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Mobile banking and the financial performance of selected commercial banks in Kasese District, Uganda. A cross-sectional study.

Lilian Asinja*, Dr. Sendagi Muhammad, Edmand Bakashaba
School of Graduate Studies and Research, Team University.

ABSTRACT

Background:

The study aimed to assess the relationship between mobile banking and the financial performance of selected commercial banks in Kasese District, Uganda.

Methodology:

The study adopted a mixed-methods approach, collecting data from bank employees, customers, and key informants in selected commercial banks in Kasese District. Purposive, simple random, and convenience sampling were used. Data were collected through structured five-point Likert-scale questionnaires, semi-structured interviews and documentary review. Expert assessment established validity (CVI = 0.90), while questionnaire reliability was confirmed using Cronbach's alpha (overall $\alpha = 0.950$). Quantitative data were analysed in SPSS using descriptive statistics, correlation and regression; interviews underwent thematic analysis and financial trends.

Results:

The study obtained a response rate of 85.5% (130/152). Respondents were predominantly aged 30–39 years (41.5%), while Centenary Bank contributed the largest proportion (26.9%). Mobile banking adoption was high ($M = 3.73$, $SD = 0.77$), with 59.1% agreement. Registered users increased by 126.9%, from 45,800 in 2021 to 103,900 in 2025. Four key themes emerged: rapid growth in usage; cost, speed, recovery, and convenience gains; downtimes, competition, low digital literacy, and transaction fees; and extension to feature-phone users. Mobile banking had a strong, positive, and statistically significant relationship with perceived financial performance ($r = .631$, $p < .001$), explaining 39.8% of its variance. However, documentary records showed declining profitability, with ROA falling from 4.00% to 2.03% between 2021 and 2025.

Conclusion:

Mobile banking is associated with better perceived financial performance, but its increased adoption has not yet translated into improved actual profitability among the selected commercial banks.

Recommendation:

Banks should enhance fraud detection and conduct regular customer awareness campaigns on phishing and other cybersecurity threats, since unreliable internet and power and cybersecurity threats were the most frequently reported challenges.

Keywords: *Digital Transactions, Financial Inclusion, Customer Retention, Transaction Efficiency, Digital Literacy, Cybersecurity Awareness.*
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Corresponding author: *Lilian Asinja*
Email: ***lilian1998asi@gmail.com***
School of Graduate Studies and Research, Team University.

BACKGROUND OF THE STUDY

Mobile banking has become an important electronic banking innovation through which commercial banks deliver financial services using mobile devices. It enables customers to perform transactions such as fund transfers, balance inquiries, bill payments, and account management without visiting physical bank branches. Mobile banking can influence financial performance by increasing transaction volumes, reducing operational costs, improving customer retention, and generating additional revenue. Mutua (2013) and Mugambi et al. (2014) established that mobile banking positively influenced bank profitability through improved transaction efficiency, reduced operating expenses, and increased customer satisfaction. Similarly, Kithinji (2017) and Nabintu (2021) found that mobile banking adoption enhanced profitability, customer growth, and operational efficiency. In Uganda, Mugisha and Namanya (2020) also identified mobile banking as an important contributor to improved banking performance. However, network interruptions, cybersecurity risks, transaction charges, and limited digital literacy may constrain its benefits.

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The contribution of mobile banking to financial performance also depends on the reliability, accessibility, and security of mobile platforms. Banks must maintain stable network connections, invest in secure transaction systems and provide customer support to ensure uninterrupted service delivery. When customers experience frequent system failures, delayed transactions or security concerns, their confidence and willingness to use mobile banking may decline. Such challenges can increase operational costs through transaction reversals, fraud investigations, and customer complaints. Furthermore, although previous studies have established positive relationships between mobile banking and bank performance, much of the evidence was obtained from national or international studies, with limited attention to district-level banking operations.

The study aimed to assess the relationship between mobile banking and the financial performance of selected commercial banks in Kasese District, Uganda.

METHODOLOGY

Research Design

This study adopted a correlational and cross-sectional research design using a mixed-methods approach. The correlational research design was used to examine the relationship between electronic banking innovations (mobile banking, internet banking, and agency banking) and the financial performance of selected commercial banks in Kasese District, Uganda. The cross-sectional design allowed data to be collected from respondents at a single point in time.

The study employed a mixed-methods approach, integrating both quantitative and qualitative methods of data collection and analysis. The quantitative approach involved the use of structured questionnaires to collect numerical data from respondents, which was analyzed using descriptive and inferential statistics to establish relationships between electronic banking innovations and financial performance. The qualitative approach involved interviews with key informants such as branch managers, operations officers, and information technology officers to obtain deeper insights into the challenges, opportunities, and experiences associated with electronic banking adoption.

Study Population

The study population comprised employees and customers of the selected commercial banks in Kasese District, Uganda: branch managers, operations officers, information technology officers, customer service officers, credit officers, and customers who use electronic banking services. These categories of respondents are appropriate because they have relevant information on the adoption, use, and effectiveness of electronic banking innovations and their influence on financial performance.

Selection of the Commercial Banks

The study was carried out in four commercial banks with branches in Kasese District: Centenary Bank, Equity Bank Uganda, Pearl Bank and Absa Bank Uganda (Bank of Uganda, 2025). The banks were selected purposively, not by convenience, using four explicit criteria that every selected bank had to meet:

(i) Continuous presence in Kasese District: the bank must have operated a branch in Kasese District throughout the study period, 2021–2025, so that its performance trend over the whole period can be analysed.

(ii) Offering of all three innovations: the bank must offer mobile banking, internet banking and agency banking to customers in the district, because the study examines the relationship between each of these innovations and financial performance. A bank that does not offer one of them cannot provide data for all three objectives.

(iii) Representation of different categories of banks: the selected banks should represent the main categories of commercial banks in Uganda by ownership and market focus, namely a large locally owned bank, a regionally owned bank, a government-owned bank, and an internationally owned bank, so that the findings reflect the variety of banks operating in the district rather than one type of bank.

(iv) Availability of data: the bank must be able to provide branch-level information and must have published audited financial statements for 2021–2025, so that both questionnaire data and documentary data can be obtained.

Table 1 shows how the four banks meet these criteria. Each bank has operated in Kasese District throughout 2021–2025, offers mobile, internet and agency banking, and publishes audited financial statements, while together the four banks represent the four main categories of commercial banks in Uganda. Selecting one bank from each category gives the study variation in ownership, size, and digital strategy, which is needed to examine how electronic banking innovations relate to financial performance, while keeping the number of banks manageable within the time and budget of the study.

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Table 1: Selected Commercial Banks and the Selection Criteria

Commercial bank	Category of bank	In Kasese 2021–2025	Mobile banking	Internet banking	Agency banking	Audited statements
Centenary Bank	Large, locally owned	✓	✓	✓	✓	✓
Equity Bank Uganda	Regionally owned (East Africa)	✓	✓	✓	✓	✓
Pearl Bank	Government-owned	✓	✓	✓	✓	✓
Absa Bank Uganda	Internationally owned	✓	✓	✓	✓	✓

Source: Bank of Uganda (2025); banks' annual reports and websites; field reconnaissance by the researcher (2026).

Target Population

The target population was 250 respondents from the four selected banks, as shown in Table 2. The distribution by bank is shown so that each bank is fairly represented in the sample.

Table 2: Target Population and Sample Size Distribution

Category of respondents	Target population	Sample size	Sampling technique
Branch managers	15	9	Purposive sampling
Operations officers	30	18	Simple random sampling
Information technology officers	15	9	Purposive sampling
Credit officers	25	15	Simple random sampling
Customer service officers	25	15	Simple random sampling
Customers using electronic banking	140	86	Convenience sampling
Total	**250**	**152**	

Source: Human resource records of the selected banks (2026); Krejcie and Morgan (1970).

The 152 respondents were shared equally among the four banks, giving 38 respondents per bank (Centenary Bank 38, Equity Bank Uganda 38, Pearl Bank 38 and Absa Bank Uganda 38), so that each bank is equally represented in the comparison.

Sample Size

The sample size for the study was determined using the Krejcie and Morgan (1970) sample size determination table, which provides an appropriate sample size for a given population size at a 95% confidence level and a margin of error of 5%. For a target population of approximately 250 respondents, the recommended sample size is 152 respondents.

Sampling Techniques

The study employed both probability and non-probability sampling techniques to select respondents.

The four banks were selected purposively using the criteria in Section 3.2.1. Respondents within the selected banks were then selected as follows.

Purposive Sampling

Purposive sampling was used to select key informants such as branch managers, information technology officers, and other senior bank officials who possess specialized knowledge about electronic banking systems, operational strategies, and financial performance. These respondents provided detailed information regarding the adoption and management of electronic banking innovations.

Simple Random Sampling

Simple random sampling was used to select operations officers, credit officers, and customer service officers from the staff lists of each selected bank. This technique gave each eligible respondent an equal opportunity to participate in the study and reduced selection bias. It enhanced the representativeness of the sample and improved the generalizability of the findings.

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Convenience Sampling

Convenience sampling was used to select customers who were readily available at the selected bank branches during data collection. This enabled the collection of responses from customers who actively used electronic banking services, including mobile banking, internet banking, and agency banking.

Data Collection Methods

The study used questionnaires and interviews to collect quantitative and qualitative data from respondents. Combining these methods provided comprehensive information on electronic banking innovations and their influence on the financial performance of selected commercial banks in Kasese District, Uganda.

Questionnaire Method

The study used a structured questionnaire to collect quantitative data from bank employees and customers of selected commercial banks. The questionnaire contained closed-ended questions measured on a five-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5). The questionnaire collected information on electronic banking innovations, including mobile banking, internet banking, and agency banking, as well as financial performance indicators such as profitability, operational efficiency, and service effectiveness.

The questionnaire method was suitable because it facilitated data collection from a relatively large number of respondents within a short period. It also generated standardized responses that could be easily coded and statistically analysed to determine relationships between the study variables.

Interview Method

The study also employed semi-structured interviews to collect qualitative data from key informants, including branch managers, operations officers, and information technology officers of selected commercial banks. The interviews provided deeper insights into the implementation of electronic banking innovations, challenges affecting adoption, and the perceived contribution of digital banking services to financial performance.

The interview method allowed respondents to provide detailed explanations and experiences that may not be captured through questionnaires. The qualitative information obtained complemented quantitative findings and enhanced interpretation of the study results through triangulation.

Documentary Review Method

The study used documentary review to obtain secondary data related to the financial performance of selected commercial banks. The documents reviewed included annual reports, financial statements, Bank of Uganda supervision reports, electronic banking performance reports, and relevant banking sector publications. Documentary review provided objective financial information on indicators such as Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Capital Adequacy Ratio (CAR), and Debt-to-Asset Ratio.

The use of documentary review strengthened the reliability of the study by enabling comparison between respondents' views and actual financial performance records of selected commercial banks.

Data Collection Instruments

The study used three main data collection instruments, namely a structured questionnaire, interview guide, and documentary review checklist, to collect relevant quantitative and qualitative data on electronic banking innovations and financial performance of selected commercial banks in Kasese District, Uganda.

Structured Questionnaire

A structured questionnaire was used to collect quantitative data from bank employees and customers of selected commercial banks. The questionnaire consisted of closed-ended questions organized according to the study objectives. It contained sections covering respondents' demographic characteristics, electronic banking innovations (mobile banking, internet banking, and agency banking), and financial performance indicators.

The items measuring electronic banking innovations and financial performance were developed using a five-point Likert scale ranging from Strongly Disagree (1), Disagree (2), Not Sure (3), Agree (4), to Strongly Agree (5). The questionnaire facilitated the collection of standardized responses that could be coded and statistically analysed to establish the relationship between electronic banking innovations and financial performance.

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Table 3: Interpretation of Mean Scores

Mean score range	Response category	Interpretation
4.20 – 5.00	Strongly agree	Very high
3.40 – 4.19	Agree	High
2.60 – 3.39	Not sure	Moderate
1.80 – 2.59	Disagree	Low
1.00 – 1.79	Strongly disagree	Very low

Source: Adapted from the five-point scale of the questionnaire.

Interview Guide

A semi-structured interview guide was used to collect qualitative data from key informants such as branch managers, operations managers, information technology officers, and credit officers from selected commercial banks. The interview guide contained open-ended questions focusing on the adoption of electronic banking innovations, challenges affecting digital banking implementation, and the perceived contribution of mobile banking, internet banking, and agency banking to financial performance.

The interview guide allowed respondents to provide detailed explanations and experiences regarding electronic banking operations, thereby complementing quantitative findings obtained through questionnaires. This enhanced the depth and reliability of the study findings.

Documentary Review Checklist.

A documentary review checklist guided the collection of secondary data from documents relating to commercial bank performance. It facilitated the systematic extraction of information from audited financial statements, annual reports of selected commercial banks, Bank of Uganda supervision reports, electronic banking reports, and other relevant banking publications.

The documentary review checklist focused on financial performance indicators including Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Capital Adequacy Ratio (CAR), Debt-to-Asset Ratio, cost-to-income ratio, and non-performing loan (NPL) ratio. This information provided objective evidence regarding the financial performance trends of selected commercial banks.

Data Collection Procedures.

A systematic procedure was followed to collect data from selected commercial banks in Kasese District, Uganda. Before data collection commenced, an introductory letter was obtained from the university authorising the study. The letter was presented to the management of selected commercial banks and relevant authorities in Kasese District to seek permission to conduct the study.

Following approval, respondents were identified and selected according to the sampling techniques and sample size established for the study. Structured questionnaires were then administered to selected bank employees and customers. Participants were informed about the purpose of the study, assured of confidentiality, and requested to provide honest responses. The questionnaires were distributed and collected upon completion within an agreed period.

Interviews were also conducted with key informants, including branch managers, operations officers, information technology officers, and credit officers. A semi-structured interview guide was used to obtain detailed information on the adoption of electronic banking innovations, associated challenges, and their perceived influence on financial performance.

Additionally, relevant documents from selected commercial banks and other financial sector institutions were reviewed. These included annual reports, financial statements, electronic banking reports, and banking sector publications. A documentary review checklist guided the extraction of information on financial performance indicators.

Throughout the data collection process, ethical standards were observed through obtaining informed consent, maintaining confidentiality and ensuring voluntary participation. After collection, completed questionnaires were checked for completeness, coded, organised and prepared for analysis. Qualitative interview data were recorded, transcribed and organised into themes to facilitate interpretation of the study findings.

Validity and Reliability of Instruments

Validity of Research Instruments

Validity refers to the extent to which a research instrument measures what it is intended to measure accurately. In this study, validity was established through expert review and pre-testing of the instruments before actual data collection. The questionnaire, interview guide, and documentary review checklist were submitted to the research supervisor and experts in banking, finance, and research methodology for assessment and necessary improvements.

The research supervisor and experts in banking, finance, and research methodology reviewed the draft questionnaire, interview guide, and documentary review checklist. The experts assessed the instruments for clarity, relevance, adequacy, and appropriateness of the items in relation to the study objectives, and their comments and suggestions were incorporated to improve the quality of the instruments. The

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Content Validity Index (CVI) was established as the proportion of items that the experts considered relevant. The CVI obtained was 0.90.

A CVI of 0.70 or above is considered acceptable for the instruments to be used in the study (Amin, 2005). The CVI of 0.90 exceeded this minimum, so the instruments were considered to have adequate content validity.

Reliability of Research Instruments

Reliability refers to the degree to which a research instrument produces consistent results when used under similar conditions. In this study, reliability of the questionnaire was assessed using Cronbach's Alpha coefficient computed from the completed questionnaires.

The internal consistency of questionnaire items measuring electronic banking innovations (mobile banking, internet banking, and agency banking) and financial performance was tested using Cronbach's Alpha coefficient. A reliability coefficient of 0.70 or above was considered acceptable, indicating that the instrument had sufficient internal consistency for the study.

The reliability of qualitative instruments was enhanced through the use of a consistent interview guide, accurate recording of responses, and careful transcription and interpretation of interview data.

By ensuring validity and reliability, the study instruments generated accurate, consistent, and dependable data necessary for examining the relationship between electronic banking innovations and the financial performance of selected commercial banks in Kasese District, Uganda.

Data Analysis

Data collected from the field were processed, organized, and analyzed using both quantitative and qualitative data analysis techniques in line with the mixed-methods approach adopted by the study. The analysis focused on establishing the relationship between electronic banking innovations (mobile banking, internet banking, and agency banking) and the financial performance of selected commercial banks in Kasese District, Uganda.

Quantitative Data Analysis

Quantitative data obtained from the structured questionnaires were edited, coded, entered, and analyzed using the Statistical Package for Social Sciences (SPSSV26). Descriptive and inferential statistical techniques were employed to summarize and interpret the data.

Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to present respondents' demographic characteristics and describe the level of adoption of electronic banking innovations among selected commercial banks. The findings were presented using tables, charts, and graphs where appropriate.

Inferential statistics were used to determine the relationship between electronic banking innovations and financial performance. Pearson Product Moment Correlation Analysis was conducted to establish the strength and direction of the relationship between independent variables (mobile banking, internet banking, and agency banking) and dependent variables (financial performance indicators). Additionally, multiple regression analysis was conducted to determine the extent to which electronic banking innovations predict the financial performance of selected commercial banks. In addition to the planned correlation and regression analyses, one-way analysis of variance (with Tukey post hoc comparisons) and Welch's t-tests were used to compare banks and categories of respondents, and the 95% confidence intervals of the correlations were reported.

The results were interpreted at a 5% level of significance ($p \leq 0.05$) to determine whether electronic banking innovations have a statistically significant relationship with financial performance.

Qualitative Data Analysis

Qualitative data collected through interviews with key informants were analyzed using thematic analysis. Interview responses were transcribed, organized, coded, and categorized into themes related to electronic banking innovations, challenges affecting adoption, and their influence on financial performance.

The identified themes were compared with quantitative findings to provide deeper explanations and enhance interpretation of the results. Qualitative findings were presented through narrative descriptions and selected quotations from respondents where necessary.

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Reliability and Validity of the Instruments

Table 4: Reliability of the Questionnaire Scales

Variable	Number of items	Cronbach's alpha (α)	Interpretation
Mobile banking	5	0.924	Excellent
Internet banking	5	0.909	Excellent
Agency banking	5	0.923	Excellent
Financial performance	5	0.923	Excellent
All 20 items together	**20**	**0.950**	**Excellent**

Source: Primary data (2026).

Content validity was established through expert review of the instruments. The content validity index (CVI) obtained was 0.90, which is above the minimum of 0.70 recommended by Amin (2005), so the instruments were considered to have acceptable content validity. Reliability was assessed from the completed questionnaires using Cronbach's alpha. Table 4.4 shows that the coefficients were 0.909 or higher for each of the four scales and 0.950 for the 20 items together, well above the minimum of 0.70 (Nunnally, 1978). The items on each scale therefore measured the same underlying construct consistently, and no item had to be removed. The corrected item-total correlations were all above 0.74, which confirms that every item contributed to its scale.

Because alpha values above 0.90 can also indicate that some items are very similar to one another, the item-total correlations were checked; the highest was 0.84, so there was no sign that any pair of items was redundant to the extent of duplicating each other.

Documentary Data Analysis

Secondary data obtained through documentary review, including financial reports and banking performance records, were analyzed using trend analysis. Financial performance indicators such as Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Capital Adequacy Ratio (CAR), Debt-to-Asset Ratio, Cost-to-Income Ratio, and Non-Performing Loan (NPL) Ratio were examined to identify performance patterns over the study period. In addition, the yearly totals of the adoption indicators were correlated with the average performance indicators (n = 5 years) and with the 20 bank-year records, and the results were interpreted with caution because the series follow common time trends. The debt-to-asset ratio named in the proposal was not among the records supplied and is therefore not reported.

Combining quantitative, qualitative, and documentary data analysis provided comprehensive insights into the influence of electronic banking innovations on the financial performance of selected commercial banks in Kasese District, Uganda.

Ethical Considerations

The study observed ethical principles throughout the research process to safeguard the rights, dignity, and welfare of all participants. Ethical standards concerning informed consent, confidentiality, privacy, voluntary participation, and responsible handling of information were upheld.

Informed Consent: Before data collection, participants were informed about the purpose, objectives, and significance of the study. The nature of their involvement was explained, and participation was permitted only after obtaining informed consent. Participants were also given an opportunity to ask questions and seek clarification before taking part.

Voluntary Participation: Participation was entirely voluntary, and respondents were free to accept or decline involvement without pressure, penalties, or negative consequences. They were also allowed to withdraw from the study at any stage without any adverse effects.

Confidentiality and Privacy: All information obtained from participants was handled confidentially. Personal identities were excluded from the research report, and collected information was used strictly for academic purposes. Questionnaires avoided unnecessary personal identification details, while interview responses were presented anonymously.

Permission and Authorization: An introductory letter was obtained from the relevant academic institution, and authorization was sought from the management of selected commercial banks before data collection. Additional permission was obtained from relevant authorities where necessary to ensure compliance with institutional and research requirements.

Objectivity and Integrity: Honesty, neutrality and objectivity were maintained throughout the study. Data were collected, analysed and presented accurately without manipulation or misrepresentation. All information sources used were appropriately acknowledged through citations and referencing.

Data Security: Collected data were securely stored and accessed only for purposes related to the study. Electronic records were protected against unauthorized access, while

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physical documents were maintained in secure storage to prevent loss, damage, or unauthorized disclosure.

RESULTS

Response Rate

Table 5: Response Rate by Category of Respondents

Category of respondents	Sample size	Questionnaires completed	Response rate (%)
Branch managers	9	5	55.6
Operations officers	18	15	83.3
Information technology officers	9	7	77.8
Credit officers	15	13	86.7
Customer service officers	15	10	66.7
Customers using electronic banking	86	80	93.0
Total	**152**	**130**	**85.5**

Source: Primary data (2026); sample sizes

Table 5 shows that 130 of the 152 sampled respondents returned completed questionnaires, a response rate of 85.5%, which is considered good for analysis (Amin, 2005). Of these, 50 were employees of the four banks (5 branch managers, 15 operations officers, 7 information technology officers, 13 credit officers, and 10 customer service officers) and 80 were customers. The response rate was highest among customers (93.0%) and operations officers (83.3%) and lowest among branch managers (55.6%). The banks contributed 30 to 35 respondents each. The number of customers planned (86) is one more than the figure of 85 shown in the proposal, which brought the planned total to 152 respondents.

Table 6: Key Informant Interviews Held, by Category and Bank

Category of key informant	Centenary Bank	Equity Bank Uganda	Pearl Bank	Absa Bank Uganda	Total
Branch Managers	2	1	1	1	5
Operations Officers	1	1	1	1	4
IT Officers	1	2	1	1	5
Credit Officers	0	1	0	1	2
Customer Service Officers	0	0	1	1	2
Total	**4**	**5**	**4**	**5**	**18**

Source: Primary data (2026).

Table 6 shows that eighteen key informants were interviewed: four at Centenary Bank, five at Equity Bank Uganda, four at Pearl Bank, and five at Absa Bank Uganda. They included five branch managers, five information technology officers, four operations officers, two credit officers, and two customer service officers, so that every bank was represented by at least one branch manager and one information technology officer. Documentary data were obtained for the four banks for each of the five years from 2021 to 2025 (20 bank-year records for the financial performance indicators and 20 for the electronic banking adoption indicators), so there were no missing records.

Background Characteristics of Respondents.

Table 7 presents the background characteristics of the 130 questionnaire respondents. Length of service applies to bank employees only, since customers were recorded as having no service with the bank, so the percentages are based on the 50 employees.

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Table 7: Background Characteristics of Respondents

Characteristic	Category	Frequency	Percent (%)
Bank	Centenary Bank	35	26.9
	Equity Bank Uganda	33	25.4
	Pearl Bank	32	24.6
	Absa Bank Uganda	30	23.1
Category of respondent	Branch managers	5	3.8
	Operations officers	15	11.5
	Information technology officers	7	5.4
	Credit officers	13	10.0
	Customer service officers	10	7.7
	Customers	80	61.5
Gender	Male	79	60.8
	Female	51	39.2
Age	Below 30 years	34	26.2
	30–39 years	54	41.5
	40–49 years	32	24.6
	50 years and above	10	7.7
Highest level of education	Diploma	36	27.7
	Bachelor's degree	66	50.8
	Master's degree	19	14.6
	Other	9	6.9
Length of service (employees only)	Less than 5 years	22	44.0
	5–9 years	23	46.0
	10–14 years	2	4.0
	15 years and above	3	6.0

Source: Primary data (2026). Percentages for length of service are based on the 50 employees.

All four banks were represented, with 30 to 35 respondents each (23.1% to 26.9%). Customers were the largest category (61.5%), and the six categories together covered the people who use, deliver, and manage electronic banking in the district. Men were 60.8% and women 39.2% of the respondents. Most respondents were young or middle-aged: 41.5% were aged 30 to 39 years and 26.2% were below 30 years, so that 67.7% were below 40 years, while only 7.7% were 50 years and above. This is the age group that is most likely to use mobile and internet banking, and it supports the relevance of the responses on electronic banking. The respondents were also well educated: 50.8% held a bachelor's degree, 14.6% a master's degree, and 27.7% a diploma, so they were able to understand and respond to the technical statements in the questionnaire. Among the employees, the average length of service was 5.4 years (SD = 3.8, range 1 to 15 years), and 90.0% had served for fewer than ten years, so they had experience of the rapid growth in digital channels during the study period.

Financial Performance of the Selected Banks

Financial performance, the dependent variable, was examined in two ways: respondents' perceptions of the performance of their banks, collected through the questionnaire, and the financial performance indicators of the four banks for 2021 to 2025 obtained through the documentary review. Both are presented in this section so

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that the relationships reported in later sections can be read against them.

Perceived Financial Performance

Table 8: Perceived Financial Performance of the Banks

No.	Statement	Agree or strongly agree (%)	Not sure (%)	Disagree or strongly disagree (%)	Mean	SD	Interpretation
FP1	The bank has experienced growth in profitability over recent years.	37.7	40.8	21.5	3.25	0.99	Moderate
FP2	The bank has achieved an increase in Return on Assets (ROA).	40.0	40.0	20.0	3.29	0.99	Moderate
FP3	The bank has achieved an increase in Return on Equity (ROE).	44.6	33.1	22.3	3.30	0.93	Moderate
FP4	The bank has improved its operational efficiency over time.	43.1	33.8	23.1	3.31	0.95	Moderate
FP5	The bank has achieved improved overall financial performance.	45.4	40.0	14.6	3.37	0.94	Moderate
	Overall mean for financial performance	**42.2**	**37.5**	**20.3**	**3.30**	**0.84**	**Moderate**

Source: Primary data (2026).

Table 8 shows that perceived financial performance was moderate overall (M = 3.30, SD = 0.84). Only 42.2% of the item responses agreed or strongly agreed that the banks had improved, 37.5% were not sure, and 20.3% disagreed. The highest-rated statement was FP5 ("The bank has achieved improved overall financial performance"; M = 3.37) and the lowest was FP1 ("The bank has experienced growth in profitability over recent years"; M = 3.25). The differences between the five items were small (0.12 of a point), so respondents rated profitability, the return ratios, efficiency, and overall performance in much the same way: neither clearly improving nor clearly deteriorating.

Perceived Decline in Financial Performance

Respondents were also asked directly whether the financial performance of their bank had declined in recent years, the concern raised in the statement of the problem. 128 of the 130 respondents answered the item; two (respondents 96 and 143) left it blank and were excluded from the analysis of this item only.

Table 9: Perception that the Financial Performance of the Bank Has Declined, by Category of Respondent

Respondent category	n	Disagree or strongly disagree	Not sure	Agree	Strongly agree	Agree or strongly agree (%)	Mean
Branch managers	5	1	2	2	0	40.0	3.20
Operations officers	15	5	2	6	2	53.3	3.33
Information technology officers	7	1	2	1	3	57.1	3.86
Credit officers	13	2	4	4	3	53.8	3.54
Customer service officers	10	4	1	2	3	50.0	3.20
Customers	78	12	11	30	25	70.5	3.82
All respondents	**128**	**25**	**22**	**45**	**36**	**63.3**	**3.66**

Source: Primary data (2026). Statement: "The financial performance of my bank has declined in recent years."

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Table 9 shows that 63.3% of the respondents who answered (81 of 128) agreed or strongly agreed that the financial performance of their bank had declined (M = 3.66, SD = 1.19), while only 19.5% disagreed and 17.2% were not sure. The perception was held in every category of respondents, from 53.3% of operations officers to 70.5% of customers and 57.1% of information technology officers. It was therefore shared by the staff who work inside the banks and by the customers who deal with them. The mean for the item was highest among information technology officers (3.86) and lowest among branch managers (3.20). The perception was marginally stronger at Centenary Bank and Equity Bank Uganda (both 3.89) than at Pearl Bank (3.42) and Absa Bank Uganda (3.55).

The item on perceived decline was not related to any of the electronic banking scores (mobile banking r = −.054, internet banking r = −.079, agency banking r = −.011, all p > .05) or to the perceived financial performance scale (r = −.030, p = .740). This means that respondents who rated their bank's recent record as a decline were no less positive about the digital channels, and that the perception of decline was widespread regardless of the respondent's view of electronic banking. The documentary evidence below shows that the perception matches the records.

Documentary Evidence on Financial Performance, 2021 to 2025

Table 10: Average Financial Performance Indicators of the Four Banks, 2021 to 2025

Year	ROA (%)	ROE (%)	NIM (%)	CAR (%)	Cost-to-income ratio (%)	NPL ratio (%)
2021	4.00	18.20	8.20	21.50	53.10	3.40
2022	3.63	16.88	7.68	20.30	54.98	4.05
2023	3.13	15.33	6.93	19.23	57.13	4.80
2024	2.53	12.88	6.33	18.20	59.38	5.63
2025	2.03	11.23	5.93	17.68	61.13	6.25
Change, 2021 to 2025	−1.98	−6.97	−2.27	−3.82	+8.02	+2.85
Percentage change	**−49.4%**	**−38.3%**	**−27.7%**	**−17.8%**	**+15.1%**	**+83.8%**

Source: Documentary review (2026). Averages of the four banks; changes are in percentage points unless stated.

Table 10 shows a steady deterioration in every indicator. Between 2021 and 2025, the average return on assets (ROA) fell from 4.00% to 2.03% (a fall of 49.4%), return on equity (ROE) from 18.20% to 11.23%, net interest margin (NIM) from 8.20% to 5.93%, and the capital adequacy ratio (CAR) from 21.50% to 17.68%. Over the same period, the cost-to-income ratio rose from 53.10% to 61.13% and the non-performing loan (NPL) ratio from 3.40% to 6.25%, so that profitability, margins, efficiency, capital strength and asset quality all moved in the wrong direction. The fall was continuous: each indicator was worse in every year than in the year before. The capital adequacy ratio remained above the regulatory minimum throughout, so the banks stayed adequately capitalized, but the cushion above the minimum narrowed. The figures for 2025 differ slightly from those quoted in the statement of the problem (for example, ROE of 11.2%, NIM of 5.9%, and CAR of 17.7%), and the figures in this chapter are the ones obtained from the records reviewed.

Table 11: Financial Performance Indicators by Bank, 2021 and 2025 (%)

Bank	ROA 2021	ROA 2025	ROE 2021	ROE 2025	NIM 2021	NIM 2025	NPL 2021	NPL 2025
Centenary Bank	4.2	2.2	18.5	11.8	8.4	6.1	3.2	6.0
Equity Bank Uganda	4.1	2.1	18.0	11.2	8.1	5.9	3.5	6.4
Pearl Bank	3.8	1.8	17.9	10.5	8.0	5.7	3.8	6.9
Absa Bank Uganda	3.9	2.0	18.4	11.4	8.3	6.0	3.1	5.7

Source: Documentary review (2026). Full data for 2021 to 2025 are in Appendix VII.

Table 11 shows that the decline occurred in all four banks, not in one. Centenary Bank recorded the largest fall in ROA (2.0 percentage points) and Absa Bank Uganda the smallest (1.9 percentage points). Pearl Bank had the lowest ROA, ROE, and NIM and the highest NPL ratio in every year, ending 2025 with an ROA of 1.8% and an NPL ratio of

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6.9%. Centenary Bank had the highest ROA and ROE in 2025 (2.2% and 11.8%).

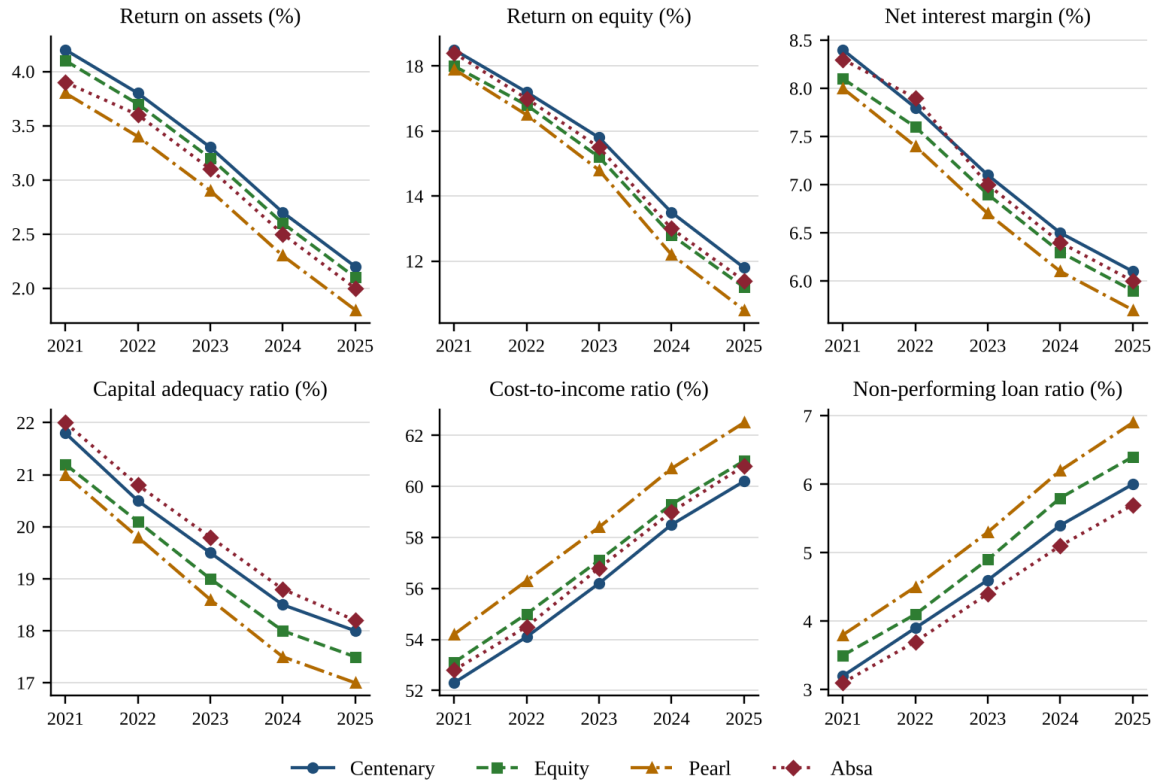


Figure 1: Financial performance indicators of the four banks, 2021–2025
Source: Documentary review (2026).

Mobile Banking and Financial Performance

This section addresses the first objective: to assess the relationship between mobile banking and the financial performance of the selected commercial banks. The evidence comes from the questionnaire, the documentary records of mobile banking adoption, and the views of the key informants.

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Mobile Banking in the Selected Banks: Questionnaire Findings

Table 12: Respondents' Ratings of Mobile Banking

No.	Statement	Agree or strongly agree (%)	Not sure (%)	Disagree or strongly disagree (%)	Mean	SD	Interpretation
MB1	My bank provides mobile banking services to customers.	58.5	36.9	4.6	3.75	0.84	High
MB2	Mobile banking enables customers to transfer money electronically.	60.8	31.5	7.7	3.72	0.88	High
MB3	Mobile banking services are accessible to customers in Kasese District.	60.0	33.8	6.2	3.78	0.91	High
MB4	Mobile banking platforms are easy for customers to use.	59.2	33.1	7.7	3.72	0.87	High
MB5	Mobile banking usage has increased among customers of selected commercial banks in Kasese District.	56.9	35.4	7.7	3.68	0.90	High
	Overall mean for mobile banking	**59.1**	**34.2**	**6.8**	**3.73**	**0.77**	**High**

Source: Primary data (2026).

Table 12 shows that mobile banking was the highest-rated of the three innovations, with an overall mean of M = 3.73, SD = 0.77, which is high. About 59.1% of the item responses agreed or strongly agreed with the statements, 34.2% were not sure, and only 6.8% disagreed. All five items were rated high, the most favourable being MB3 ("Mobile banking services are accessible to customers in Kasese District"; M = 3.78) and the least favourable MB5 ("Mobile banking usage has increased among customers of selected commercial banks in Kasese District"; M = 3.68). Respondents therefore agreed that their banks provided mobile banking, that customers could transfer money and use it easily, that it was accessible in Kasese District, and that its use had grown. The very narrow range of the item means (3.68 to 3.78) shows that this view was consistent across the aspects of mobile banking that were measured.

Documentary Evidence on Mobile Banking Adoption

Table 13: Mobile Banking Users of the Four Banks, 2021 to 2025

Bank	2021	2022	2023	2024	2025	Growth, 2021 to 2025 (%)
Centenary Bank	12,500	15,800	19,200	23,500	28,100	124.8
Equity Bank Uganda	14,200	18,500	22,800	27,200	32,500	128.9
Pearl Bank	8,300	10,200	12,500	15,200	18,500	122.9
Absa Bank Uganda	10,800	13,500	16,800	20,500	24,800	129.6
Total	**45,800**	**58,000**	**71,300**	**86,400**	**103,900**	**126.9**

Source: Documentary review (2026). Number of registered mobile banking users at the Kasese branches.

Table 13 confirms the questionnaire finding that mobile banking use grew quickly. The total number of mobile banking users of the four banks more than doubled, from 45,800 in 2021 to 103,900 in 2025 (+126.9%). Growth was similar in every bank, from 122.9% at Pearl Bank to 129.6% at Absa Bank Uganda, and Equity Bank Uganda had the largest base throughout (32,500 users in 2025) and Pearl Bank the smallest (18,500). Digital transaction volume at the four banks rose from 3,210,000 transactions in 2021 to 8,240,000 in 2025 (+156.7%), so customers were not only registering but also transacting more.

Over the same five years, however, the average ROA of the four banks fell from 4.00% to 2.03% (Table 4.7). The yearly totals of mobile banking users and the average ROA were almost perfectly and negatively correlated ($r = -.998$, $n = 5$ years), and the same was true for ROE ($r = -.997$). Across

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the 20 bank-year records, the correlation between mobile banking users and ROA was $r = -.683$ ($p < .001$). These coefficients should be read with great care. They are based on only five yearly points, or on 20 records that share the same time trend, and two series that move steadily in opposite directions over time will always correlate strongly whether or not one influences the other. The records show that mobile banking grew while profitability fell; they do not show that mobile banking caused the fall. Section 4.10 returns to this point, and the views of the informants below suggest what else was happening.

Views of Key Informants on Mobile Banking.

Table 14: Themes from Key Informant Interviews on Mobile Banking.

Theme	Interviews	Banks	Evidence from key informants
Rapid growth in use	1	Centenary	INT-01: "Mobile banking has increased transaction volumes by about 40% in the last two years, but network downtimes remain a challenge"
Cost, speed, recovery and convenience gains	4	Equity, Pearl, Absa	INT-04: "Digital channels have reduced our branch operational costs by approximately 25%"; INT-06: "Mobile banking reminders have improved loan recovery rates by 15%"; INT-11: "Mobile banking has reduced queue times in branches by 35%."
Downtimes, competition, low digital literacy, fees	4	Centenary, Pearl, Absa	INT-08: "Fintechs are eating into our customer base; we need to innovate faster"; INT-10: "Many rural customers still prefer passbook banking; digital literacy is low"; INT-16: "Customers appreciate the convenience, but complain about transaction fees"
Extension to feature-phone users	1	Equity	INT-18: "We plan to roll out USSD-based services for feature phone users next year"

Source: Interview data (2026). Coding by the researcher; one interview may carry more than one code.

Table 14 summarizes what the key informants said. Mobile banking was discussed in eight of the 18 interviews, and the informants described both what it had delivered and what limited it.

Adoption and transaction volumes. The Centenary Bank branch manager reported that "mobile banking has increased transaction volumes by about 40% in the last two years, but network downtimes remain a challenge" (INT-01). The documentary records are consistent with this: digital transaction volume at Centenary Bank rose by 55.2% between 2023 and 2025, and its mobile banking users by 46.4%, so the manager's estimate was of the right order of magnitude.

Cost savings, efficiency and loan recovery. Four informants described direct gains. The Equity Bank Uganda branch manager said that "digital channels have reduced our branch operational costs by approximately 25%" (INT-04), the Equity credit officer said that "mobile banking reminders have improved loan recovery rates by 15%" (INT-06), and the Pearl Bank operations officer said that "mobile banking has reduced queue times in branches by 35%" (INT-11). These statements link mobile banking to the dimensions of financial performance in the conceptual framework: lower operating cost, better asset quality through recovery of loans, and operational efficiency. They are, however, the informants' own estimates and were not checked against bank records.

Challenges. Four informants raised problems. Alongside the downtimes noted in Centenary Bank, the Pearl Bank branch manager observed that "fintechs are eating into our customer base; we need to innovate faster" (INT-08), pointing to competition that reduces what a bank can earn from its own mobile channel. The Pearl Bank customer service officer explained that "many rural customers still prefer passbook banking; digital literacy is low" (INT-10), and the Absa Bank Uganda customer service officer said that "customers appreciate the convenience, but complain about transaction fees" (INT-16). Taken together, these views indicate that the benefits of mobile banking depend on reliable networks, customers' ability to use the service, a competitive product, and fees that customers regard as fair.

Future direction. The Equity Bank Uganda information technology officer said that "we plan to roll out USSD-based services for feature phone users next year" (INT-18), which shows that the banks saw further room for growth in the customer base, especially among customers who do not own smartphones.

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Relationship between Mobile Banking and Financial Performance.

Table 15: Correlation between Mobile Banking and Perceived Financial Performance.

Respondents	n	Mean score for mobile banking	Mean perceived financial performance	r	Sig. (2-tailed)	Strength (Cohen, 1988)
All respondents	130	3.73	3.30	.631	< .001	Large, positive
Employees	50	3.90	3.50	.684	< .001	Large, positive
Customers	80	3.63	3.18	.584	< .001	Large, positive
Centenary Bank	35	3.86	3.38	.655	< .001	Large, positive
Equity Bank Uganda	33	3.93	3.52	.550	< .001	Large, positive
Pearl Bank	32	3.44	3.03	.612	< .001	Large, positive
Absa Bank Uganda	30	3.67	3.27	.628	< .001	Large, positive

Source: Primary data (2026). Perceived financial performance is the mean of the five items

The Pearson correlation between mobile banking and perceived financial performance was r = .631 (p < .001, 95% confidence interval .515 to .724, n = 130), which is a large, positive, and statistically significant relationship. Respondents who rated mobile banking higher also rated the financial performance of their bank higher. 39.8% of the variance in perceived financial performance was shared with mobile banking ($R^2 = 0.398$, $F(1, 128) = 84.6$, $p < .001$). The relationship was significant and large among employees (r = .684) and among customers (r = .584), and in each of the four banks (r = .550 to .655, all p < .05), as Table 4.12 shows, so the finding did not depend on one group or one bank.

The three sources of evidence for the first objective can now be brought together. The questionnaire showed a high rating of mobile banking and a large, positive, and significant relationship between the rating of mobile banking and the rating of financial performance. The informants explained the mechanisms through which the banks believed mobile banking helped: cost reduction, faster service, better loan recovery, and more transactions. The documentary records confirmed the growth in mobile banking, but showed that the banks' ROA, ROE, and NIM fell while it was growing. The study therefore concludes that mobile banking was positively related to perceived financial performance, but that the records do not show that this had yet translated into improved reported profitability.

DISCUSSION

The large positive relationship between mobile banking and perceived financial performance agrees with the studies reviewed in Chapter Two that found that mobile banking improved bank performance, including Mutua (2013) in Kenya, Kithinji (2017), Mugambi et al. (2014) and, for Uganda, Mugisha and Namanya (2020) and Nabintu (2021). These studies attributed the benefit to higher transaction volumes, lower operating costs, and better customer retention, and these are the same mechanisms that the informants described in Kasese District (cost reduction of about 25%, shorter queues, better loan recovery, and about 40% growth in transaction volumes). The finding that mobile banking carried the largest regression weight is also consistent with the very rapid growth in mobile banking users and with the Technology Acceptance Model, according to which usefulness and ease of use drive adoption (Davis, 1989): the respondents agreed most strongly that mobile banking was easy to use and accessible. Amin (2016) similarly reported that perceived usefulness and ease of use influenced the adoption of banking technologies.

The study also confirms the cautions in the earlier literature. Nabintu (2021) and Mugambi et al. (2014) noted that network failures, security concerns, and limited digital literacy reduced the benefit of mobile banking, and Ozili (2018) argued that the gains from digital finance depend on supporting infrastructure and regulation. The informants in the four banks raised the same obstacles, and the questionnaire placed unreliable internet and power at the top of the list of challenges.

Conclusion

The study concluded that there was a large, positive, and statistically significant relationship between mobile banking and the perceived financial performance of the selected commercial banks (r = .631). Mobile banking was the best-developed and best-rated innovation, and the informants linked it to lower costs, faster service, and better loan recovery. Reported profitability, however, fell while mobile banking use rose.

Recommendation

The banks should strengthen the reliability and security of mobile banking services by investing in backup power, redundant connectivity, system monitoring, and multi-factor authentication. They should also enhance fraud detection and conduct regular customer awareness campaigns on

phishing and other cybersecurity threats, since unreliable internet and power (58.6%) and cybersecurity threats (50.0%) were the most frequently reported challenges.

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List of abbreviations

CAR – Capital Adequacy Ratio
CVI – Content Validity Index
fintechs – Financial Technology Companies
IT – Information Technology
KYC – Know Your Customer
NIM – Net Interest Margin
NPL – Non-Performing Loan
ROA – Return on Assets
ROE – Return on Equity
SD – Standard Deviation
SPSS – Statistical Package for the Social Sciences
USSD – Unstructured Supplementary Service Data
α – Cronbach's Alpha
CI – Confidence Interval
F – F-statistic
M – Mean
n – Sample Size
p – Probability Value
r – Pearson Correlation Coefficient
R^2 – Coefficient of Determination

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Conflict of interest

The authors declare no conflict of interest.

Data availability

Data are available upon request from the authors.

Author contributions

LA: conceptualization, methodology, investigation, writing the original draft.
MS: data curation, validation, supervision.

Informed consent

Written informed consent was obtained from all participants prior to their inclusion in the study. Participants were informed about the purpose of the study, procedures involved, potential risks and benefits, and their right to withdraw at any time without penalty.

Author biography

Lilian Asinja, a student pursuing a master of Science in Finance at Team University
Edmand Bakashaba is a research supervisor at Team University.
Muhamad Ssendagi is a research supervisor at Team University.

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