



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

MA IN MARKETING MANAGEMENT

**CHALLENGES AND OPPORTUNITIES OF ADOPTING ALTERNATIVE
CHANNEL BANKING FOR PRIVATE COMMERCIAL BANKS IN ETHIOPIA**

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Addis Ababa, Ethiopia

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A thesis submitted to St. Mary's university school of graduate studies in partial fulfillment
of the requirements for the degree of Master of Arts in Marketing Management

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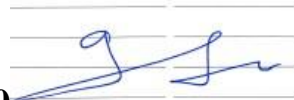
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Declaration

I the undersigned, declare that this thesis is my original work which was prepared under the guidance of Dr.GashawTibebe (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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LIST OF ACRONYMS

ATM	Automated Teller Machine
BPR	Business Process Reengineering
CBE	Commercial Bank of Ethiopia
CSA	Central Statistical Agency
E.C	Ethiopian Calendar
IBM	International Business Machine Corporation
ICT	Information and Communication Technology
NBE	National Bank of Ethiopia
NPS	National Payment System
PC	Personal Computer
PDA	Personal Digital Assistant
PIN	Personal Identification Number
POS	Point of Sale
PSS	Premium Switch Solutions
RTGS	Real Time Gross Settlement

ABSTRACT

This study has taken one of the current issues in the Ethiopian banking industry: alternative channel banking. The objective of the study was to identify the challenges and opportunities of adopting electronic channel banking. The study was conducted on six private commercial banks. The banks were selected using stratified sampling technique. Data was collected by distributing questionnaire on a survey basis to the staff of the respected departments/divisions of the selected banks. Out of the distributed 92 questionnaires 87 of them were used in the study. The study used descriptive analysis to analyze the collected data. The results of the study showed that; perceived ease of use, perceived usefulness, the fact that the Ethiopian banking sector is adopting alternative channel banking late compared to developed countries and the fact that the 65 % of the population is between the age 15 and 54 (CSA, 2015) are opportunities for Ethiopian private commercial banks to adopt alternative channel banking. It is also concluded that lack of awareness of the society about alternative channel banking; the security risk associated with using alternative channel banking; the constant interruption of power; absence of network between commercial banks; the underdevelopment of the telecommunication infrastructure of the country and the level of illiteracy of the society are challenges of adopting alternative channel banking for the Ethiopian private commercial banks. Based on the findings commercial banks are recommended to create customer awareness; work with other commercial banks and government; enhance their infrastructure; develop customer customized system and associate motivating factors with the usage of alternative channel banking.

Key words: *commercial banks; alternative channel banking; opportunity of alternative channel banking and challenges of alternative channel banking.*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In the constantly changing world of today, where past is being replaced by dynamic present and the dynamic present is being replaced by more challenging future, the old ways of doing things is no longer valid. Change is permanent and a reality (Zainal, 2015).

Science and technology is changing the way financial institutions undertake their transactions. Today's banks are shaking by these technological changes and embracing new ways of branchless banking or alternate channels of banking (Mohammad, 2013).

A channel is a gateway for execution of a service. A channel can be an office, media, tool, or an application; it can be manipulated by human interaction or through a systematic front-end interface. The 'Alternative Channel Banking' approach emerged as a result of a pressing need to ensure proper handling and communicating of scattered services, products, and/or commodities that were previously not following a systematic process flow (Arif et. al, 2017). ADCs have evolved gradually and adapt to serve consumer needs at their convenience. ADC serves as an alternate to complement the existing delivery channels. At this stage, it cannot be considered as a replacement to the existing structured delivery channels, but rather as an advanced interface to leverage the use of any service that is also being offered through conventional channels. For more than 20 years, ADC has proven its ability to meet consumer's expectations by ensuring accuracy, convenience, and timeliness in service 24/7 (ADC & Technology handbook, 2014).

Alternative channel banking services' are transformative in nature, accommodating the demand for access to financial services "anytime, anywhere, anyhow". They rely heavily on information and communication systems and devices ranging from ATMs to mobile phones, all of which enable the instant transmission of financial and non-financial information between the customer and financial services providers or Banks. New technologies increase efficiency through automation, reduce operational costs, and improve service quality by cutting down on waiting times and offering more convenient access and reduced cost to the end-consumer. For Financial Services Providers, particularly banks, Alternative channel banking services can help improve

operational efficiency and cost-effectively expand outreach. Unfortunately, many Financial Service Providers lack the technical knowledge or skills needed to successfully implement Alternative channel banking services (ADC, 2014).

In an endeavor to optimize services and diminish costs, banks are regularly migrating towards a 24-7 service where clients are enjoying the superior sense of independence that this creates. Accessibility is the central pillar as customers demand instant access to deposits, loans and status of their account. In an effort to drive even superior differentiation from the competition, financial service organizations are currently exploring alternative banking channels. The global banking industry has been revolutionized over the past three decades by an onslaught of latest technologies in addition to an extensive change in the rules governing the application of this technology (Rose, 2014).

Consequently, almost all banks in Ethiopia have begun adapting their delivery channels and transforming from frontal individual service to self-serving and banking through email, phone and other electronic transactions. Since banking services are commonly similar between the institutions, the approach must guarantee that each channel is shrewdly positioned to optimize its contribution to the bank's differentiation from the competition. Technology has revolutionized the way financial institutions conduct business. Mobile and wireless markets are the fastest growing markets in the world (The IJES, 2014). Therefore, the purpose of this research is to assess the opportunities and challenges for the adoption and practicing of Alternative Delivery Channel banking in Ethiopia.

1.2 Statement of the Problem

In this era of globalization, with increased competition around the globe in all sectors, a strong banking industry is important in every country and can have a significant effect in supporting economic development through efficient financial services; as a result many banks are modifying their strategies to reach customers worldwide more easily and cheaply. In this regard, one main advancement technology has brought to us is the introduction of alternative channel banking and electronic banking. The rapidly growing information and communication technology is knocking the front door of every organization in the world (Booz & Hamilton, 2017).

Therefore, banks are developing the technologies that will help them deliver banking products and services by the most cost-effective channels and one of such channel is adoption of alternative channel banking. Alternative channel banking is a way to keep existing customers and attract new ones to the bank. The transaction costs of providing these services are lower than the traditional approach. Traditional banking is characterized by physical decentralization, with branches scattered around populated areas to give customers easy geographical access alternative channel banking does away with the need for most visits to the bank (Ainin et al., 2015).

E-banking has been widely used in developed countries and is rapidly expanding in developing countries. In developed countries, banks engage in vigorous E-banking and this had helped these banks to stay competitive through productivity gains, transaction cost reduction and customer service improvement. Despite its benefits, however, developing countries still lag behind developed countries in the adoption of e-banking (Yasuharu, 2017).

In Ethiopia cash is still the most dominant medium of exchange and electronic payment systems are at an infant stage. In the face of rapid expansion of electronic payment systems throughout the developed and the developing world, Ethiopia's financial sector remains behind in expanding the use of the system. With a growing number of import-export businesses, increased international trades, increased demand of customers and international relations, the current banking system is short of providing efficient and dependable services (Gardachew, 2010).

This calls for the adoption of alternative channel banking and as well for the need to study the challenges and opportunities banks face while adopting alternative channel banking. Although researches have been conducted to study challenges and opportunities of alternative channel banking, they are not enough given the dynamism of the issue. Moreover, most of the studies are conducted prior to 2010 E.C Gardachew(2010) Wondwossen and Tsegai (2005) and YayehyiradKitaw (2006). The recent papers done in the area are rather concentrated on a specific product. Mattewos (2016) focused on electronic banking, whereas Afework's (2015) main focus was on agent banking and Genet (2018) stressed on Ethswich. This paper tried to fill the observed gap by studying the opportunities and challenges of alternative channel banking in the current technological and economical context.

1.3 Research Questions

The study will try to answer the following questions

1. What are the opportunities of adopting alternative channel banking for Ethiopian private commercial banks?
2. What are the expected benefits of adopting alternative channel banking for Ethiopian private commercial banks?
3. What are the challenges of adopting alternative channel banking for Ethiopian private commercial banks?
4. What are the driving forces of adopting alternative channel banking for Ethiopian private commercial banks?

1.4 Research Objective

1.4.1 General Objective

The general objective of this study is to identify opportunities and challenges of adopting alternative channel banking for Ethiopian private commercial banks.

1.4.2 Specific Objective

The specific objectives of the study are:-

- To identify the opportunities associated with adopting alternative channel banking for Ethiopian private commercial banks
- To identify the expected benefits of adopting alternative channel banking for Ethiopian private commercial banks
- To identify challenges of adopting alternative channel banking for Ethiopian private commercial banks
- To identify the driving forces of adopting alternative channel banking for Ethiopian private commercial banks

1.5 Significance of the Study

The study was conducted on the challenges and opportunities of alternative channel banking and it will be mainly used by commercial banks as it gives a deeper insight about the opportunities the commercial banks can capitalize on and as well the challenges they may face in the process of adopting alternative channel banking. Moreover, the study will also enable commercial banks to identify measures that can be taken to overcome the challenges of adopting alternative channel banking.

The study will also give commercial banks an insight on the benefits and driving forces of adopting alternative channel banking.

1.6 Scope and Limitation of the Study

Even though there are seventeen commercial banks in Ethiopia, this study was conducted on six selected private commercial banks. The Banks are selected using stratified sampling technique. This is done to include banks with different service period in the sample. The banks are Abay bank, Berhan bank, Lion International Bank, Dashen bank, Zemen Bank, and United Bank.

The study was conducted on concerned department staffs from the above stated banks. Thus, the study was limited to study the opportunities and challenges of adopting alternative channel banking only from the banks' perspective. Government offices, customers/subscribers and agents of the service are not included in this study

1.7 Organization of the Study

This research will be organized in five chapters. Chapter one will provide the general introduction about the whole research. Chapter two will describe the review of related literatures. Chapter three will provide detail description of the methodology employed by the research. Chapter four will contain data presentation, analysis and interpretation. Finally, the last chapter will provide conclusions and will give relevant recommendations based on the findings.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Definitions of Electronic Banking

According to IBM Global Services, alternative banking is a set of alternative delivery channels. It is conducting financial transactions electronically, without physically interacting with the bank. Alternative banking is alternative options for process banking transactions other than traditional means. Alternative banking is sometimes referred to as electronic banking (Chebii, 2013).

Electronic banking is the use of a computer to retrieve and process banking data (statements, transaction details, etc.) and to initiate transactions (payments, transfers, requests for services, etc.) directly with a bank or other financial service provider remotely via a telecommunications network (Yang, 1997, pp.2) same is shared by (Malak, 2007).

Sathye (1999) also asserted that electronic banking can be defined as a variety of the following platforms: (a) Internet banking (or online banking), (b) telephone banking, (c) television-based banking, (d) mobile phone banking, and (e) PC-banking (or offline banking).

Daniel (1999) explained that E-banking is online banking (or Internet banking) which allows customers to conduct financial transactions on a secure website operated by their retail or virtual bank, credit union or building society. This implies that E-banking is a service that allows an account holder to obtain account information and manage certain banking transactions through a personal computer via the financial institution web site on the internet.

According to Singh & Malhotra (2004), E-banking can be defined as the deployment of banking services and products over electronic and communication networks directly to customers.

E-banking can be also defined as a variety of platforms such as internet banking or (online banking), TV-based banking, mobile phone banking, and PC (personal computer) banking (or offline banking) whereby customers access these services using an intelligent electronic device,

like PC, Personal Digital Assistant (PDA), Automated Teller Machine (ATM), Point of Sale (POS), kiosk, or touch tone telephone (Alagheband 2006).

In general, E-banking is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick-and-mortar institution.

2.1.2 Evolution of E-Banking

Since the late 1990s E-Banking has developed from virtual insignificance to tens of millions of worldwide users (OECD, 2001). However, E-Banking is the product of different generations of electronic transactions. The current web-based internet or E-Banking is the latest of several generations of systems: Automated Teller machine (ATMs), Phone Banking, PC or House Banking. Automated teller machines (ATMs) were the first well-known machines to provide electronic access to customers where as in phone banking, users call their bank's computer system on their ordinary phone and use the phone keypad to perform banking transactions. PC banking superseded phone banking and allowed users to interact with their bank by means of a computer with a dial-up modem connection to the phone network. Phone and PC banking entailed maintenance costs associated with keeping up to date with diverse modems and with avoiding prohibitively complex installation procedures.

After those generations Deutsche Bank launched the very first Internet banking project in Latin America in 1996 and Citibank has developed a special "e-toolkit" across all its branches worldwide (UNCTAD, 2002). E-Banking uses the web browser for the user interface and the Internet for data transfer and download of software, and so has a potential for reducing maintenance costs. For users, E-Banking provides current information, 24-hours-a-day access to banking services. The primary services provided by e-banks are transferring money among one's own accounts, paying bills, and checking account balances. Loans, brokering, share trading, service bundling, and a host of other financial services are being added to these primary services (Dewan&Seidmann, 2001).

Since its inception, Internet banking has experienced strong and sustained growth. World Bank's 2017 report on leapfrogging in e-finance pointed out that the three countries with impressive progress in information technology in this sense are Estonia, Republic of Korea and Brazil

(Claessens et al 2001). Creation of the world's leading electronic banking systems has been done at a remarkably low cost compared to other world-class internet banks (Sahlen 2002).

2.1.3 History and overview of Banking in Ethiopia

A reference to the Ethiopian history reveals that the first bank in the country, Bank of Abyssinia; was founded during the regime of Emperor Menelik II in February 1905. Due to a foreign domination of its management mainly the British, the Bank of Abyssinia was forced to dissolve and in its place was established the Bank of Ethiopia in 1931 whose management was still left to foreigners due to the lack of skilled manpower in the country. The Bank of Ethiopia was later replaced by the State Bank of Ethiopia soon after the war with Italy. The latter was the first bank in the country fully controlled and owned by the Ethiopia government. (Arnaldo, 2003) In the meantime, however, a number of foreign banks had opened their branches in the country, most of them with an interest to have control over the nation's economy. It was the State Bank of Ethiopia that gave rise to the present Commercial Bank of Ethiopia (CBE) and National Bank of Ethiopia (NBE). During the Dergue reign, CBE had remained as the only participant in the country's commercial banking sector.

However, following the 1991 takeover by the present government and accompanying encouragement of private investment, a number of private banks have emerged in the country's financial sector. Accordingly, monetary and banking proclamation No. 83/1994 and the licensing and supervision of banking business No. 84/1994 laid down the legal basis for investment in the banking sector. Consequently, after the proclamation the first private bank, Awash Bank was established in 1995 (NBE, 2009)

Currently, the number of banks operating in Ethiopia reached at 18 at end June 2018. These included 16 private and 2 public owned banks. All banks total number of bank branches is 4,757 and one branch serving 20,286.52 people¹ on average. Of the total bank branches, about 35.3 percent were located in Addis Ababa. Private bank branches accounted for 68.8 percent of the total branches. The total capital of the banking system reached Birr 85.8 billion at the end of fourth quarter of 2017/18. While private banks accounted for 39.9 percent of the total capital, Commercial Bank of Ethiopia and Development Bank of Ethiopia constituted 51.1 percent and

¹ Total population is 96,503,000 as CSA estimation for 2018.

8.9 percent, respectively, putting the total capital share of the two public banks at 60.1 percent. The banking sector disbursed about Birr 37.1 billion in new loans during the review quarter, indicating 27.8 percent growth compared to last year same quarter. Of the total new loans disbursed, the share of public banks was 45.6 percent and that of private banks 54.4 percent. Total outstanding credit of the banking system (excluding credit to government) stood at Birr 394.6 billion by end of June 2018 registering 22.2 percent growth over last year same quarter. About 99.9 percent of the private banks' and 38.5 percent of public banks' loans went to finance the private sector (NBE Quarter Bulletin Vol. 34).

The Unbanked

The Unbanked are consumers who don't have regular access to basic financial services. Most unbanked live in Africa, Asia and Latin America – where the informal economy is king. The Global Findex (World Bank's financial inclusion database) shows 3/4 of the world's poor do not have a bank account; this is not only because of lack of income, but also due to monetary (transportation costs) and opportunity costs (time to reach nearest branch), travel distance to a bank branch or outlet and bureaucracies, like obtaining the required paperwork to open a bank account (e.g. Utility bill to serve as proof of address). Women, youth and rural residents are at the greatest disadvantage.

According to the Global Findex Database, In general the use of digital payments is in progress. The share of adults around the world making or receiving digital payments increased by 11 percentage points between the year 2014 and 2017.

In developing economies the share of adults using digital payments rose by 12 percentage points, to 44 percent (Global Findex Database Measuring Financial Inclusion and the Fintech Revolution).

2.1.4 Alternative Channel Banking System in Ethiopian Banking Industry

Despite a rapid increase in the number of financial institutions since financial liberalization, the Ethiopian banking system is still underdeveloped compared to the rest of the world. Cash is still the most dominant medium of exchange. Commercial banks in Ethiopia provide the same services with the same operational style that they used to offer before decades. The common

banking functions provided by public and private banks in Ethiopia are deposit mobilization, credit allocation, money transfer and safe custody. Banks in Ethiopia are unable to improve customer service, design flexible and customized products, and differentiate themselves in a market where product features are easily cloned. Ethiopian banking is unable to come from long way of being sleepy to a high proactive and dynamic entity as needed.

Every bank customer is highly dissatisfied by the disappointing status of financial development in Ethiopia. Even the time wasted in traveling for search of bank branches and the long waiting time to access the account is really disappointing. This is particularly because of the non-integration of branches of the same bank, i.e. even within individual banks their branches are not linked to each other till some recent years back and this leads customers to physically visit the branch in which an account has been opened.

It was also impossible to withdraw money without presenting the pass book and money transfer as commercial banking service is allowed only in between branches of the same bank. However, from the public and the economy there is a strong need for strengthening linkages among banks in order to allow healthy flow of financial resources among financial institutions and optimize the contributions of the entire financial system to the development processes as whole.

All banks in Ethiopia are too late to move with technological advancement. Some of the banks even today do not have enough information on websites which can help them to provide at least the information about financial services offered by them. Therefore an immediate solutions needed to embark capacity building arrangements and modernize the banking system, i.e. by employing the state of the art technology being used anywhere in the world. Therefore all banks operating in Ethiopia should recognize the need for introducing electronic banking system to satisfy their customers and meet the requirements of rapidly expanding domestic and international trades, and increasing international banking services. Ethiopian commercial banks are late to launch the electronic banking services and have missed to enjoy their customers with the technological advancement which has been entertained elsewhere in Africa and the rest of the world. The modern e-banking methods like ATMs, Debit cards, Credit cards, Tele banking, Internet banking, Mobile banking and others are new to the Ethiopian banking sector and are the recent phenomena.

The last two decades brought blessing news. Following the opening up of the sector for private operators in 1994, 16 more banks joined Ethiopian banking sector, which used to be dominated by two state owned banks since 1909.

The largest state-owned bank, Commercial Bank of Ethiopia, introduced ATM service for local users in 2001 with its fleet of eight ATMs located in Addis Ababa. Moreover, CBE has had Visa membership since November 14, 2005. However, due to lack of appropriate infrastructure it failed to reap the fruit of its membership. Despite, being the pioneer in introducing ATM based payment system and acquired Visa membership, CBE lagged behind Dashen Bank, which worked aggressively to maintain its lead in electronic payment systems.

Available services on Dashen Bank ATMs are: Cash withdrawal, Balance Inquiry, Mini statement, Fund transfer between accounts attached to a single card and PIN (Personal Identification Number) change currently, the bank gives debit service only for Visa cards. The bank clients can withdraw up to 6,000 birr in cash and can buy goods and services of up to 6,000 birr per day. Expanding its leadership, Dashen Bank has begun accepting MasterCard in addition to Visa credit cards it began serving over two years ago. Dashen won the membership license from MasterCard in 2008.

Harnessing its leadership with advanced banking technology, Dashen Bank signed an agreement with *iVery, a South African electronic payment technology company*, for the introduction of mobile commerce in April 21, 2009. According to the agreement, iVeri Payment Technologies has licensed its Gateway and MiCard e-payment processing solution to Dashen Bank. This would make Dashen Bank the first bank in Ethiopia to acquire e-commerce and mobile merchant transactions. Although Dashen's new technology is one step ahead in that it allows transfer of funds from one's account to others, the younger United Bank was the first to introduce telephone and Internet banking systems - including text messages (SMS) - by the end of 2008.

Wegagen Bank has signed an agreement with Technology Associates (TA), a Kenyan based IT firm, for the development of the solutions for the payment system and installation of a network of ATMs on December 30, 2008.

The memorandum of understanding signed by three private commercial banks to launch an Automated Teller Machine (ATM) and Point of Sale terminal (POS) network, in February 2009 is welcoming strategy to improve electronic card payment system in Ethiopia. Three private commercial banks - Awash International Bank S.C., Nib International Bank S.C and United Bank S.C. – have agreed in principle to establish an ATM network called *Fettan ATM network*. If everything goes as planned, Fettan ATM will install dozens of ATM machines and POSs across Ethiopia. There will be one ATM at every branch of the consortium banks, all domestic airports serviced by commercial service, shopping complexes and merchants. The agreement is the first significant cooperation between competing banks in Ethiopia, which others should be encouraged to follow as there is no single bank in Ethiopia that can afford to provide extensive geographical coverage and access (Binyam, 2009).

The first ever electronic banking gateway was signed between Ethiopian Commodity Exchange (ECX) and Dashen Bank and CBE. The electronic banking system being developed with both banks is designed to give a secure electronic data sharing gateway between clients, banks and ECX, facilitating a smooth transaction (Abiy, 2008). As the CBE continues to move at a snail's pace in its turnkey solution for Card Based Payment System, Dashen Bank remains so far the sole player in the field of electronic banking since 2006. The agreements signed by other private banks to introduce e banking are welcoming.

Currently, there are only a few agreements in place to share ATM resources. The first was the Premium Switch Solutions (PSS), which was established by three banks in 2009 namely Awash International Bank S.C., Nib International Bank S.C and United Bank S.C., with a capital of 165 million Br, and now has six member banks, including Awash International Bank S.C., United Bank S.C., Nib International Bank S.C., Berhan International Bank S.C., Addis International Bank S.C and the Cooperative Bank of Oromia S.C. It is the first certified Third Party Payment Processor by the regulatory party, National Bank of Ethiopia and starts its operations in July 2012. Moreover, PSS has made its system certified by VISA, Master Card and Union pay.

On May 28, 2015 the much anticipated Eth-Switch began its pilot project to commence centralized all banks online real-time and electronic (CORE) banking solution. Eth-Switch was established in 2011 by 16 banks with 80.5 million Br following the recommendation by National

Bank of Ethiopia, on June 2009. The technology, which is expected to be connected to the National Payment System (NPS), operates under National Bank of Ethiopia (NBE). It will enable clearing of cheques and using the ATM of any bank and use POS. The company started its service by connecting all Automated Teller Machines (ATMs) and it aims at integrating all real-time and online payment systems in Ethiopia. On July 2016 the national switch started issuing national payment card dubbed EthioPay.

ET Switch was not the first switch that was introduced in Ethiopia. Nevertheless, it was only this one that managed to connect all of the existing switches and payment system in the national payment system. Out of the 17 banks that are shareholders in the switch, 5 of them made direct connection to the national switch system. In other words these banks did not invest on a switch system and other technologies. The 5 banks are Oromia International Bank, Bunna Bank, Lion International Bank, Dehub Global Bank and Enat Bank. Et-Switch transformed the Ethiopian banking industry one step ahead since it facilitate inter-operability among banks, through automated teller machines (ATM) and Points of Sales (PoS).

2.1.5 Types of Alternative Channel Banking and their Features

Scholars have identified a number of alternative banking channels. These study discuss the following alternative banking channels; internet banking, mobile banking, agency banking, RTGS and ATMs.

Internet Banking

Internet banking is all about enabling the account holders to access and transact using their bank accounts via the banks website (Essinger, 1999). The overall "usefulness" of Internet banking, i.e.; increase efficiency or better performance in comparison, low involvement consumers value the "ease of use" associated with internet banking (e.g. easy to use or less mental effort). Similarly, the study found both the perceived usefulness and perceived ease of use positive influence the behavioral intentions by high (Hsin et al, 2010).

In one process of analysis, mean scores of benefits and risks associated with internet banking were computed and ranked. Bankers consider "Saves time", "Minimizes the risk of carrying cash", and "Minimizes the cost of transactions" (Mohammed, 2014).

A number of banking experts are predicting that online banking will keep on improving in the near future offering more and more possibilities for customers. This, however, will require banks to invest significant amount of resources in technology in order to keep the pace of consumer demand, which will be a difficult task for smaller organizations, especially in times of crisis (Marous, 2013).

In Nordea Bank, Finland, one online transaction costs the bank an average of just 11 cents, compared to \$1 for a transaction in the branch (Echikson, 2001). Average payment in internet bank or via direct debit cost 4 times less, than payment in branch. On actual cost side(or cost side from the bank point of view), average direct debit payment cost 16 times less and payment in internet bank 7 times less, than payment in branch.

Mobile Banking

This involves provision of banking services through the use of mobile devices. These services may include transacting with the account or on the stock market or accessing account holders information such as account balances. Pallab and Munish (2013) analyzed the benefits of Mobile Banking from the viewpoint of customers and banking sector in general. When we take Non-traditional financial services and products such as agent banking and mobile banking should be promoted and expanded in rural Ethiopia. More than 85% of Ethiopians live in rural areas, and distance from financial service providers is a major barrier for financial inclusion (Gashaw, 2017).

Automated Teller Machine (ATM)

ATMs also known as automated banking machines (ABMs) are computerized telecommunications devices that provide the banks account holders with access to withdrawal and deposit services without the need for human intervention. This is the oldest of the alternative banking channels mostly in developed countries. Due to this, the ATMs enjoy the highest level of acceptance among bank account holders (Hans &Kamath, Today most of private commercial banks in Ethiopia have invested on e-banking applications, however the system is not well strengthen in providing services due to various challenges. Such as low level of ICT and power infrastructure, lack of legal frame works. In addition, security risk with ATM, mobile banking,

internet banking lessen confidence of customer to use those technologies (European Journal of Business and Management, Vol.8, No.19, 2016).

Payment Cards

Payment cards are perhaps one of the more traditional means of authenticating users over ADCs. Cards are typically dependent on a PIN for authentication, and users are required to remember this PIN and input it as a means of verification at the time of accessing the ADC (World Bank handbook of Alternative Delivery Channels and Technology).

Debit Card

An electronic card issued by a bank which allows bank clients access to their account to withdraw cash or pay for goods and services. People can use a debit card both to make direct payments from their account and to withdraw money from it through an automated teller machine (ATM) rather than a bank teller. In high-income economies on average, 89 percent of account owners reported owning a debit card in 2017, and three-quarters of account owners said that they had used their card to make a direct purchase in the past 12 months. In developing economies only 63 percent of account owners said that they had a debit card, and just half of them reported using it to make a direct purchase in the past year, While debit card owner ship and use have grown in developing economies since 2014(World Bank Global Findex Database, 2017).

Credit Card

Credit cards are a payment instrument, but they also serve as a source of credit. Credit cards extend short-term credit whenever used, even when credit card holders pay off their balance in full each statement cycle and as a result pay no interest on that balance (World Bank Global Findex Database, 2017).

The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user (Mavri&Ioannou, 2006).

Contact Center

Implementation of such centers has seen many organizations moving to centralized customer service centers (often with a self-service option) with voice recognition systems. However, despite efforts to move customers away from personal interaction, the majority of call center activities still require the services of representatives, particularly in the case of transactions.

There is a move in the industry to change call centers from a transaction driven channel to a cross selling and up selling one. Interactions with customers have become more complex with the use of new channels. Earlier, call centers only answered telephone calls. They now handle queries from multiple channels phone, fax, and email and through web interaction. “Contact center” is an umbrella term that refers to a communication infrastructure supporting “live” agents and automated applications. These are linked to back of office databases and systems to support myriad channels, regardless of how they are organized or what types of transactions they handle. Today, contact centers have multichannel support and provide backend services on all kinds of interactions with customers by phone, email, text, instant messaging or SMS. The industry is also making a transition to fully hosted, scalable, on demand contact center solutions. Hosted contact centers offer a compelling value proposition of state-of-the-art technology at reduced costs and also shift capital outlay to operating expenditure by leveraging the pay-as-you-grow model (Ernst& Young, 2012).

Personal Computer Banking Service

PC-Banking is proprietary software, distributed by the bank, and is installed by the customer on this/her PC. They then access the bank via a modern linked directly to the bank (International journal of business and management, volume, 2011).

This certainly supports the growth of PC banking which virtually establishes a branch in the customers’ home or office, and offers 24-hour service, seven days a week. It also offers consumers the convenience of conducting many banking transactions electronically using a personal computer. Consumers can view their account balances, request transfers between accounts and pay bills electronically from anywhere (Abor, 2004).

Agency Banking

Agency Banking is a service outlet contracted by financial institution or mobile network operators to process client's transactions. It is the owner or an employee of the retail outlet who conducts the transaction and lets its client deposit, withdraw and transfer funds, pay their bills, inquire about an account balance, or a direct deposit from their employer, or receive government benefits. Banking agents can be pharmacies, super markets, conveniences stores, lottery outlets, post offices etc (Ivatury & Layman, 2006).

According to Mwangi (2011), these agents are selected based on various aspects such as the network connectivity they have, specific service they will provide, their ability to carry out anti money laundering procedures, particular business strategy and financial projections of the business.

Point of Sale (POS)

POS is an abbreviation for point of sale (or point-of-sale, or point of service). This can mean a retail shop, a checkout counter in a shop, or a variable location where a transaction occurs in this type of environment. Additionally, point of sale sometimes refers to the electronic cash register system being used in an establishment. Point of sale systems are used in restaurants, hotels, stadiums, casinos, as well as retail environments in short, if something can be sold, it can be sold where a point of sale system is in use and further facilitate financial transaction (Mohammad, 2013).

Real Time Gross Settlement (RTGS)

The most effective way would be to shift large value and time critical payments to a large value system, preferably an RTGS system that complies in full with the Core Principles for Systemically Important Payment Systems. Large value cheques are especially initiated by the government and the banking industry itself. After the new RTGS system will be established a code of conduct could be agreed under which the National Bank of Ethiopia, Commercial Banks and the Government will not issue any longer cheques above a certain specified amount or will not issue any cheques at all. For specified categories of large value payments, for instance for transaction in the inter-bank financial markets, no chequewill be used under any circumstances.

In the aforementioned situation the payments have to be settled directly in the new large value system (NBE, 2009).

According to the strategic framework of National Bank of Ethiopian on payment modernization system the highest priority is given to acquire an RTGS system that could clear and settled the large value payments and time critical payments that are now cleared and settled in the Addis Ababa Clearing Office (AACO). According to strategy one it will possibly reduce the risks in the present infrastructure substantially. In order to avoid initial losses as well in the large value as in the retail area the system should also be able to settle batches of retail payments in order to combine efficiently the large value system and the system for the settlement of retail payments in the period an integrated Automated Clearinghouse (ACH) is not yet in place.

2.1.6 Financial Inclusion Theory

Conceptually, financial inclusion is destined to promoting access and usage of suitable (quality and affordable) financial product and services through addressing barriers and challenges to financial inclusion, particularly pertaining to marginalized (unbanked, underserved, poor people and low income) people and enterprises. As global practice indicates, financial inclusion is achieved through formulating and implementing a national financial inclusion strategy(NBE, 2018).

In this process, engagement of key stakeholders and coordination of their efforts are critical to deal with a number of cross cutting issues that have been causing and contributing to financial exclusion. Financial inclusion in general terms is hoped to unlock the social and economic potentials and also expected to bring relative economic power, primarily to the low income and poor people through promoting investment in micro, small and medium enterprises.

Developing countries including Ethiopia are initiating financial inclusion strategy. This strategy attempts to tackle both the supply side and demand side bottlenecks to financial inclusion (GashawDesalegn, Ethiopian Journal of Economics, 2017).

According to the studies, financial inclusion, in terms of all the indicators, is low among Ethiopian adults compared to those in Sub -Sahara African countries. Majority of Ethiopians are

rural residents, only 12 percent of them have a formal account, 10.7 percent use their account to save, and use of financial products and services is negligible (Gashaw, 2017).

2.1.7 The Role of Alternative Channel Banking (ADC Banking)

Traditionally, banks and other financial institutions deliver services to customers through branches, where it's possible to physically perform operations like opening accounts, deposit and withdraw cash, and apply for loans, etc. However, to reach the unbanked, banks need to adapt their products and services, their communication and, more importantly, their delivery strategy. (ADC Handbook, 2014).

The banking industry can develop or expand into new channels to survive in the current competitive environment. Any new channel involves cost and in alternate channels, technology plays a vital role in terms of providing a near to branch experience to the well-informed wealth management customer (Pavan, 2011).

Alternate Delivery Channels are channels and methods for providing banking services directly to the customers. Customers can perform banking transactions through ATM / POS / Multi-functional Kiosks, contact the bank's Call Center for any inquiry, access the digital Interactive Voice Response (IVR), perform transactions through Internet Banking, and even on smartphones through mobile banking, etc. These channels have enabled banks to reach a wide consumer-base across geographies. ADCs ensure the smooth flow of regular transactions and provide banks with higher profits with lower operational expenses and transaction costs. "Channelize through channels" is the new paradigm for banking today, which in earlier times relied solely on the branch network – where expanding the business meant adding more branches at high establishment costs (FineTech Magazine, 2017).

2.1.8 Importance of Alternative Delivery Channels Banking Service

Alternate Delivery Channels like ATM, mobile banking, internet banking, and agent banking has ensured that banks are able to reach a wide consumer base effortlessly across cities, states and nations. ATM's have replaced bank tellers thus providing the anytime, anywhere banking services, and time and saving convenience for withdrawal, transfer and reviewing of account

beyond banking hours. Internet banking provides customers fund transfer within or across banks through NEFT (National Electronic Fund Transfer) or RTGS (Real Time Gross Settlement) (Journal of Business Research, 2015).

Digital banking results in cost saving. Online banking is the practice of making bank transactions or paying bills via the Internet on a secure website. And machines such as ATM and CDM further more allows the customers to make deposits, withdrawals and pay bills. Modern banks in Europe emphasized to make the easiest way to help environment by eliminating paper waste, saving gas and carbon emission, reducing printing costs and postage expenses, Increases speed and efficiency centering transactions due to automation. Sometimes you need to move your money in a quick and efficient manner. Depending upon the situation, transactions can actually take upto few working days. With electronic banking services, however, transactions can be completed on the fly and in real-time.

Key to the success of the efforts to keep the customers has always been the ability to find the easiest and most convenient way to approach them and stay close to them. As technology develops, new waysof reaching the clients, or alternative distribution channels, come into existence thus forcing the banksto rethink the way they service the customers and ultimately to rethink their business and operationalmodel (Journal of International Scientific Publications, 2014).

Electronic banking systems provide easy access to banking services. The interaction between user and bank hasbeen substantially improved by deploying ATMs, Internet banking, and more recently, mobile banking (Wang,2003). Electronic banking (e-banking) reduces the transaction costs of banking for both Small and MediumEnterprises (SMBs) and banks. SMEs need not visit banks for banking transactions, providing round the clockservices (Cheng, 2006).

E-banking offers benefits to banks as well. Banks can benefit from lower transaction costs as E-banking requires less paper work, less staffs and physical branches (Cheng, 2006). E-banking leads to higher level of customers' satisfaction and retention (Poatoglu&Ekin, 2001).

Therefore, it has become important for banks to change the concept of traditional banking service to because of the rapid growth of electronic banking services and ever increasing

competition among banks to raise efficiency, reduce costs and attract more customers. The benefits of alternative channel banking identified from the current literature are classified in two main categories - tangible and intangible (Francis, 2014).

Tangible Benefits

- Increase automation process
- Transformation of traditional market chain
- To deliver the services Simpler, Faster and Secured
- Retained and expand customer base
- Reduced operational costs
- Acquisition of each market
- Increase business efficiency

Intangible Benefit

- Enhance wellbeing and education of customers
- Competitive advantage
- Convenient banking

2.1.9 Benefits of Alternative Delivery Channel Banking: Customer Perspective

Both traditional branch service and IT-based services are positively associated with market share. The significant and positive interdependence of alternative service channels on bank performance suggest that efficient channel mix strategy not only enables banks to competesufficiently in short term but also enhance banks' long-term market competition ability (Chin, 2011).

The main benefit from the bank customer's point of view is significant saving of time by the automation of banking service processing and introduction of an easy maintenance tools for managing customer's money. The main advantages of E-banking for corporate customers' are; Reduces costs in accessing and using the banking service increased comfort and time serving: Money transfer between virtual accounts usually takes a few minutes, while a wire transfer or a postal one may take several days. Also, the customer will not waste his/her time waiting in lines

at a bank or post office fast & convenient way to pay for anything, anytime & anywhere 24-hour access to accounts for Transaction enquiry, Transfer funds & Pay bills carry little cash lower risk on carrying cash and Cheque book during travel No need to write Cheques, and wait in long teller queue Go paper-less since all transaction is available online with password protection

Expenditures are always limited and under control by tracking the account transactions daily User-friendly. Usually every service is designed to reach the widest possible audience, so it has the intuitively understandable user interface. In addition, there is always the opportunity to submit a question to a support team, which often works 24/7.

2.1.10. The Benefits Realized From Banks Perspective

The growth of E-banking infrastructure in general and mobile banking in particular has proved to be extremely beneficial to banks and overall bank organizations on account of following: (Henok, 2015)

The concept of mobile banking has immensely helped the banks in putting a tab over their specific overheads and operating cost.

The rise of mobile banking has made the banks more competitive. It resulted in opening of better prospects and avenues for banking operations.

The mobile banking has ensured transparency of transactions and facilitated towards removing the documentation requirements to a major extent, since majority of records under an e-banking set up are maintained electronically.

The reach and delivery capabilities of mobile - enabled banks, proves to be significantly better than the network of physical bank branches.

2.1.11 Digital Banking: The new Generation Financial Service

Digital adaptation started off as an option but has evolved into a necessity in every bank's agenda around the globe as end-clients – consumers, businesses, and governments are quickly adopting trends cascading from the technology sector in their IT capabilities, business operations, and business models. With the digitally-savvy generations coming of age, the

manifestations of the rapidly evolving technological changes across all aspects of our lives pose fascinating challenges and opportunities alike in the end-clients' digital ecosystem (Deloitte, 2014).

2.1.12.The Rise of Digital Natives

We are now living in an era of digitization, inhabited by the digital natives of Generations Y and Z. With Generation X becoming increasingly digitally-savvy as well, the majority of the population is expected to be technologically-adept by 2025 (Mohit, 2014).

According to the Asian Financial Institution (AFI) report about digital banking in Asia; a generation of digital-banking customers is rising across Asia, hundreds of millions strong. This generation will be the most populous and wealthiest generation in Asian history. For this reason, it is necessary that to manage their money and make payments through mobile and online channels, anytime, anywhere. They will want full digital access to the latest offerings and a more personalized set of products and services. They will form the preponderance of the base for the digital bank of the rapidly approaching future (AFI, 2014).

2.1.13 Agency Theory

Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals and agents of the principals. It explains the relationship between principal and agent in business. The two problems that agency theory addresses are: (1) The problems that arise when the desires or goals of the principal and agent are in conflict, and the principal is unable to verify what the agent is actually doing; and (2) The problems that arise when the principal and agent have different attitudes towards risk. Because of different risk tolerances, the principal and agent may each be inclined to take different actions. The first scholars to propose, explicitly, that a theory of agency be created, and to actually begin its creation, were Stephen Ross and Barry Mitnick in the early, 1970s. Research on agency theory has had several findings. Most notably, an agent is more likely to adopt the goals of the principal, and therefore behave in the interest of the principal, when the contract is outcome-based. Also, when the agent is aware of a mechanism in place that allows the principal to verify the behavior of the agent, he is more likely to comply with the goals of the principal.

2.1.14 Diffusion of Innovations Theory

Diffusion of Innovation (DOI) Theory, developed by E.M. Rogers in 1962, is one of the oldest social science theories. It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system. Researchers have found that people who adopt an innovation early have different characteristics than people who adopt an innovation later. When promoting an innovation to a target population, it is important to understand the characteristics of the target population that will help or hinder adoption of the innovation. There are five established categories of adopters, and while the majority of the general population tends to fall in the middle categories, it is still necessary to understand the characteristics of the target population. When promoting an innovation, there are different strategies used to appeal to the different adopter categories.

Innovators - These are people who want to be the first to try the innovation. They are venturesome and interested in new ideas. These people are very willing to take risks, and are often the first to develop new ideas. Very little, if anything, needs to be done to appeal to this population.

Early Adopters - These are people who represent opinion leaders. They enjoy leadership roles, and embrace change opportunities. They are already aware of the need to change and so are very comfortable adopting new ideas. Strategies to appeal to this population include how-to manuals and information sheets on implementation. They do not need information to convince them to change.

Early Majority - These people are rarely leaders, but they do adopt new ideas before the average person. That said, they typically need to see evidence that the innovation works before they are willing to adopt it. Strategies to appeal to this population include success stories and evidence of the innovation's effectiveness.

Late Majority - These people are skeptical of change, and will only adopt an innovation after it has been tried by the majority. Strategies to appeal to this population include information on how many other people have tried the innovation and have 16 adopted it successfully.

Laggards - These people are bound by tradition and very conservative. They are very skeptical of change and are the hardest group to bring on board. Strategies to appeal to this population include statistics, fear appeals, and pressure from people in the other adopter groups.

2.2. Empirical Review

2.2.1. Alternative Channel Banking Around the Globe

Various researches and journals are conducted around the globe, such as, Meenakshi Sinha Swami¹, Devendra Swami and Shankar Chakravorty (2015) conduct a business research on Alternate Delivery Channels as Business Process Re-engineering Initiative in Public Sector Banks in India. The primary objectives of the study need to be compelled to look at the Alternate Delivery Channels offered at bank cluster and to appear at and judge the post BPR scenario in bank cluster with regards to Alternate Delivery Channels.

Saidul Hasan and Azizul Baten (2015) conduct an explanatory study on the adoption of e-banking in Bangladesh. This paper is aimed at to determine the economic prospects of e-banking and to explain the present scenario of banking sectors in Bangladesh and at the same time, it demonstrates the scope and benefits of e-banking compared with the existing system. This paper also tries to present the actual situation of e-banking in the marketing point of view in Bangladesh.

Cases of similar subject matter that are conducted in Africa are observed to draw important lessons from them; Victoria Tatu Simon (2016) study on “Effect of Electronic Banking on Customer Satisfaction in Selected Commercial Banks ”The general objective of the study was to determine the effect of E-banking on customer satisfaction in selected commercial banks in Kenya.

The study concludes that internet banking flexibility, speed influence customer satisfaction to a good extent. Additionally, many customers use internet banking as a result of its ease of use and also the services are customized. It additionally concludes that convenience of mobile banking affects client satisfaction to a good extent. It had been clear that quality and reversal of transactions in mobile banking had a moderate effect on customer satisfaction while the

employment of a mobile phone account, the efficiency of mobile banking and also the availability of mobile banking have very little result on client satisfaction. To this end, Simon's (2016) literature, the study concluded that user-friendly ATMs, simple access to ATMs and privacy of ATMs have an effect on client satisfaction to a great extent.

Additionally, using ATM cards in a market, convenience of bank ATMs and affordability of ATM charges have a moderate result on client satisfaction. Then the point of sale system whereas net banking had the least result on client satisfaction. EzeGbalam Peter & Egoro (2016) study on "Electronic Banking and profitability of economic Banks in Federal Republic of Nigeria" the most objective of this study is to look at the relationship between e-banking and also the profitability of commercial banks in Nigeria. The study wanted to look at the link between completely different e-banking channels and also the profitability of commercial banks in Nigeria. Four e-banking channels (automatic teller machines, electronic mobile banking, internet banking transactions, and point of sales services) were known and regressed against the profit before tax of commercial banks operative in Nigeria between 2006 and 2014. The study used the confirmed ECM model (via residual diagnosis) to check the developed hypotheses. The results disclosed that the overall impact of electronic banking on the profitability of commercial banks was significant; whereas, the impact of the individual channels was varied. The study recommends, amongst others that, business banks should intensify effort to deploy a lot of ATM delivery points and conjointly build them more practical and efficient which the restrictive authorities should conjointly collaborate. With the banks to place in place Associate in Nursing an operative setting and restrictive framework to bring out optimum preparation of those services to customers. This can be particularly with relation to addressing the difficulty of failing transactions.

From the results of research of empirical information and also the discussion, the findings of this study are herewith summarized as below:

- That there is a strong positive and significant relationship between electronic banking and profitability of commercial banks in Nigeria.
- That, ATM transactions have a positive and significant impact on the profitability of commercial banks in Nigeria.

- That, internet banking transactions have a positive contribution to the profitability of commercial banks in Nigeria
- That, Point of sales services has a positive but insignificant influence on the profitability of commercial banks in Nigeria.
- That, electronic mobile banking has a negative; but insignificant effect on the profitability of commercial banks in Nigeria.

2.2.2. Alternative Channel Banking in Ethiopia

A lot of related studies were conducted by different researchers in different countries. Since the service is at infancy stage there are only few researches that are conducted regarding the challenges and opportunities of E-banking in Ethiopia. Among them,

Gardachew (2010) conducted analysis on the opportunities and challenges of E-banking in Ethiopia. The aim of his study was targeted on analyzing the standing of electronic banking in Ethiopia and investigates the most challenges and opportunities of implementing E-banking system. The author conducted a survey on the present in operation type of banks and identifies some challenges of mistreatment E-banking system, such as, lack of suitable legal and restrictive frame works for E-commerce and E- payments, political instability in near countries, high rates of illiteracy and absence of monetary networks that links different banks. Consistent with Gardachew (2010), Opportunities offered by ICT through e-learning programs and Commitment of the governments on development of ICT infrastructures is considered as drivers of mistreatment E-commerce and E-payment systems.

Mattewos(2016) additionally conducts analysis and therefore the main objective of the study is to work out the prospect and challenges of e-banking in Ethiopia. He concludes that, the most important driving forces that initiate banks to deliver banking services to the client exploitation electronic channels are the existence of high competition within the industry, dynamic customers, desires and preferences, want to boost organizational performance, want to boost the relationship with customers, want to reduce transaction price, want to cover wide region, want to make adders organizational reputation, want to satisfy customers and efficient the international banking normal among others. In this, he additionally mentions some probabilities of risks like lack of trained and economical efficient in e-banking context, lack of the suitable legal and

regulative framework, absence of financial networks that links different banks, low level of internet penetration and poorly developed telecommunication infrastructure, high price of internet and security problems.

Afework(2015) conduct an assessment on adoption of Agency Banking Innovation in Ethiopia, the main objective of the research is on Barriers and Drivers on Agent Banking. The study findings disclosed that the banking sector in Ethiopia is keen to adopt the agency the banking industry as an alternative service delivery channel by distinguishing its main barriers and drivers. The agency banking system presents a chance for fast growth at lower value by leverage on the present investment of retail agents through the implementation of data and communication technology. The study represented that the most factors that influence agency banking adoption among commercial banks in Ethiopia area unit the prospects of value reduction, availability of the services beyond the banking service time and related client service enhancements.

However, the agency banking system isn't well adopted by the Ethiopian industry because of the shortage of appropriate legal frameworks, low level of ICT infrastructure, lack of customers' trust and awareness towards the technology and customers' fear to use the technologies that hold banking industry to adopt the system. Enhancements area unit needed to boost consumer confidence in the system. Lack of competition among banks is additionally another challenge in adopting the agency banking system within the country. The prevailing technical and social control skills offered within the Ethiopian industry towards adopting agency banking are found to be restricted to influence the technological adoption rate. The study, during this regard, disclosed the advantages of technological innovation to the banks to drive the adoption of the system. The Perceived simple Use, in general, is one of the basic advantages of the agency banking system that allows bank workers to perform banking activities in a very straightforward approach. The opposite thrust to adopt such a system is perceived usefulness, where it's used for time-saving and cost reduction among others. This and therefore the different advantages identified within the study were thought of as a significant thrust for banks in extending its service effectively and with efficiency to cover the required market reaching.

Genet (2018) studies focus on the general objective of identifying and analyzing the Challenges and opportunities of EthSwitch E-Payment system Project implementation. The study's main

purpose is on the quality and futurity of the system, IT infrastructure development and NBE policy direction are among opportunities within the expansion of EthSwitch are articulated. On the other hand, network affiliation and system failure, lack of capable human resource, low support and follow up, lack of coordination and cooperation are known as major challenges for transaction decline and on-line payment system.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the processes and techniques which are used in carrying out the study. It will also give a description of the respondents including information on the study population, the number of respondents and how they are selected. It also provides an outline of the research design and the instruments for data collection.

3.2 Research Method

In research there are three basic approaches, these are qualitative, quantitative and mixed. The quantitative research approach makes use of statistics and numbers which are mostly presented in figures while the qualitative approach relies on describing an event with the use of words. According to Yin (1994), a research approach chosen should be done according to the research questions in that particular situation since each approach has its own merit and demerit and how empirical data is collected and analyzed.

A quantitative research design was selected for this study because it is a formal objective, systemic process in which numerical data are utilized to obtain information (Creswell, J.W. 2003). The researcher therefore used quantitative approach to do the study.

3.3 Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, the research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2004).

According to Robson (2002), the three purposes of conducting research are generally the following: explanatory, descriptive and exploratory. Exploratory research is characterized as the seeking of new insights, the looking around, and the asking of questions or the bringing of some

phenomenon into new light. Explanatory research aims at gaining an explanation of a specific situation or problem, generally in the form of causal relationships. Finally, Descriptive research is a type of research that is mainly concerned with describing the nature or condition and the degree in detail of the present situation.

Creswell (2003) stated that the descriptive method of research is used to gather information about the present or existing condition. This study focused on describing the current situation of the problem and answers the research questions which are in the form of ‘what’, and to highlight the most important factors that can negatively or positively affect the adoption and development of alternative channel banking service in Ethiopia. Moreover, this research will aim to explain the phenomenon and assess the current practice of alternative channel banking. Therefore, in order to achieve the research objective of the study descriptive research is applied. Descriptive research is defined as a research method that describes the characteristics of the population or phenomenon that is being studied. This methodology focuses more on the “what” of the research subject rather than the “why” of the research subject. Descriptive research primarily focuses on describing the nature of a demographic segment without focusing on “why” a certain phenomenon occurs. In other words, it “describes” the subject of the research, without covering “why” it happens (Bernard, 2005).

3.4 Population and Sample Size

In research methods, populations are the entire aggregation of items from which samples can be drawn. According to the National Bank of Ethiopia (2018), there are sixteen private commercial banks operating in Ethiopia. Since it is extremely hard and time consuming to conduct the research on all the population the researcher used stratified random sampling technique and selected six banks out of the sixteen private commercial banks.

In stratified random sampling technique, the population is first divided into subgroups (or strata) who all share a similar characteristic. It is used when we might reasonably expect the measurement of interest to vary between the different subgroups, and we want to ensure representation from all the subgroups. The study sample is then obtained by taking equal sample sizes from each stratum. In stratified sampling, it may also be appropriate to choose non-equal

sample sizes from each stratum. The members from each group are chosen randomly (Adi, 2013).

The researcher of this paper divided the private commercial banks into three subgroups (strata) based on their years of service and randomly selected two private commercial banks from each subgroup or strata. Private commercial banks that have been in operation for a minimum of twenty years were grouped under strata 1, private commercial banks that have been in operation for a minimum of ten years but not exceeding twenty years were grouped under strata 2, and banks that have been in operation for ten years or less were grouped under strata 3.

Table 3.1: Private commercial banks in Ethiopia establishment year

Sr no	Commercial banks	Establishment year	Strata
1	Awash International Bank	1994	S1
2	Dashen Bank	1995	
3	Bank of Abyssinia	1996	
4	Wegagen Bank	1997	
5	United bank	1998	
6	Nib International Bank	1999	
7	Cooperative Bank of Oromia S.C	2004	S2
8	Lion International Bank	2006	
9	Oromia International Bank	2008	
10	Zemen Bank	2008	
11	Berhan International bank	2009	S3
12	Bunna International Bank	2009	
13	Abay Bank S.C	2010	
14	Addis International Bank	2011	
15	Dehub Global Bank	2012	
16	Enat Bank	2012	

(Source: NBE)

Based on the above stratification Dashenbank and United bank were randomly selected from strata 1, Lion International bank and Zemen bank were randomly selected from strata 2, and Abay bank and Berhan bank were randomly selected from strata 3.

3.5 Data Source and Method of Data Collection

Data is collected from both primary and secondary data sources. Primary data is collected through semi-structured questionnaire. Secondary data is collected through books, journals, website and related articles that are related to the study.

The primary data for this study is collected in the form of self-administered questionnaire. This data collection method is selected because it is a quick method of data collection and less time consuming. The questionnaire is prepared in English and consists of structured questions. The questionnaire has five parts in which the first part included basic personal information of the respondents. Part two of the questionnaire consisted of items on the opportunities of adopting alternative channel banking, while part three focused on the challenges of adopting alternative channel banking. A structured five-point Likert scale questionnaire is used in part two and part three. Part 4 is about the expected benefits of adopting alternative channel banking. Part 5 focused on the driving forces of adopting alternative channel banking. Also a five –point likert scale questionnaire is used for part four and five. The questionnaire was administered to the target population through personal contact by the researcher.

The data collection method included all the representatives including the directors from the concerned department of the selected banks. The position and number of employees of the selected banks have been summarized in the following table.

Table 3.2: Position and number of employees participating in the study

Banks	Positions and no of Employees				
	Directors	Division/ Department Managers/Head	Senior Officers	Officers / Junior Officers	Total
Abay Bank	1	2	4	5	12
Berhan bank	1	2	5	5	13
Dashen bank	1	3	7	8	19
Lion International bank	1	3	3	9	16
United bank	1	3	8	5	17
Zemen bank	1	2	6	6	15
Total	6	15	33	38	92

(Source: Author's own compilation)

3.6 Data Collection Procedure

The consent of all 92 respondents was asked before they participated in the study. At each staff category, convenient methods were applied to contact all respond for the study. Each respondent was made to answer each question. Unfulfilled questionnaires are not used in the analysis.

3.7 Data Analysis

Data from the structured self-administered questionnaire were properly organized through data coding, cleaning and entering. The data was processed using statistical package for social sciences software (SPSS 20). In addition to the descriptive statistics of respondents, percentages, figures and tables were generated from the software to answer the research questions.

3.8 Validity of the instrument

According to Kothari (2004) sound measurement must meet the tests of validity, reliability, and practicality. Validity refers to the extent to which a test measures what we actually wish to measure.

In order to ensure the content of validity of the items incorporated in the instrument, relevant literature and similar studies were reviewed to construct the items under each variable. Moreover, before distributing the questionnaire, the researcher gave the questionnaire to the advisor for constructive comment and necessary corrections were made on the instruments based on the advisor's comments.

Reliability Test

The study used Cronbach's alpha to test reliability and found a coefficient of 0.7452. A Cronbach's alpha score of greater than 0.7 is considered acceptable (Mohsen T.&Reg D., 2008). From the above result we can see that the Cronbach's alpha to test reliability is acceptable.

3.9 Ethical Considerations

Ethics are norms of behavior that guide moral behavior in human relationships. According to Bryman and Bell (2007), ethics in business research deals with the following areas: confidentiality, anonymity, informed consent, invasion of privacy and deception. Anonymity refers to concealing the identity of the participants in all documents resulting from the research and confidentiality is concerned with who has the right of access to the data provided by the participants. By considering this, the researcher assures the purpose of the research paper and confidentiality of any information on the introductory part of the questionnaire. In addition to this, respondents in the study were voluntary and the research objectives also were explained to all respondents. Any information collected from the respondent's will not be used for any other purpose other than academic purpose. Confidential information of the institutes will not be disclosed.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents the finding of the study based on the data collected through questionnaire. By using SPSS 20 software application findings are presented and interpreted and the previously identified research question in chapter one are answered in this chapter.

From the total 92 questionnaire distributed to the respondents 89 (96.74 %) questionnaires were collected and the remaining 3 (3.26 %) questionnaires were not collected. Out of 89 collected questionnaires 2 questionnaires were incomplete. From the total questionnaire 87 (94.56 %) were used for analysis. According to Willimack et al. (2002), response rates for questionnaire surveys of business ranging from 50 to 65 per cent are significant for further analysis. Therefore, response rate of 94.56 % is significant for further analysis.

4.2 Demographic Analysis of the Respondents

This section discusses about the general characteristics of the respondents such as gender, education level, position and years of service.

Table 4.1: Gender

	Frequency	Percent	Valid Percent
Valid Male	51	58.6	58.6
Valid Female	36	41.4	41.4

Total	87	100.0	100.0
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(Source: own survey, 2020)

As shown in the above table; out of the 87 respondents 58.6 % of them are males. This shows that though majority of the respondents are males, there is still a fair distribution regarding gender.

Table 4.2: Education level

	Frequency	Percent	Valid Percent
MA (MSC) and above	26	29.9	29.9
Valid BA (BSC)	54	62.1	62.1
Diploma (Level)	7	8.0	8.0
Total	87	100.0	100.0

(Source: own survey, 2020)

The above table shows that 54 (62.1 %) of the 87 respondents are BA (BSC) degree holders; whereas 26 (29.9 %) and 7 (8.0 %) of the respondents are MA (MSC) degree holders and diploma holders, respectively. This indicates that the majority of the respondents are BA (BSC) degree holders.

Table 4.3: Position

	Frequency	Percent	Valid Percent
Director	5	5.7	5.7
Valid Department/Division	15	17.2	17.2
Manager/Head	31	35.7	35.7
Senior Officer	28	32.2	32.2
Officer			

Junior Officer	8	9.2	9.2
Total	87	100.0	100.0

(Source: own survey, 2020)

Table 4.3 shows that 5 (5.7 %) of the respondents are directors; 15 (17.2 %) are department/division managers/heads 31 (35.7 %) are senior officers; 28 (32.2 %) are officers and 8 (9.2 %) are junior officers. This indicates that the majority of the respondents are senior officers followed by officers.

Table 4.4: Years of service

	Frequency	Percent	Valid Percent
More than 10 years	17	19.6	19.6
More than 5 years but less than 10 years	31	35.6	35.6
Valid More than 3 years but less than 5 years	25	28.7	28.7
Less than 3 years	14	16.1	16.1
Total	87	100.0	100.0

(Source: own survey, 2020)

As shown in the above table 17 (19.6 %) of the respondents have been working in the banking industry for more than 10 years. These are mainly the directors and the department/division managers/heads. 31 (35.6 %) of the respondents have been working in the banking industry for more than 5 years. The majority in this group are senior officers. 25 (28.7 %) of the respondents have been working in the banking industry for more than 3 years. These are mainly senior officers and officers. Last but not least 14 (16.1 %) of the respondents have been working in the banking industry for less than 3 years. These are officers and junior officers.

This indicates that the majority of the respondents have been working in the banking industry for more than five years.

4.3 Presentation and Analysis of Results

In this section result of the distributed questionnaires is presented in detail. The section consists four sub-sections. Under the first section respondents' response to questions about opportunity of adopting alternative channel banking is presented and analyzed; whereas under the second section respondents' response to questions about challenges of adopting alternative channel banking is presented and analyzed. The analysis for the first two sections is done by computing mean score using SPSS 20 to get the average response of the respondents for each question. For discussion purpose the mean scores are interpreted as follows.

Table 4.5: Mean score interpretation

Mean score	Interpretation
4.51 – 5	Very good/excellent
3.51 – 4.50	Good
2.51 – 3.50	Average/moderate
1.51 – 2.50	Poor
1 – 1.50	Very poor

(Sauce: Norasmah and Sabariah (2011))

Under section three the expected benefits of adopting alternative channel banking are presented. Under section four the driving forces for adopting alternative channel banking are presented.

4.3.1 Opportunities of Adopting Alternative Channel Banking

Under this section respondents' responses to questions under opportunities of adopting alternative channel banking are discussed.

Table 4.6: Opportunities of adopting alternative channel banking

Variables	N	Minimum	Maximum	Mean
Opp1	87	2.00	5.00	4.1462
Opp2	87	4.00	5.00	4.5971
Opp3	87	2.00	4.00	3.7385
Opp4	87	1.00	4.00	2.1867
Opp5	87	1.00	4.00	3.6347
Opp6	87	1.00	4.00	2.0977
Opp7	87	1.00	4.00	1.7014

(Source: own survey, 2020)

Opportunity 1: The perceived ease of use of alternative channel banking

A mean score of 4.1 indicates that the perceived ease of use of alternative channel banking amongst customers is an opportunity for commercial banks to adopt alternative channel banking.

Opportunity 2: The perceived usefulness of alternative channel banking

A mean score of 4.6 indicates that that the perceived usefulness of alternative channel banking amongst customers is an opportunity for commercial banks to adopt alternative channel banking.

Opportunity 3: Late adoption of alternative channel banking in relative to developed countries

A mean score of 3.7 indicates that the fact that the Ethiopian banking system is adopting alternative channel banking late in relative to developed countries can be considered as an advantage in the process of adopting alternative channel banking.

Opportunity 4: Long queues in bank branches

A mean score of 2.2 indicates that a long queue in bank branches is not an opportunity for commercial banks in the process of adopting alternative channel banking.

Opportunity 5: Demography

A mean score of 3.6 indicates that the fact that the 63 % of the population is between the age 15 and 54 (CSA, 2010) can be considered as an advantage in the process of adopting alternative channel banking.

Opportunity 6: Computer knowledge of the society

A mean score of 2.1 indicates that the current status of the computer knowledge of the society is not helpful in the process of adopting alternative channel banking.

Opportunity 7: Commitment of the Ethiopian government to enhance ICT

A mean score of 1.7 indicates that the level of commitment of the Ethiopian government to enhance ICT is not an advantage in the process of adopting alternative channel banking.

4.3.2 Challenges of Adopting Alternative Channel Banking

Under this section respondents' responses to questions under challenges of adopting alternative channel banking are discussed.

Table 4.7: Challenges of adopting alternative channel banking

variables	N	Minimum	Maximum	Mean	Std. Deviation
Cha1	87	2.00	5.00	4.0127	1.73205
Cha2	87	2.00	5.00	4.1406	1.52753
Cha3	87	1.00	4.00	3.6943	.57735
Cha4	87	1.00	4.00	2.1349	1.00000
Cha5	87	3.00	5.00	4.2857	1.52753
Cha6	87	2.00	5.00	4.0981	1.73205
Cha7	87	4.00	5.00	4.7351	1.15470

(Source: own survey, 2020)

Cha 1: Infrastructure of the country

A mean score of 4.0 indicates that the fact that the telecommunication infrastructure of the country is underdeveloped is a challenge for commercial banks to adopt alternative channel banking.

Challenge 2: Interruption of power

A mean score of 4.1 indicates that the constant interruption of power is a challenge for commercial banks to adopt alternative channel banking.

Challenge 3: Level of illiteracy of the society

A mean score of 3.7 indicates that the level of illiteracy of the society is a challenge in the process of adopting alternative channel banking.

Challenge 4: Privacy risk

A mean score of 2.1 indicates that the privacy risk associated with using alternative channel banking is not a challenge in the process of adopting alternative channel banking.

Challenge 5: Security risk

A mean score of 4.3 indicates that the security risk associated with using alternative channel banking is a challenge in the process of adopting alternative channel banking.

Challenge 6: Absence of network between commercial banks

A mean score of 4.1 indicates that absence of network between commercial banks is a challenge in the process of adopting alternative channel banking.

Challenge 7: Awareness of the society

A mean score of 4.7 indicates that lack of awareness of the society about alternative channel banking is a challenge for commercial banks to adopt alternative channel banking.

4.3.3 Expected Benefits of Adopting Alternative Channel Banking

Under this section respondents' responses to questions under challenges of adopting alternative channel banking are discussed.

Table 4.8 Expected benefits of adopting alternative channel banking

Expected Benefits	Responses		Percent of Cases
	N	Percent	
Customer Base	79	24.2%	90.8%
Operational Expense	42	12.8%	48.3%
Customer Satisfaction	83	25.4%	95.4%
HR Requirement	21	6.4%	24.1%

Market Share	69	21.1%	79.3%
Service Quality	29	8.9%	33.3%
Total	327	100%	375.9%

(Source: Own survey, 2020)

Table 4.8 shows that 79 (90.8 %) of the 87 respondents believe that increment in customer base is one of the expected benefits of adopting alternative channel banking; whereas 42 (48.3 %) of them believe reduction in operational expense is one of the expected benefits. Table 4.8 also shows that 83 (95.4 %) of the 87 respondents believe increment in customer satisfaction; and 21 (24.1 %) of them believe reduction in HR requirement among the expected benefits of adopting alternative channel banking. Moreover, 69 (79.3 %) of the 87 respondents believe that increment in market share is one of the expected benefits of adopting alternative channel banking. On the other hand, 29 (33.3 %) of the respondents believe adopting alternative channel banking helps in increasing service quality.

4.3.4 Driving Forces of Adopting Alternative Channel Banking

Under this section the driving forces of adopting alternative channel banking are presented. Respondents' responses were grouped into 5 groups based on their repetition. The groups are; demand from customers; increased market competition; need to increase market share; need to reduce inconvenience; and others.

Table 4.9: Driving forces of adopting alternative channel banking

Driving Forces	Responses		Percent of Cases
	N	Percent	
Customer Demand	66	33.3%	75.9%
Market Competition	78	39.4%	89.7%
Outreach	38	19.2%	43.7%
Inconvenience	14	7.1%	16.1%
Other	2	1.0%	2.3%
Total	198	100.0%	227.6%

(Source: own survey, 2020)

Table 4.9 shows that 66 (75.9 %) of the 87 respondents believe that demand from customers is driving force of adopting alternative channel banking; whereas 78 (89.7 %) of them believe that the increase market competition is a driving force of adopting alternative channel banking. Moreover, 38 (43.7 %) of the respondents believe that commercial banks' need for increase in

market share is a driving force of adopting alternative channel banking. On the other hand, 14 (16.1 %) respondents believe that commercial banks' need for reduction in inconvenience is a driving force of adopting alternative channel banking.

4.4 Discussion of Findings

Under this section results are discussed in detail and the research questions rose in chapter one are answered.

4.4.1 Opportunities of Adopting Alternative Channel Banking

Based on the results of the distributed questionnaire it is found that perceived usefulness of alternative channel banking; perceived ease of use of alternative channel banking; the fact that the Ethiopian banking sector is adopting alternative channel banking late compared to developed countries and the fact that the 63 % of the population is between the age 15 and 54 (CSA, 2015) are opportunities for Ethiopian private commercial banks to adopt alternative channel banking.

It is also found that long queues in bank branches; the current status of the computer knowledge of the society and the level of commitment of the Ethiopian government to enhance ICT are not helpful for Ethiopian private commercial banks to adopt alternative channel banking.

Similarly Victoria.S, (2016) and Afework. G (2015) has concluded that the ease of use of and perceived usefulness of alternative channel banking are opportunities for banks to adopt alternative channel banking.

Garedachew, (2010) has also concluded in his study late adopter opportunities should be taken as an advantage for commercial banks to adopt E-banking. He has also concluded that the commitment of government in enhancing ICT development is also an opportunity for commercial banks.

4.4.2. Challenges of Adopting Alternative Channel Banking

Based on the results of the distributed questionnaire it is found that lack of awareness of the society about alternative channel banking; the security risk associated with using alternative channel banking; the constant interruption of power; absence of network between commercial banks; the underdevelopment of the telecommunication infrastructure of the country and the level of illiteracy of the society are challenges of adopting alternative channel banking for the Ethiopian private commercial banks.

It is also found that the privacy risk associated with using alternative channel banking is not a challenge of adopting alternative channel banking for the Ethiopian private commercial banks.

Matteuos. K, (2016), In his study has mentioned that lack of the suitable legal and regulative framework, absence of financial networks that link different banks, low level of ICT infrastructure and poorly developed telecommunication infrastructure, are some of the challenges that are faced by the commercial banks.

Genet (2018) has also given the conclusion that network connection and system failure, lack of capable human resource, low support and follow up, lack of coordination and cooperation are known as major challenges for commercial banks in the adoption process of electronic banking.

4.4.3 Expected Benefits of Adopting Alternative Channel Banking

Based on the results of the distributed questionnaire it is found that increment in customer satisfaction followed by increment in customer base and increment in market share is the prime benefit Ethiopian private commercial banks expect from adopting alternative channel banking. Moreover, reduction in operational expense and reduction in human resource requirement are also other benefits Ethiopian commercial banks look for while adopting alternative channel banking.

Similarly Saidul.H &Azizul. B (2015) has concluded that E-banking have a long term benefit of reducing operational costs of banks.

Victoria.T(2016) on her study also concluded that internet banking flexibility and speed influence customer satisfaction to a good extent.

Afework. G (2015)has given the conclusion that agency banking and alternative delivery channels have the expected benefit of increased market share market reaching.

4.4.4 Driving Forces of Adopting Alternative Channel Banking

Based on the results of the distributed questionnaire it is found that increased market competition followed by demand from customers is the prime driving force of adopting alternative channel banking for Ethiopian private commercial banks. It is also found that the need to increase market share and the need to reduce inconvenience are also other driving forces of adopting alternative channel banking for Ethiopian private commercial banks.

Mattevos (2016) concludes that the most important driving forces that initiate banks to deliver banking services to the client exploitation electronic channels are the existence of high competition within the industry and dynamic customer's desires and preferences.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

4.1. Introduction

Under this chapter summary of the study conducted on the challenges and opportunities of adopting alternative channel banking for Ethiopian private commercial banks is presented. Moreover conclusion and recommendations based on the findings are also discussed under this chapter.

4.2. Summary

The purpose of the study was to identify the challenges and opportunities of adopting alternative channel banking for Ethiopian private commercial banks. Six private commercial banks were selected for the study. Out of the 92 questionnaires distributed for the staff of dedicated department/division of the selected private commercial banks 87 of them were selected for further study. Data was analyzed using SPSS 20.

Out of the 87 respondents 58.6 % are male. Regarding educational qualification 92 % of them are MA (MSC) degree or above holders. Moreover, 67.9 % of the respondents are either officers or senior officers. As to experience 55.2 % of the respondents have an experience of more than 5 years.

4.3. Conclusion

Based on the findings it is concluded that besides perceived usefulness of alternative channel banking and perceived ease of use of alternative channel banking, the fact that the Ethiopian banking sector is adopting alternative channel banking late compared to developed countries and

the fact that the 65 % of the population is between the age 15 and 54 (CSA, 2015) are opportunities for Ethiopian private commercial banks to adopt alternative channel banking.

It is also concluded that lack of awareness of the society about alternative channel banking; the security risk associated with using alternative channel banking; the constant interruption of power; absence of network between commercial banks; the underdevelopment of the telecommunication infrastructure of the country and the level of illiteracy of the society are challenges of adopting alternative channel banking for the Ethiopian private commercial banks.

It is also concluded that increased market competition and demand from customers are the prime driving forces of adopting alternative channel banking for Ethiopian private commercial banks.

4.4. Recommendation

Based on the conclusion of the study Ethiopian private commercial banks are recommended to:

- Create customer awareness on the usage, usefulness of alternative channel banking.
- Develop network with other commercial banks.
- Enhance their infrastructures
- Work with the respective government offices to find solutions for ICT and power interruption problems.
- Associate motivating factors with the usage of alternative channel banking.
- Develop customer customized system and application of alternative channel banking
- Develop a mechanism in which they can learn from the banking sector of developed countries regarding alternative channel banking.
- Aware customers that there is no high security risk with using alternative channel banking.

5.5 Implication of Future Research

The results obtained from this study can be considered as a fundamental groundwork to future research. The study is conducted on six private commercial banks. Future researchers who want to investigate in similar area may include other banks. Moreover, future studies may consider other challenges and opportunities or use a different model.

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**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

Dear respondents,

This questionnaire is prepared for research purpose entitled challenges and opportunities of adopting alternative channel banking for private commercial banks in Ethiopia. This study is conducted for the partial fulfillment of Master of Arts in marketing management from stmaryUniversity.

This questionnaire consists of five sections: Section 1 deals with the general profile of the respondent, Section 2 deals with the opportunities of adopting alternative channel banking, Section 3 covers the challenges of adopting alternative channel banking, Section 4 deals with the expected benefits of adopting alternative channel banking. Section 5 is about the driving forces of adopting alternative channel banking.

The information you provide in this study will be used for the academic purpose only and it will be held strictly confidential. I appreciate your voluntary and valuable participation in this study. I thank you in advance for sharing your valuable experience and time by completing the questionnaire and assist me in my educational endeavors.

AmareDamtew

APPENDICES

Questionnaire

Section 1: General Information

Direction: Please select the appropriate response category by ticking the box against each question

1.1. Gender 1 Male 2. Female

1.2. Educational level: 1 MA (MSC) degree and above 2. BA (BSC) degree

3. Diploma (level)

1.3. Position 1 Director 2. Department/Division Manager/Head

. 3. Senior Officer 4. Officer

5. Junior Officer

1.4. Number of years of service in the bank

1. More than 10 years

2. More than 5 years but less than 10 years

3. More than 3 years but less than 5 years

4. Less than 3 years

Section 2: Opportunities of Adopting Alternative Channel Banking

Direction: Please indicate your degree of agreement/disagreement with the following statements related to your perception ticking in the appropriate spaces. (1=strongly disagree (SDA); 2=Disagree (DA); 3=neither agree nor disagree (N); 4=Agree (A); and 5=strongly agree (SA).

2	Opportunity of adopting alternative channel banking	1	2	3	4	5
2.1	The perceived ease of use of alternative channel banking amongst customers is an opportunity for commercial banks to adopt alternative channel banking.					
2.1	The perceived usefulness of alternative channel banking amongst customers is an opportunity for commercial banks to adopt alternative channel banking.					
2.3	The fact that the Ethiopian banking system is adopting alternative channel banking late in relative to developed countries can be considered as an advantage in the process of adopting alternative channel banking.					
2.4	The long queues in bank branches helps commercial banks in the process of adopting alternative channel banking.					
2.5	The fact that the 65 % of the population is between the age of 15 and 54 (CSA, 2015) can be considered as an advantage in the process of adopting alternative channel banking.					
2.6	The current status of the computer knowledge of the society is helpful in the process of adopting alternative channel banking					
2.7	The level of commitment of the Ethiopian government to enhance ICT is an advantage in the process of adopting alternative channel banking.					

Section 3: Challenges of Adopting Alternative Channel Banking

Direction: Please indicate your degree of agreement/disagreement with the following statements related to your perception ticking in the appropriate spaces. (1=strongly disagree (SDA); 2=Disagree (DA); 3= neither agree nor disagree (N); 4=Agree (A); and 5=strongly agree (SA).

3	Challenges of adopting alternative channel banking	1	2	3	4	5
3.1	The fact that the telecommunication infrastructure of the country is underdeveloped is a challenge for commercial banks to adopt alternative channel banking.					
3.2	The constant interruption of power is a challenge for commercial banks to adopt alternative channel banking.					
3.3	The level of illiteracy of the society is a challenge in the process of adopting alternative channel banking.					
3.4	The privacy risk associated with using alternative channel banking is a challenge in the process of adopting alternative channel banking.					
3.5	The security risk associated with using alternative channel banking is a challenge in the process of adopting alternative channel banking.					
3.6	Absence of network between commercial banks is a challenge in the process of adopting alternative channel banking.					
3.7	Lack of awareness of the society about alternative channel banking is a challenge for commercial banks to adopt alternative channel banking.					

Section 4: Expected benefit of adopting alternative channel banking.

Direction: Please indicate your degree of agreement/disagreement with the following statements related to your perception ticking in the appropriate spaces. (1=strongly disagree (SDA); 2=Disagree (DA); 3= neither agree nor disagree (N); 4=Agree (A); and 5=strongly agree (SA).

4	Expected benefit of adopting alternative channel banking.	1	2	3	4	5
4.1	Increase In service quality is an expected benefit of adopting alternative channel banking.					
4.2	Customer satisfaction is an expected benefit of adopting alternative channel banking.					
4.3	The need for an Increased Market share is an expected benefit to adopt alternative channel banking.					
4.4	Reduction in HR requirement is an expected benefit for adopting alternative channel banking.					
4.5	The need for increasing customer base is an expected benefit for adopting alternative channel banking.					
4.6	Reducing operational expense is an expected benefit for adopting alternative channel banking.					

Section 5: Driving forces of adopting alternative channel banking

Direction: Please indicate your degree of agreement/disagreement with the following statements related to your perception ticking in the appropriate spaces. (1=strongly disagree (SDA); 2=Disagree (DA); 3= neither agree nor disagree (N); 4=Agree (A); and 5=strongly agree (SA).

5	Driving forces of adopting alternative channel banking	1	2	3	4	5
5.1	Customer demand is a driving force for adopting alternative channel banking.					
5.2	Domestic market competition is a driving force for adopting alternative channel banking					
5.3	Increasing Market share is a driving force for adopting alternative channel banking.					
5.4	Outreach for niche market is a driving force for adopting alternative channel banking.					
5.5	Inconvenience of conventional banking a driving force for adopting alternative channel banking.					