costs is the second goal. The dependability, efficacy, and quality of online banking services were examined in this study. consumer satisfaction with internet banking research

### **5.2.2. Level of business performance of SMEs in Kabale Municipality**

Determining the level of SME business performance in Kabale Municipality was the study's second goal. The findings of the data collection and analysis showed that there was a significant and positive association between the two variables. Qualitative research revealed that profit maximization has been achieved and that SME business performance in Kabale Municipality is rising. This is in line with Maisamari's (2021) complaint that SMEs have had difficulty thriving because of the difficulties associated with product marketing, such as a lack of market expertise, technological proficiency, and networks. Even though the use of e-banking has strengthened the character of a weak entrepreneur, the triggers for this condition are strongly suspected to be a management role that is not yet solid in controlling the company and a lack of innovation while the business environment is changing. While entrepreneurship is the result of discipline and a



methodical process of applying innovation and creativity to meet market demands and opportunities, the adoption of E-banking has addressed these issues and raised the level of business performance of SMEs (Naeem, 2022)

The ability to generate anything is what enthusiasm is. Innovation is essential for the long-term success of SMEs because the corporate environment is changing so quickly. A team's ability to innovate indicates how likely it is for them to win the tournament. Innovation needs to be important for all aspects of operations, work processes, and procedures in order to become a part of the learning culture. The organization will enter a new performance dimension thanks to innovation. Entrepreneurs must have the ability to innovate, which is one of their most important qualities. Similar to this, Hamakhan (2020) claims that innovation and creativity have a big impact on how organizations perform in the global market. In 1934, Schumpeter asserted that a company's long-term success is mostly fueled by continual innovation activity. Artz et al. (2010) showed that a company's potential for innovation may be more important than ever before for boosting performance and preserving competitive advantage due to the fierce competition and reduced product life cycles. At the time, innovation is the goal of every firm.

It has been demonstrated in a number of earlier researches that innovation enhances corporate performance (Chmielarz, & Zborowski, 2020). Additionally, some data suggest that not all innovation indicators have an impact on business success; whereas process, marketing, and organizational innovation have an impact on performance, product innovation has no such impact. Innovation improves company performance, as has been shown in a number of earlier studies. Furthermore, according to Parra-Sánchez (2021), not all innovation indicators have an effect on business performance; whilst process innovation, marketing innovation, and organizational innovation do, product innovation does not. The gap left by the conflicting outcomes of the relationship dimensions of innovation and performance has to be filled by researchers.

### **5.2.3. Relationship between E-banking adoption and business performance of SMEs in Kabale Municipality**

The objective of this study was to determine the connection between Kabale Municipality's business performance and e-banking. During the course of the study, it was also found that there was a strong correlation between qualitative findings from key informant interviews and quantitative data. Other researchers and academics have validated and backed up these findings, which show that e-banking has an impact on how well SMEs perform in the Kabale Municipality. This is consistent with Karim et al. In the literature, there has been some empirical focus on e-banking and SME performance. For instance, Al-Gharaibah (2020) studied the effects of mobile phone-based money transfers on the financial performance of small and medium-sized firms in Nairobi County, Kenya. A descriptive survey methodology was employed in the study. The information was gathered using self-administered questionnaires and an interviewing guide. The data was examined using software from the Statistical Package for Social Sciences. According to the study's findings, there is a connection between SME financial performance and business expansion, effective service delivery, information accessibility, and convenience and reliability. The proliferation of mobile money transfer services, which increase service delivery effectiveness for businesses, has an impact on the market. Although mobile money transfer services are dependable and practical, access to information through them depends on the surroundings. The study recommends a comprehensive technology-to-performance model that should include task, person, and technological characteristics as explanatory variables for technology use and performance.

Due to banks' significant shift from traditional banking to electronic banking over the past few years, the performance of SMEs has improved. E-banking services and the user base have grown as a result of innovation trends and technological breakthroughs, paving the way for financial services to become more advanced and accessible. Thanks to electronic banking services,

customers may now use their cellphones to track their financial accounts, credit payments, checking accounts, messages and emails, payment swaps, and other organizations without depending on bank instructions (Martin, et al, 2018). Al-Fahim and Abdulghafor (2022) highlighted that e-banking, also known as internet banking or mobile banking, has made life easier for SMEs all over the world. This is in keeping with their observations. Internet banking and mobile banking are two separate platforms that banks can make use of to increase customer access to their services. Online banking requires computers with an internet connection, whereas mobile banking requires wireless mobile devices. Customers' perceptions of personalization as the most important aspect of mobile banking services illustrate the differences between the needs for online and mobile banking services. An important component of online banking is reliability. Bank clients believe that online banks are underutilized, despite the general belief that they offer the least expensive services.

The introduction of e-banking benefits both banks and their customers by enabling them to conduct financial transactions online from any location in the world. This is because it makes it possible for them to more affordably, swiftly, and easily offer and sell products or services online (Vijaya, & Irwansyah,2019). Due to their ability to draw in and keep consumers, digital banking platforms have evolved into competitors for banks. The bank began connecting with customers through an excellent online experience. It was underlined that by utilizing the Internet, businesses may find novel and creative ways to boost their revenue by giving customers value. This can be done by using online portals, which can provide businesses and consumers with more possibilities to participate.

The bulk of customers in today's society base their purchases on internet content that has been given or traded by other consumers. Online banking significantly affects how consumers view, feel about, and think about a business because the majority of people regularly visit the Internet when they make purchases. They assist in the information's electronic diffusion. The relationship

between the quality of service and the likelihood of making a purchase was investigated using data from 201 respondents, and it was found that pleasure acts as a mediator between the two. In 2020, Mohammed, Ibrahim, and a group of 708 individuals from various firms examined the same problem and found that client retention. A emphasis on customer happiness and higher requirements for product quality go hand in hand (Mousa, et al 2021). Significantly, the viability and e-dependability of banking have a bigger impact on the expansion of SMEs' operations. All businesses recognize the importance of a company's ability to retain client satisfaction, but the service industry places a premium on this skill. Customers must purchase and utilize the goods or services in order for consumers to be happy. Customers' opinions and preferences directly affect a bank's business. Rajasulochana and Khizerulla (2022) assert that enhanced electronic banking, corporate success, and consumer goals are all linked to customer pleasure, which sped up the expansion of SMEs around the world, especially in Africa. The potential for growth and success of an organization depends on how satisfied customers are. Customer satisfaction and service quality are closely related. Because it is easy to compare the advantages of similar services, online banks are often more interested in client feedback on online banking services. The absolute successes of the quality regime are supported by customer satisfaction, which is significantly influenced by the client's perception of the quality of the total service.

### **5.3 Conclusions**

Based on the findings and relationships between the study variables the conclusions were made according to the study objectives.

#### **5.3.1.E-banking adoption on business performance of SMEs in Kabale Municipality**

From the findings and discussion above, it can be concluded that e-banking in Kabale Municipality. This in agreement with the findings. When asked if they have used electronic banking as a business skill, 8.3% of respondents were unsure, leaving 91.7% of respondents in

agreement with the statement. This shows that the Kabale Municipality's SMEs are significantly utilizing e-banking. When asked if online banking helps SMEs grow their businesses, all respondents—100%—agreed with the assertion. When questioned again whether the adoption of E-banking had benefitted their business, 89.9% of respondents agreed with the assertion, leaving 10.1% of respondents unconvinced. When asked again whether they would always promote online banking in our region, 90.8% of respondents said they would, leaving 9.2% of them unclear. Finally, when asked if there was a connection between online banking and the success of SMEs, 100% of respondents agreed with the assertion. This shows that the implementation of E-banking has greatly improved the performance of SMEs.

### **5.3.2. Level of business performance of SMEs in Kabale Municipality**

From the findings and discussion, it is concluded that the level of business performance among SME in Kabale municipality is performing well. 1. This in agreement with the researcher findings as follows. When asked if they agreed or disagreed that technological access was acceptable in Kabale Municipality, 91.7% of respondents said they did, while 8.3% were unsure. When asked if they were aware of the various electronic banking services provided by financial institutions, respondents gave a 93.6% positive response, leaving 6.4% of them unclear.

When asked if they could examine their most recent transactions using e-banking services, 91.7% of respondents said yes, compared to 8.3% who were unsure at the time the data was collected. 82.6% of respondents agreed with the statement when asked again whether financial institutions actively address the issue of customers' ignorance regarding e-banking services, compared to the 17.4% of respondents who disagreed with the statement during data collection.

When asked if financial institutions typically inform us about new e-banking products and services, respondents gave a 91.7% positive response, compared to an 8.3% negative response

during data collection. More respondents were questioned about whether financial organizations always give customers accurate information about their e-banking services. During data collection, the statement was agreed upon by all respondents with 100% of the respondents. When asked if they are aware of the various electronic banking services provided by financial institutions, respondents gave a 91.7% positive response, compared to an 8.3% negative response during data collection. When asked if they could access their accounts from anywhere at any time using e-banking services, 88.1% of respondents said yes, leaving 11.9% of respondents unsure throughout data collection. When asked again if they would continue using e-banking services as a result of the services provided, 96.3% of respondents agreed with the statement, while 3.7% of respondents were unsure at the time of data collection. Finally, when asked if they were aware of the e-banking fees, all respondents said with 100% agreement, "I don't have any problems with it." This shows that the implementation of e-banking affects the business performance of SMEs in Kabale Municipality and Kabale District.

### **5.3.3. Relationship between E-banking adoption on business performance in Kabale Municipality**

From the outcomes and discussion, it is concluded that there **Relationship between E-banking adoption on business performance in Kabale Municipality**. This is in agreement with the findings as bellow; When asked if they had observed the Kabale municipality's internet service to be of a high standard, respondents gave 91.7% of the affirmative answers, compared to 8.3% of those who were unsure. 82.6% of respondents agreed with the statement that "As SMEs our business is performing well because of the internet," whereas 17.4% of respondents were unsure at the time the data was collected. Once more, respondents were asked if they use various forms of electronic banking as a result of strong internet connectivity. During data collection, 91.7% of the respondents agreed with the respondents as opposed to 8.3% of the respondents. When asked

again whether the Internet has increased our operational efficiency, every responder answered "yes" with 100% agreement. Finally, when asked if utilizing the Internet increased economic contribution, 88.1% of respondents agreed with the statement, leaving 11.9% of respondents unsure. This suggests a connection between SMEs' business performance in Kabale Municipality, in Kabale District, and the use of electronic banking.

## **5.4 Recommendations.**

In relation to the analysis, findings, and conclusion, guided by the study objectives, the following recommendations have been proposed.

### **5.4.1. E-banking adoption and business performance in Kabale Municipality**

The report suggests that in order to reduce the financial risks associated with moving money around, all SMEs in Kabale Municipality should switch to electronic banking.

### **5.4.2. Business performance of SME in Kabale Municipality**

The report suggests that Kabale Municipality encourage all businesses and SMEs to adopt electronic banking if they are to expand successfully. The level of service they may obtain from the financial institutions with the use of electronic banking will enable them to increase their borrowing capacity.

### **5.4.3. Relationship E-banking adoption and business, performance of SMEs in Kabale Municipality.**

The report suggests that in order for SMEs to operate successfully, they should always use electronic banking. This is due to the impact that e-banking adoption has on SMEs' company success and how well financial services are delivered.

### **5.5. Areas for further study.**

The purpose of the study was to look at the relationship between company success in Kabale Municipality and e-banking use. Although they were unrelated to this investigation, some issues that surfaced did not fall under its purview. Future scholars can take these into account and look into them as follows;

- ATM adoption and financial performance of SMES
- Mobile Money Banking and financial performance of SMEs.



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## Appendences

### Appendix 1: Questionnaire for respondents

Dear respondent, I am **Nakazibwe Martha**, a Graduate student of Kabale University pursuing a Master's Degree in Business Administration. I am conducting an academic research entitled "**E-Banking adoption and business performance of SMEs in Uganda case study of Kabale Municipality**". You have been selected to participate in this study because you are one of the identified SMEs in Kabale Municipality. You are kindly requested to spare some minutes of your time to assist and provide your honest feedback to the questions.

Please note that the responses given will be treated with utmost confidentiality and will only be used for academic purpose only. Anonymity of the respondent is also guaranteed.

Thank you in advance

### SECTION A: DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

*(Kindly tick appropriate)*

1. Kindly indicate your gender

Male	Female

2. What is your highest Academic qualification?

None	Primary	Secondary	Tertiary

3. Kindly indicate your age bracket

Below 23 years	23 – 35 years	36 – 45 years	46 – 55 years	Above 55 years

4. What is your marital status?



Single	Married	Divorced/separated	Widowed

5. How many dependents do you have in your family?

0– 3	4 – 5	Over 5

6. What is your average monthly income?

Less than 250,000	250,000 – 500,000	500,001 – 1,000,000	Over 1,000,000

**SECTION B: AWARENESS OF SMEs ON THE USE OF E-BANKING SERVICES**

7. Does your SME use e-banking services?

A. Yes  B. No

8. If yes, what e-banking services do you use in your SME?

A. Electronic Funds Transfer  B. Internet banking  C. mobile banking

D. ATM  E. Enterprise Online F. Business Online

G. Point of Sale banking  H. Agency banking  I. Others (specify)

For this part, evaluate each statement regarding the awareness e-banking to reflect what degree you agree or disagree with it using the Linkert scale; 1= *strongly (SD)*, 2=*Disagree (D)*, 3=*Undecided (U)*, 4=*Agree (A)*, 5=*strongly agree (SA)*

For each of the statements in sections B and C, tick the number that best indicates your opinion in the matter using the 5-points Likert scale

1. Strongly Disagree    2. Disagree    3. Neutral    4. Agree    5. Strongly agree

**E-Banking adoption**

	Responses	5	4	3	2	1
1	I have been using E-banking as a business acumen					
2	E-banking promotes business growth of SMEs					
3	My business has improved due to E-banking adaptation					
4	I will always promote E-banking in our area					
5	E-banking has a relationship with Business performance of SMEs					

**Technological access**

	Responses	5	4	3	2	1
1	Technological access is ok with us in Kabale Municipality					
2	I am aware of the different electronic banking services offered by financial institutions					
3	I am able to check my latest transactions using e-banking services					
4	The financial institutions actively solve the problem of customers' ignorance regarding e-banking services					
5	Financial institutions usually teach us about new e-banking products/services					

6	The financial institutions always provide reliable information to the customers on their e-banking services					
7	I am aware of the different electronic banking services offered by financial institutions					
8	I am able to access my account anytime from anywhere using e-banking services					
9	Due to the services offered, I am willing to continue using the e-banking services					
10	I am aware of the e-banking charges and I don't have any problems with it					

### Level of internet connections

	Responses	5	4	3	2	1
1	I have witnessed the level of internet is good with us at Kabale municipality					
2	As SMEs our business are performing well because of internet					
3	We are using different types of E-banking due to good internet connectivity					
4	There is market reach due to internet connectivity					
5	Internet has improved our operational efficiency,					
6	There is increase of economic contribution by using the Internet					

### Effect of innovative culture

	Responses	5	4	3	2	1

1	Innovative culture affects business performance of SMEs					
2	Innovation increases SMEs visibility					
3	Innovation culture has improved by products					
4	Innovation is a sign of a team's likelihood of succeeding in the competition.					
5	Clients are satisfied because of innovative cultures					
6	Sale in my business have increased due to innovative business					

### **BUSINESS PERFORMANCE OF SMEs**

	Responses	5	4	3	2	1
1	I have realized profits due to e-banking adoption					
2	Revenue has increased due to e-banking					
3	Customer satisfaction has increased and things are going on well due to e-banking					
4	Level of transactions have increased per day					
5	There is generally business growth of SMEs in Kabale Municipality					

*Thank you for your time and responses*

## **Appendix 2: Interview Guide for Key Informants**

Dear respondent Sir/Madam,

1. What are the e-banking services available at this institution that are offered to SMEs?
2. Are customers aware of these facilities? How do you create awareness of these services to your clients?
3. How available and accessible are these facilities to benefit SMEs?
4. In general, how do SMEs utilize these services?
5. What factors influence the adoption and utilization of e-banking by SMEs in your institution?
6. What challenges are you faced with in delivering e-banking services to SMEs?
7. In your opinion, how do you think e-banking services have helped SMEs in their financial management?
8. How do you rate the level of financial management within the SMEs that you serve?
9. The level of E-banking adoption is increasing among business acumen in Kabale Municipality
10. There is a relationship between E-banking and business performance of SMEs in Kabale Municipality
11. I will always support E-banking adoption for the growths and development of my Business

*Thank you for your time and responses*