

The Effect of ATM on the Growth Sustainability of Commercial Banks in Rwanda; A Case Study of ECOBANK Rwanda

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Abstract: *Despite all the efforts by the banking industry, the main challenge is to increase satisfaction of customer. Customers have more options in choosing the banks than the past. Every bank is trying to retain and maintain their valuable customers at any cost, for sustainability. Banks are adopting different software and technological aspects to make their customers satisfied which costs banks big sums of their revenues on the other hand. This therefore prompted the researcher to institute the effect how growth sustainability of commercial banks in Rwanda is affected by the retail banking. Ecobank Rwanda was used as a bank of reference and years from 2012 to 2017 was largely used a time limit. The main purpose of this study was to examine the effect of retail banking on the growth sustainability of Rwanda's commercial banks. The study adopted both descriptive and quantitative research designs. Questionnaires were addressed to 20 respondents selected from among the Ecobank staffs and an interview was held with 4 respondents from the bank's top management. Descriptive statistics was used for testing the effectiveness of variables. Findings of the study asserted that there is positive relationship between ATM services and growth and sustainability of Ecobank. All statements that were listed by the researcher, it was learnt that only one statement was undecided and while other statements were agreed and strongly agreed. Research found that 100% of ATM offers by Ecobank has been contributed to the growth and sustainability of Ecobank. ATM decrease the use of paper on bank transaction which is environmental friendly; with ATM, transaction data is stored in organized database and that ATM provides an advantage of saving time and its reliable. In ensuring ATM safety, the administration of the bank should observe into the fact of using ATM transactions to watch over safety measures and risk management and enforce to escape future dangers that could affect the bank's growth sustainability and the clients at large.*

1. Background of the Study

Over the years, the world has seen a massive change in the management of commercial banks; from organizations relying more on specialized in-house service functions, conventional multipurpose service functions to outsourced services. Information technology (IT) has helped many commercial banks in improving their operational efficiencies by providing internet based solutions for their supply chain networks and electronic solutions. The revolution of information technology has influenced almost every facet of life, among them is the banking sector. Service delivery in banks has greatly transitioned from visiting banking halls to making transactions without even being in the bank. The need to reach customers in low income areas gave rise to retail banking (Kwabena, 2013).

The UK has one of the highest tariffs of adopting retail banking in the world: around one-third of customers use mobile banking applications and mobile banking is now available to customers of all of the major banks. While there are differences in the sophistication and functionality of the mobile banking applications offered by the established banks in the UK, customers are typically able to check their balance, set up personalized alerts, send payments to another account using a mobile number, and locate their nearest branch or ATM. In its end-to-end digital transformation, Lloyds Bank, in the UK, focused on ten customer journeys, using agile delivery, deploying cross-functional customer journeys, and empowering product owners with responsibility. Lloyds also modernized its IT architecture to extend the use of micro services, and cloud environments. The results were dramatic. Between 2014 and 2016, the

number of customers using Lloyds' mobile channel grew from five million to eight million (McKinsey, 2017).

Kenyan banks are profit making institutions and thus profit can be termed as the measure of growth sustainability; thanks to strong retail banking that the country has embraced with the government support to the young innovators. Growth is the degree in which financial objectives are being accomplished in an organization. Several financial ratios have been developed to measure profitability. Bank regulators and analysts have used ROA and ROE to assess industry performance and growth sustainability in market structure as inputs in statistical models to predict bank failures and mergers and for a variety of other purposes where a measure of profitability is desired. Finally, ecosystems, which have emerged most notably in China, are likely to become more of a feature in the African economy, and banks will need to have the digital sophistication to play a role as they develop retail banking sector (Arisa & Muturi, 2015).

Good business environment as well as sound regulatory policies on the Rwanda's banking sector have resulted to high level of financial inclusion in Rwanda which increased by 24% to 72% in 2012 from 48% in 2008 (FinScope, 2012). BNR (2016), to reduce transaction costs as another barrier of financial inclusion, digital financial services were introduced in Rwanda, such as mobile payments, mobile banking and internet banking. This has contributed to expand financial services in the country between 2012 and 2016. The use of digital financial services boosted access to formal non-bank financial services to 42% in 2015 from 19% in 2012. For example, in 2015, 74% of adults in

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Rwanda (2.8 millions) use mobile money. As mentioned, formulation and adaption of economic policies is important in achieving sustainable economic development. It is about how leaders adjust strategies and choices to changing circumstances.

Ecobank Rwanda (2013), the current technology in the bank plays a vital role of helping financial managers to retrieve data, process them and then analyze them to make effective and efficient growth sustainability decisions unlike in the past where most banks including Ecobank Rwanda itself used to face fatal difficulties. Therefore, the researcher wished to establish the effect retail banking has on the Rwandan commercial banks growth sustainability with a reference of Rwanda's Ecobank. The bank powers a wide range of solutions for mobile and digital devices that are fast, safe and easy to use.

2. Problem Statement

Banking industry has changed drastically not only in Rwanda but world at large. From traditional banking where customers used to walk to bank, take and fill the form and after that standing in the line for depositing and withdrawing the money. Like other service industries, banking is also a customer focused service industry, where the attention or we can say that focused attention is on differentiate customer services as compare to the competitor's strategies. BNR (2016) revealed that there has been tremendous innovation, improved, performance and efficiency of services such as online banking, mobile payments & banking. Rwanda's internet usage and adoption that has incredibly increased with more using internet in different aspects, including financial services, business transactions, and data management.

However, while monitoring compliance with liquidity requirements, the BNR performed quarterly stress tests mainly to test resilience of banks when faced with liquidity shocks and it realized that banks depend on low number of customers. The test showed that, the first banks would become illiquid when 27 percent of deposits are withdrawn and 14 out of 17 banks met minimum liquidity requirements when 20 largest depositors pulled out 50 percent of their deposits. From these results, it appeared that banks were not liquid enough for them to require acute and very adverse shocks for banks to be liquid (BNR, 2016). The results of the tests indicated how important retail banking strategy involvement is in the banking industry in Rwanda and how dangerous it is to rely on the corporate clients.

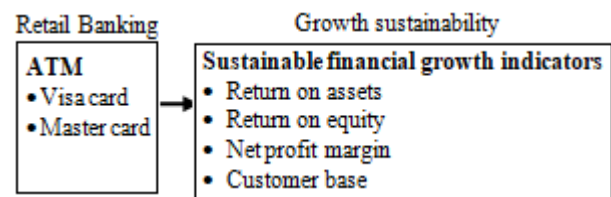
In addition, instability of the performance ratios is among other big challenges Rwandan banking sector because of costs that are aligned to money. The sectors' ROA and ROE declined respectively from 2.4 percent and 13.1 percent to 1.7 percent and 9.2 percent. It is alleged that the strong decline of non-operating incomes by 34.9 percent was a

major cause for this drop in profits and reflected the significant drop of income from recovery. Strong increase in operating expenses also played part to push down banks' profits. At the end June 2016, return on equity reduced; and also operating expenses increased by 14.8 percent, from 9.3 percent registered in the same period of 2015. Based on the above therefore, the researcher was motivated to find out how growth sustainability in Rwandan commercial banks is affected by retail banking. The study referred to Ecobank Rwanda.

3. Objective of the Study

To evaluate the effect of online banking on the growth sustainability of Ecobank Rwanda.

4. Conceptual Framework



5. Research Design

This study applied both descriptive and quantitative research designs. The main is to provide information on characteristics of the chosen population or phenomenon. Descriptive research was considered prior to be quantitative research design as it provides an overall overview as to what variables to test quantitatively.

6. Study population

The population of interest in this research constituted of Ecobank Rwanda staffs. In line with this, the target population was 24 employees of Ecobank Rwanda, head office working in Finance, Consumer banking (retail banking, distribution channels, agency banking, CASA and marketing units, Commercial banking-SME and Credit Risk department. Among 24 research population, there were four (4) members of the management team who serve as the heads of the department.

7. Research Findings and Discussion

7.1 The views respondents on the effect of ATM on growth and sustainability of Ecobank Rwanda

The study population level of appreciation the effect of ATM activities in Ecobank Rwanda and the results are clearly explained in the table whereby they are in form of percentages whereas discussions follow below the tables.

Table 1: Views on the effect of ATM on the growth and sustainability

Avowals	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
ATM decreases structure expenditures	17	85.0	3	15.0	0	0	0	0	0	0	20	100
ATM has significantly abridged numerical faults	18	90.0	2	10.0	0	0	0	0	0	0	20	100
ATM aid to guard over security processes and hazard	16	80.0	3	15.0	2	10.0	0	0	0	0	20	100
ATM is friendly to environment with paperless transactions	20	100.0	0	0	0	0	0	0	0	0	20	100
Contract data is stored in organized database	20	100.0	0	0	0	0	0	0	0	0	20	100
ATM provides an advantage of saving time and its reliable	20	100.0	0	0	0	0	0	0	0	0	20	100

Based on the findings presented in the above Table, the researcher's intended to evaluate the degree of appreciation for respondents on the effect of ATM on the growth and sustainability in Ecobank Rwanda Ltd. Regarding to the strategies that were set by the Ecobank. As established in Table 1, among all the statements that were listed by the researcher, it was learnt that only one statement was undecided and while the rest of the statements were agreed and strongly agreed. Research discoveries publicized the following as the highly strongly agreed at 100%; ATM offers a paperless mode of transaction which is environmental friendly; with ATM, transaction data is stored in organized database and that ATM provides an advantage of saving time and its reliable. The statement that worried the researcher was that ATM to watch over safety measures and risk was agreed at 20.0% and this was the only undecided statement.

During the interview with the senior finance officer, he stressed that the importance and purpose of managing Ecobank Rwanda's retail banking effectively is mainly to have increased profitability, liquidity, happy customers and better growth. Hence, the results revealed above are no surprise in comparison this senior banker's revelation.

From the results therefore, the researcher learnt that Ecobank Rwanda ATM practices are effective since most of the practices were strongly agreed by the respondents at a percentage of 100% hence the strategy is more competent for bank's growth.

8. Conclusion

This research's found that ATM influenced the growth and sustainability of Ecobank. Researcher's intended to evaluate the degree of appreciation for respondents on the effect of ATM on the growth and sustainability in Ecobank Rwanda Ltd. All the statements shows that, it was learnt that only one statement was undecided and while the rest of the statements were agreed and strongly agreed. Research discoveries publicized the following as the highly strongly agreed at 100%; ATM offers a paperless mode of transaction which is environmental friendly; with ATM, transaction data is stored in organized database and that ATM provides an advantage of saving time and its reliable.

9. Recommendations

In ensuring ATM safety, the administration of the bank should observe into the fact of using ATM transactions to watch over safety measures and risk management and

enforce to escape future dangers that could affect the bank's growth sustainability and the clients at large.

For public responsiveness, commercial banking stakeholders such as the ministry of ICT and MINECOFIN together with other responsible stakeholders in the government are recommended to sensitize the general public on retail banking components. This will enable the bank to increase the customer base.

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