BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

the impact of digital banking on the financial performance of banking institutions in zimbabwe

(a case study of fbc zimbabwe)

BY

REG NO : B193471B

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

MAY, 2024

Declaration

I, do hereby declare that this dissertation is the result of my own findings and research, except to extend indicated in Acknowledgements, References and my comments included in the body of the reports.

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	24 /09 /2024
Student Name	Date
	24/09/24
Supervisor's signature	Date
	24/05/24
Chairperson's signature	Date

Dedication

I dedicate this research project to my husband, my son Nate and everyone who is always motivating me to excel academically .

Abstract

Commercial banks play a leading role in the economic development of a country and this role of can be achieved only if the banks are stable. Digital banking technology has emerged as a way through which the commercial banks can be able to improve their financial performance by enhancing retail and corporate banking activities. From the inception of digital banking, banks have improved their networks in areas of deposits, withdrawals and other banking activities. However, despite the innovative ideas in digital banking, there still exists gaps as some banks still fail and face imminent collapse. The objective of this study was to establish how digital banking technology innovations affects the financial performance of commercial banks. The study took a descriptive survey design and was driven by three objectives namely; determining the effect of digital banking on profitability of financial institutions and the impact of digital banking on operational costs of banking institutions. This study was anchored on resource based view, financial intermediation theory, innovation diffusion theory, transaction cost theory and modern economics theory. A questionnaire was used to collect primary data over a target population of 40 employees of FBC. The study involved a collection of data through self-administered questionnaires targeting the finance and IT managers of the banks in their headquarters in Harare. The data collected was analysed using a descriptive method. The responses were tabulated, coded and processed by use of a computer statistical package for social scientists. The findings of the study were analysed and presented using statistical methods including pie charts and frequency tables. From the findings and summary, the study concluded that the ease of access to digital banking through digital-banking technology innovations had a positive influence on the financial performance of commercial banks in Zimbabwe.

Acknowledgement

I am grateful to my supervisor for the tireless, timely and helpful guidance provided in the process of developing this project. I would also like to appreciate the management of FBC for providing me with the opportunity to do my research and my colleagues with who encouraged me when developing the project. Equally am indebted to my family members and my colleagues for the support provided. God bless you all.

Table of contents

List of tables

List of figures

List of Appendices

CHAPTER I

INTRODUCTORY CHAPTER

1.0 Introduction

This chapter is focused on the research on the effects of electronic banking technology on the financial performance of banks in Zimbabwe. It comprises the study's background, problem statement, general study objective and specific study objectives, main research question and secondary research questions, significance of the study, the scope of the study and limitations of the study.

1.1 Background of study

Numerous commercial banks in the developing countries are increasingly embracing online banking platforms. This allows bank customers to conveniently perform a range of banking activities digitally such as money transfers, account access, online shopping, accessing e-statements, bill payments and a variety of transactions that required more time consuming processes. The adoption of information and communication technologies (ICT) by these banks has introduced changes that can be attributed to reduced costs, improved operational efficiency and greater convenience to customers as noted in Muyoka,(2014). For individual banks, the internet has potential to create more level playing field in banking. This is by enabling banks to easily offer new and innovative product as well as reach previously inaccessible customer segments. However, the bank's adoption of online banking requires the development of different business methods and approaches. This shift introduces new risks for the bank in terms of increased competitive pressures as highlighted by Sullivan, (2000).

A wide range of banking institutions, from dominating nationwide banks to smaller localised banks such as regional banks and credit unions now provide some form of electronic banking capabilities commonly referred to as mobile banking, electronic funds transfer, automated teller machines or internet banking. Banking institution who provide digital banking services are sometimes distinguished as "brick and click' banks, differentiating them from traditional "brick and mortar" banks that lack significant online offerings. The rise of new online- only banks has expanded customer's access to financial services through the internet channel. This shift has enabled internet based banks to realize cost savings, by passing them the ability to give their customers more favourable terms in the form of reduced fees and better returns on their accounts compared to traditional banking institutions Shan, (2006).

The first ATM was introduced in London in 1967 but however, digital banking services were not implemented until 1980, when they were first offered. In 1985, the bank of Scotland became the first bank to provide electronic home banking to its customers. The Bank of America in 2001, was an early leader in the adoption of digital banking and became the first bank to reach 3 million customers utilizing their online banking platform. Over the recent years, online banking has exponential growth. Some banks have emerged with solely online without any physical branch locations. These virtual, online-only banks are able to offer advantages like better interest rates, and more features compared to traditional banks. This is because they do not have overhead expenses associated with maintaining physical branch infrastructure, Tech(2012).

In developed countries, the success of internet banking can be measured by looking at the number of registered online banking users and the frequency with which they utilize these digital banking services. In the united states over 10 million customers were using online banking by the end of 2003, with projections that this number would grow to 35 million by end of 2004. Similarly, in the UK 7% of customers were using internet banking at the time, with an expected increase to 28% by the end of 2004.

Although previous literatures have embarked on studying the shift towards digitalized banking, most of the studies focused on additional nations including Europe and United States. However, Zimbabwe is quite different. Unlike more advanced economies Zimbabwe's economy has continued to grow and expand in recent times but, its commercial infrastructure is still relatively underdeveloped. As a result of the transition to digital banking, Zimbabwe is still in its infancy, lagging behind the widespread usage seen in other more developed countries.

Based on Sibanda (2024), electronic banking services were introduced in Zimbabwe in 2010. Ever since the introduction of these digital banking capabilities, there has been a lot activity within the banking sector persistently striving to secure their fair share of electronic banking services in

Zimbabwe. However, there is still an imbalance in terms of aspects that still need more extensive research and inquiry by the researchers regarding digital banking in Zimbabwe.

The Reserve Bank of Zimbabwe and fiscal authorities constantly supervise actions of growing financial institutions in Zimbabwe. The use of digital banking has given banks a competitive advantage, leading to an increase in market share. However, Zimbabwe's adoption of digital banking is associated with numerous difficulties, from regulatory issues to online fraud and theft. The digital banking platform has made it easier for identity theft, forgeries, and illegal access to funds to occur, as well as making it more challenging to catch digital thieves and armed robbers. The Central Bank of Zimbabwe has developed rules that strive to regulate the usage of these digital banking platforms in an effort to curb these recognized concerns. Examples of these policies encompass transactional limits on any given platform within a given day or week, making sure the necessary permissions are obtained prior to using any platform, and making sure that sufficient security devices are installed in areas where these platforms are used. In the end, the profitability of the banks is impacted by the costs associated with all of these policies and actions.

In Zimbabwe today, digitalization has evolved beyond just basic financial transactions and remittance services. Digital banking capabilities have now diversified to include lending and financial solutions, international money transfers, deposits and savings accounts, mass pay-outs and pay-as-you-go utility bills, etc. However, the adoption of ICT in the finance sector has realized merits such that the recent emerging online banking platforms owe their existence to the investment in technology. Prior the adoption of digital banking, institutions have been facing operational inefficiencies in distributing financial services to its customers in remote areas where the capital expenditure for physical infrastructure unjustifiable, hence financial inclusion. There are general features or standards digital banking channels must conform to and these are as follows: unique account validation, financial performance tools, banking services, history of previous transactions and an ATM locator facility. In some economies (European economies) the move of going digital is embraced by individual choices after realizing its merits and the need to fit in the technological era, however this is a different case for Zimbabwe where the uptake is a matter of desperation in solving macro-economic problems like money supply and it has reaped fruits in financial inclusion to marginalized communities like tobacco farmers.

1.2 Problem Statement

There has been a notable rise regarding the utilization of digital banking practices in various Zimbabwean banks, including FBC Bank NMB Bank, POSB Bank, CBZ Bank, First Capital Bank, Stanbic Bank and Standard Chartered Bank. These banks have invested heavily in digitilization efforts with the goals of expanding their customer reach, reducing personnel costs, promoting financial inclusion and improving on overall bank performance. However, despite the widespread of digital banking, other banking institutions experienced drops in performance, and were placed under statutory management. Experts have cautioned that digitalization poses the potential for reduced transactional revenue streams for financial institutions, as digital services tend to be are affordable compared to traditional in branch banking. Increased competition is also expected drive these digital service fees down further.

Commercial banks are critical to the payment system and overall sustainability of banking services in many economies, by serving as financial intermediary, connecting those with surplus finds to those seeking to borrow money Kithaka, (2014) making them essential to the continued sustainability and availability of banking services. The underserved consumer population has been high historically, but the introduction to digital banking has significantly changed day to day banking transactions. Banks have adopted mobile technology to offer their customers great convenience and flexibility such as the ability to perform bill payments online and to receive their financial updates while on the go Ongwenyi, (2012). This is an innovative tool which has reshaped banking in Zimbabwe targeted towards providing bank clients with seamless banking experience.

The shift towards digital and online banking services has had a significant impact on the financial performance of banks. This is because there are minimal reports and research attainable on the specific relationship between online banking and how it affects the financial performance of banking institutions. Given the lack of clear evidence on digital banking and financial performance link in the Zimbabwean banking sector, there is consequent need for further study to understand if the use of online banking has impacts on financial performance of banking institutions overally.

1.3 Research Objectives

The key aims and objectives of the study were:

1.3.1 General Objectives

The primary aim of this research was to closely examine and evaluate the impact of digital banking adoption on overall financial performance of banks.

1.3.2 Specific Objectives

The main objectives that this study sought to address were:

- To examine impacts of digital banking adoption on profitability of banking institutions in Zimbabwe.
- To examine effects of digital banking on operational costs incurred by Zimbabwean banks
- The research recommends that the banking institutions should prioritize expanding their Mobile Banking network as this will enhance customer accessibility to services thus improving the bank's overall financial performance.
- The research recommends banking institutions in Zimbabwe to take steps on minimizing the occurrence of systems failures as this is expected to reduce negative impact on the bank's financial performance.

1.4 Research Questions

1.4.1 Main Question

How the use of digital banking into the financial sector has affected the performance of banks in Zimbabwe financially?

1.4.2 Secondary Questions

Primary research questions that this study aims to address are:

- What is the influence of implementing electronic banking on profitability of banks?
- What is the effect of digital banking on operational costs of banking institutions?
- The research recommends that banking institutions should prioritize which strategic initiative in order to enhance customer accessibility to services and ultimately improve their profitability financially?

- The research recommends that banking institutions in Zimbabwe need to prioritize what actions to reduce the negative impact of system failures on their financial performance?

1.5 Significance of the study

The study sought to provide a comprehensive understanding of how transition towards online banking services has affected various aspects of a bank's financial standing, operational efficiency and sustainability. This research therefore specifically aims to examine whether the implementation of digital banking increased or decreased the profitability and overall financial standing of banks in Zimbabwe. It is possible that an Information Technology failure could disrupt online banking services, denying users ability to utilize digital banking and imposing limitations on customer's access to their funds hence weakening the sense of certainty and reliability associated with these services. Implementing a robust electronic platform for banking institutions requires quite a significant upfront costs to banking institutions in Zimbabwe. In addition, banking institutions are compelled to maintain their electronic banking systems. Most banks have online banking platforms but they however, still maintain a pattern of producing both favourable and unfavourable findings. Several banking institutions have high performance while other banks are struggling. This finding demonstrates the significance and applicability of this research. Pure interest towards the technological aspect of banking drives the researcher to conduct a research in the above subject matter. Moreover, the sample selected to represent the population, which is a bank in the Harare Central Business District, is a mirror of the banking industry in Zimbabwe which nearly reflects or represents the population of the group. The findings will help increase awareness of the need to go digital not only in banking institutions but across business sectors in the Zimbabwean economy since some, if not all, of the enterprise IT solutions like database management and automation of operations can be used in any organization after few modifications. Findings of the impacts in banking operations of adopting digital delivery channels in other African countries with almost similar economy structures with that of Zimbabwe will also help to reach a conclusion of the subject matter. The importance of this research project is that it benefits the scholars, commercial banks of Zimbabwe and the RBZ(Reserve Bank of Zimbabwe).

1.5.1 Scholars

This knowledge generated through the study intends to equip the academics to comprehend the varied forms of online banking that have been adopted in Zimbabwe. Analysing the data from this study will empower them on the transformation of banking practices through technology advancements in Zimbabwe and other advancements that occurred within the banking industry owing to the adoption of online banking platforms. It will also help to highlight the specific digital channels and platforms being utilised by different banks. Ultimately this research seeks to enhance the scholars understanding of how the introduction of various forms of online banking has impacted financial standings of banking institutions in Zimbabwe.

1.5.2 Commercial banks in Zimbabwe

The study may assist banks to improve their understanding and capabilities of digital banking. It also will assist banking institutions to enhance customer experience, to deliver more personalized and responsive services and promote their financial efficiency. To add more, the study may assist all the commercial bank in Zimbabwe to understand the attitudes and sentiments of customers about the electronic banking services they offer. Good banks may assist to improve customer confidence to facilitate more transactions that may stir economic growth in Zimbabwe. Besides, the information may be of great value to the marketing teams of digital banking services as through the information, they may be able to identify customer needs and desires thus capitalize on them in service delivery.

1.5.3 The Reserve Bank of Zimbabwe

The study may enable Reserve Bank of Zimbabwe, bank executives and indeed policymakers of the banking industry to be familiar of the digital banking services, aimed at reaching well informed, strategic conclusions of making sound strategic decisions. The research seeks to provide the necessary supporting information to the Reserve Bank of Zimbabwe, to strengthen their resolve in that guaranteeing customers enjoys the best of digital banking services. The information that may be gathered about the contribution of digital banking to service delivery by the commercials in Zimbabwe may be shared in the relevant financial institutions which may enable departments dealing with digital banking to improve in sensitization and strengthening the product packages.

To add on, this study might assist the Reserve bank to come up with better ways of solving cashless problems by promoting alternative modes of payment, which facilitate point of sale purchases. It may also assist to evaluate the extent to which these strategies are curbing cash shortages have succeeded in doing so.

1.6 Scope of the study

This research is to be conducted in Zimbabwe and includes a survey from FBC bank headquarters between the year of 2021 and 2022. The study's target population comprises of bank managers and employees of FBC Bank headquaters.

1.7 Limitations of the study

This study is coupled with its limitations in terms of the methodologies to be used, data obtained, the process of conducting the research and the recommendations established, the outlined are the possible study limitations in the order mentioned above:

The search for related previous work (as literature review) might have been time-consuming. This introduces a primary restriction to the research process. The limited time allotted to for conducting the research necessitates reducing the geographical scope of the study and crafting a comprehensive time management plan that specifies the duration for each task as the lack of such plan could undermine the researcher's chances of completing the project within the allotted time frame. Since there are gaps on the subject matter as many authors were concerned about the movement towards more automated, online and mobile banking solutions in Zimbabwe despite the broadness of the term electronic banking, giving a blind eye on the effects of this adoption and this will result in reviewing work of authors studying the relationship in other countries which proved to be different in many instances.

The size of the management workforce at FBC bank headquaters is substantial, which poses a challenge in terms of being able to thoroughly investigate the complete group within the predetermined timeframe. To overcome the constraint posed by the large population, the researcher was required to employ a sampling methodology to address this limitation. Navigating this key challenge demands budgetary skills to enable research to be carried out within the allotted budget. Equally important is the need to scale down the breadth of the study, which will help to decrease the overall costs.

The exercise of gathering empirical evidence or data was sometimes faced with hurdles when staff in some institutions observed their nondisclosure disclaimers by refusing to give information concerning the effects of the adoption and not to mention the financial constraints faced when travelling to get such information in the CBD due to the harsh economic conditions coupled with high inflation rates prevailing in the country at that time. The researcher carefully reviewed and understood the non-disclosure disclaimers and determined the specific restrictions and limitations imposed by the disclaimer and also tried to negotiate with the relevant parties for limited disclosure.

Narrow literature about digital banking in Zimbabwe therefore the researcher will rely mostly on journal articles from other countries, websites and information from newspapers.

1.8 Chapter Summary

This chapter included the introduction which states the title of the research, background of study which outlines the impact of digital banking among different countries thus from globally, emerging economies, regional and Zimbabwe. It also included problem statement which states the problem of the study. Research objective aims to explain the purpose behind the research. The study's significance goes beyond just the target patient group and states the importance of the study to the people in the region and nation. To add more, scope of the study focus on the coverage of areas in this research such as the specific area that the research will be carried on, commercial banks, and the customer. This chapter also includes limitations of the study which are restrictions that may be faced while carrying out the research and organizational elements of this research.

The next chapter is on literature review of the study which focuses on reviewing past researches that had focused on addressing the challenges and limitations within digital banking.

It focuses on prof and costs and the influence of these independent variables on financial standings of banking of banking institutions.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

The current chapter covers the existing literary writings relevant to the research. Its goal is to prevent unintentional or intentional duplication of material already covered by giving the reader an explanation of the theoretical justification of the problem under study. It aims to explain the justification for this study, summarise the existing research on different types of digital banking, and discuss how the conclusions relate to the current problem. It examines previous major initiatives and efforts that were pursued to address the challenges pertaining to digital banking. The presented data was gathered based on previous source materials which includes magazines, newspapers, journals and the internet. This chapter however, will summarize the recommendations, theories suggested by some scholars concerning the influence of online banking on the financial standings of Zimbabwean banking institutions. More so the chapter will be focused on separating literature review into theoretical and empirical studies to effectively critique different scholars in those categories and their contributions towards the project.

2.1 Definition of key variables

2.1.1 Digital banking

Digital banking can be described as the provision of financial services to bank clients using various information and communication technologies such as automated teller machines ATMs, phones, and other online platforms. The approach by which bank customers can conduct banking activities digitally from a remote location is referred to as digital banking. According to Mohamud and Mungai (2019), the fast pace of development in digital banking technology has made life a lot easier and more convenient for banking customers.

2.1.1.1 Types of electronic banking

Common types of digital banking include:

2.1.1.1.1 Mobile/SMS Banking

The term 'mobile banking' relates to the furnishing and deploying of banking functionalities through mobile phones. With an estimated 5 million subscribers, Zimbabwe has had a rapid increase in mobile phone penetration in Africa. The range of services provided could include tools for managing accounts, accessing customized data, and conducting bank and stock market operations. According to Meuter, (2010), there are three interconnected elements that make up mobile banking. Banking institutions may provide their clients with a range of services through mobile technologies, including online stock price updates, fund transfers while on the go, and even stock trading while stuck in traffic. The range of functionalities offered through mobile banking encompasses: information on account, electronic-statements, history checks, balance checks, payments, deposits, equity statements, monitoring term deposits, account adjustments, ordering cheque books, withdrawals, processing bill payments and processing of both domestic and international funds transfers.

2.1.1.1.2 Telephone Banking

Telephone banking refers to a service that which empowers users to discover information regarding their stand with their banks via telephone calls by dialling the bank's toll free number. Shittu,(2010). Prior to accessing the service, users must authenticate themselves through the use of spoken or digit-based password such as 2 factor authentication codes, or by answering security questions posed by a live agent, in order to ensure security. It provides all the functions like that of an automated teller machine, with the clear exclusion of cash withdrawals. The services provided include funds transfers between customer accounts, available account funds, an overview of most recent account activity, electronically processed bill disbursements, etc.

2.1.1.1.3 Electronic funds transfers (EFT)

EFT refers to a digital transaction or electronic transfer of funds between accounts , whether held at the same or different financial organizations. It provides another method for transferring money between different bank accounts electronically without visiting the branch. Direct Deposit, where an employee's payroll is automatically transferred to their bank account, is one mostly used as electronic funds transfer, but however EFT encompasses any digitally-activated monetary movement including credit cards, ATM, and point-of-sale (POS) transactions. This may be used for various transactions, which may include salary schedule payments and mortgages. The bank transactions are processed through the Automated Clearing House (ACH) network, according to Bahia, (2007).

2.1.1.1.4 Self Service (PC) Banking

Digitally powered banking grants the ability for individuals and small businesses to handle a variety of banking services at the comfort of their homes using a phone or internet connection. It allows them to conveniently manage their finances without having to visit the branch. According to Wang, (2017), the physical interactions between customers and service providers are no longer required, as these services can be delivered without the need of in-person interactions. Home banking also referred to as online banking or PC banking, gives consumers access to a variety of convenient banking services that they can access remotely. These include the ability to transfer inter-account funds transfer, settle outstanding financial obligations, review current account status, and conduct transactions involving investment portfolios. Additionally home banking allows consumers to research loan interest rates and check the eligibility for credit cards.

2.1.1.1.5 POS Banking (Credit and Debit cards)

Home banking utilizes computer terminals at the point of sale to quickly gather data and process transaction data through digital computing systems. Home banking is also a retail-oriented monetary disbursement method that facilitates online financial transfers rather than using cash, checks, or drafts to purchase retail products and services. The POS system electronically captures various sales and payment information, such as the transaction amount, date and location, and the personal financial account identification number. The data is gathered and processed through computer based POS system. In the event that a bank credit or debit card is used for the transaction, the financial institution or payment processor receives the payment information, and the retailer's management information system receives the sales data so that sales records are updated. According to Gerlach, (2000), credit card sales account for a large portion of the real processing volume.

2.1.1.1.6 Internet banking

Personal Computer banking gave rise to internet banking, sometimes known as online baking. It utilizes the online digital distribution platform for conducting various transactions which includes, disbursement of funds to other account holders, settling outstanding bills, reviewing account balances, mortgage bill settlement, and purchasing financial instruments and certificates of deposits. With internet banking, the users access their accounts and banking services through an application execution software hosted on the bank's networked server supporting online presence rather than having those banking applications installed locally on customer's own computer. Research from Mafirakureva (2012), indicates that adoption and usage of online banking services remains scarce in Zimbabwe as it is an emerging industry. However, the same research notes Zimbabwe's mobile subscriber base continuously growing, suggesting consumers are becoming more receptive to internet banking.

2.1.1.1.7 ATMs

An automated teller machines (ATM), are computerized telecommunications devices that enables financial institution customers to carry out financial transactions occurring in the open without assistance from bank staff member. Many times contemporary ATMs, customers are identified and authenticated by inserting a plastic ATM chip embedded payment card. These cards include safeguarding information like expiration date. There is a personal identification that the customer provides for authentication. Utilizing automated teller machines to retrieve and manage account information can help one to perform various transactions such as cash withdrawals, checking of account balances and obtain credit card cash advances. According to Anbalagan (2011) the creation of ATMs represents an ancillary effect stemming from innovative financial practices.

2.1.2 Financial performance

According to Ndungu, (2015) , performance is measured by the degree to which an objective has been accomplished. It can also be defined as the act of execution, accomplishment, fulfilment, etc. A firms success, condition and compliance can be measured through performance. The degree to which a firm expands its revenue, elevates its proceeds and raises its return on equity is the defining characteristic of financial performance. It is crucial for a firm's in the context of a business landscape marked by intense rivalry and significant uncertainty (Sousa & Voss, 2006). An organisation's accomplishment is heavily judged based on its financial performance, which is why performance is commonly quantified through financial key performance indicators. According to Crane (2010), the key measures used for comprehensive financial assessment is to assess a firm's financial performance can be grouped into five broad categories: revenue generating capacity, cash position, creditworthiness, financial resilience and operational leverage.

2.1.2.1 Return on Assets (ROA)

It is a financial metrics used to assess the performance of a company. Specifically, it measures a company's profitability relative to its total assets Myers (1977). This basically means it indicates how efficiently a company is using its assets to generate earnings. A high ROA shows the company is efficient in converting its investments assets into net income. The formula is as follows:

$$ROA = \frac{Net\ profit}{Total\ Assets}$$

2.1.2.2 Return on Earnings (ROE)

ROE is a measure of a company's profitability in relation to shareholders' equity. According to Francis J (2004) it shows how effectively a company is using money invested by its shareholders to generate profits. A high ROE indicates that the company is efficient at generating profits from shareholders' equity effectively to generate profits. The formula is as follows:

$$ROE = \frac{Net\ profit}{Shareholder\ equity}$$

2.2 Theoretical Framework

Integrating theories from both profitability and customer satisfaction perspectives will provide a holistic knowledge of the features and functionalities of how electronic banking influences the financial performance of banking institutions. Combining multiple theories can offer a better analysis of the relationships involved.

2.2.1 Resource Based View

The foundations of the RBV can be found in Edith Penrose’s work (1959) according to Rugman and Verbeke (2002). The RBV is a strategic management framework that emphasizes a firm’s internal resources and capabilities. In the context of digital banking, it can be applied to understand how a bank's technological infrastructure and digital capabilities contribute to improved profitability. Applying the Resource-Based View (RBV) to the influence of utilizing online banking services on the financial standings of banking institutions, involves analyzing how a bank's internal resources and capabilities, particularly in the realm of digital technologies, contribute to its competitive advantage and financial success. Integrating and developing the RBV to the influence of online banking services on financial position of banks provides a strategic lens to understand how internal digital resources contribute to a commercial bank's competitive position and overall success in the digital era.

2.2.2 Financial Intermediation Theory

Gurley and Shaw introduced the financial intermediation theory 1960. It is grounded in the theoretical framework of agency theory, which addresses the information disparity between a principal and an agent. The theory describes the process of financial intermediation where excess units place deposits with lending institutions. Scholtens and Wensveen (2003), denotes that the purpose of financial intermediaries is to create financial commodities, which occurs where there are financial imperfections. They suggest that intermediaries can profitably offer these commodities when the prices can cover their production and opportunity costs. Applying it to the case of banking institutions, they act as middle man and apply online banking technology to expand their network and accepts deposits from customers at lower interest rates which they can then lend at higher interests rates to generate favourable proceeds. This is enabled by the availability of information asymmetries in financial markets, where borrowers have better information about their projects and intentions that the lender. The theory gives a theoretical foundation in order to comprehend the role for banking institutions and the use of electronic banking to achieve a competitive advantage in the banking sector.

2.2.3 Innovation Diffusion Theory

Innovation according to Mahajan and Peterson (2010), is an concept or endeavour that a member of the social system views. They described the process of innovation spreading over time among members of the social system through certain routes as its diffusion. In the context of online banking, the diffusion theory of innovation describes the mechanisms by which new ideas are utilised. Sevcik (2004) asserts that not all innovations regardless of their merit are implemented. While it might not entirely stop the innovation, resistance to change can be a barrier to its spread. It will cause the adoption process to lag.

The diffusion theory allows firms, including banking institutions to predict which types of consumers will be more inclined to adopt their digital banking services. Understanding this aids banking institutions to create effective marketing strategies to push acceptance through each category. Interconnected digital channels can help banking institutions to streamline processes and reduce operational costs. Additionally, automation, self service options, and digital communication methods can lead to operational efficiencies, contributing to cost reduction and increased profitability. Applying Innovation Diffusion Theory provides a framework for understanding how the diffusion of digital banking innovations influences profitability, considering both the internal adoption dynamics within the bank and the external market effects.

2.2.4 Transaction Cost Theory

This approach was originated by economists Ronald Coase and Oliver E. Williamson. Transaction Cost Theory (TCT) is an economic framework that centers on the costs associated with transactions within an economic system. The theory aims to explain why firms exist and how they structure their operations based on the associated transaction costs.

This theory is relevant in the current research examining the influence of online banking adoption of financial position of FBC banking institutions. The primary meaning of this theory is that organizations including banks will structure their activities in a way that minimizes the total costs of facilitating economic exchanges or transactions. By implementing digital banking channels

FBC bank can reduce various costs such as the expenses for finding and interacting with customers, monitoring performance and other operational overhead.

Reduced transactional cost is expected to increase profitability of the banks. Applying Transaction Cost Theory to this research on the impact of digital banking on financial position provides an understanding of the economic rationale behind the adoption of digital technologies and how it affects both profitability and cost efficiency in commercial banks.

2.2.5 Modern economics theory

The Modern economics theory was developed by Dewett K.K and Navualur M.H. This theory provides an understanding of how the predictions and choices made by induviduals might lead to the rising of some macroeconomic trends. These may include the cost of living increases, the overall level of national economic productivity improvements stock market valuations and as well as the development of cultural values and social norms. This theory provided the theoretical foundation or anchors the second dependant variable of the study. This variable was specifically related to the cost of the digital banking services provided by banking institutions. The growing needs of the bank customers to be able to perform transactions anytime, anywhere, coupled with the businesses' desire to lower operational costs have been key drivers behind the adoption of the digital banking. These evolving needs and demands from both individual consumers and commercial entities have led to the emergence of certain features and trends as explained by the modern economics theory.

2.3 Empirical Literature Review

There is a body of empirical research studies from around the world that investigated the influence of the utilization of online banking on financial performance of banking institutions.

2.3.1 Impact of digital banking on profitability of financial institutions

2.3.1.1 Auwal M, Shafiu A, and Haslinda H. (2015): The Impact of online banking on the performance of Nigerian baking institutions.

Their research was conducted from 2000 to 2014. The three main indicators were the amount of expenditure or investment made by banking institutions on information technology, the number of bank cards issued to clients by banking institutions and the number of Automated Teller Machines installed by the banks. In their study they employed three financial metrics as dependant variables, such as Return on Assets, Return on equity and Net Interest margin. The study examined the impact of digital banking on the bank's financial performance across two time periods which were, the pre-consolidation period and the post consolidation period. Additionally secondary data was also obtained f from annual reports of 21 Nigerian banks. They ruled out that the adoption of electronic banking services affects the profitability and financial performance of banks positively.

2.3.1.2 Ogutu and Fatoki (2019): Impact of online banking on financial performance of listed banks in Kenya.

Mobile banking, ATM, online banking and agency banking were the employed variables. They utilized the OLS regression technique and their findings showed a substantial positive correlation between the study's factors and Kenyan listed commercial banks' financial performance Additionally they observed a considerable positive association between mobile banking and the financial success of banking organisations. They also observed a significant positive association between agency banking and the financial performance of banks.

2.3.1.3 Bagudu, H. D., Mohd Khan, S. J.& AbdulHakim, R (2017): Impact of digital banking on financial performance of banks in Nigeria.

The researchers employed bank profitability, mobile banking services as variables. Based on the findings, the researcher came out to a conclusion that online banking had a major and favourable impact on Nigerian banks' financial performance. Since more and more people are utilising cell phones every day, they also recommend that banks continue to use mobile banking service in their operations.

2.3.1.4 Nader (2011) :study on the the profit efficiency of the Saudi Arabia Commercial banks during the period 1998- 2007.

Based on the findings of his investigation, it was concluded Saudi Arabia banking institutions profit efficiency was positively impacted by the availability of variables including phone banking, the number of ATMs and branches. Furthermore, he realised that increasing the quantity of point of sale terminals using PC banking and having mobile banking available did not increase profit efficiency.

2.3.1.5 Mabrouk and Mamoghli (2010) : Dynamics of Financial Innovation and Performance of Banking Firms: Context of an Emerging Banking Industry

Mabrouk and Mamoghli examined how the use of two distinct categories of financial innovations affected bank performance. These categories include product innovation (such as SMS and phone banking) and process innovation (such as magnetic stripe cards, debit cards , ATMs, and credit cards) as well as automatic cash dispensers, automated teller machines and electronic payment terminals. The two adoption behaviours that were the focus of the study were following the lead and becoming the first to adopt financial innovation. They discovered that the first mover initiative increased profits, nonetheless the process initiative improved efficiency and profitability.

2.3.1.6 Morufu, O. (2016): Study on impact of digital banking on Profitability of banking institutions in Nigeria

Morufu engaged in the study of impact of digital banking on profitability. In his study he employed internet banking and ROA as the variables. In addition Panel Regression was utilized and the researcher collected secondary data from 10 Nigerian banks for a period from 2005 to 2012. The researcher came to a conclusion that internet banking transactions had a detrimental impact on banking institutions' profitability of banking institutions.

2.3.1.7 Mugudo .E (2016): Study on The Effects of digital banking on financial performance of commercial banks in Kenya.

Mugudo (2016) on his study, he focused on the influence of online banking on financial performance of banking institutions. His research centred on the associations between the Return on Assets and online banking variables such as (ATM banking, internet banking and Mobile banking platform. Based on its findings, the study came to a conclusion that digital banking has improved Kenyan banking institutions' financial perfomance.

2.3.2 Effects of digital banking on operational costs of financial institutions.

2.3.2.1 Osage (2012): Study on electronic banking adoption by Kenyan Commercial banks

In his research Osage (2012), found that while digital banking adoption was advantageous, other factors also played a role. Two significant factors supporting the development of internet banking were identified in their study of consumer acceptance of the service. The first reason was, banks could save a lot of money by providing online banking services and the second was that banks could minimise staff and their branch networks. Since most consumers believed that visiting the branch required too much time and effort, this led to the creation of self-service channels Karjaluoto et al., (2003). It follows the primary drivers of that the internet banking adoption are time, money savings and location independence.

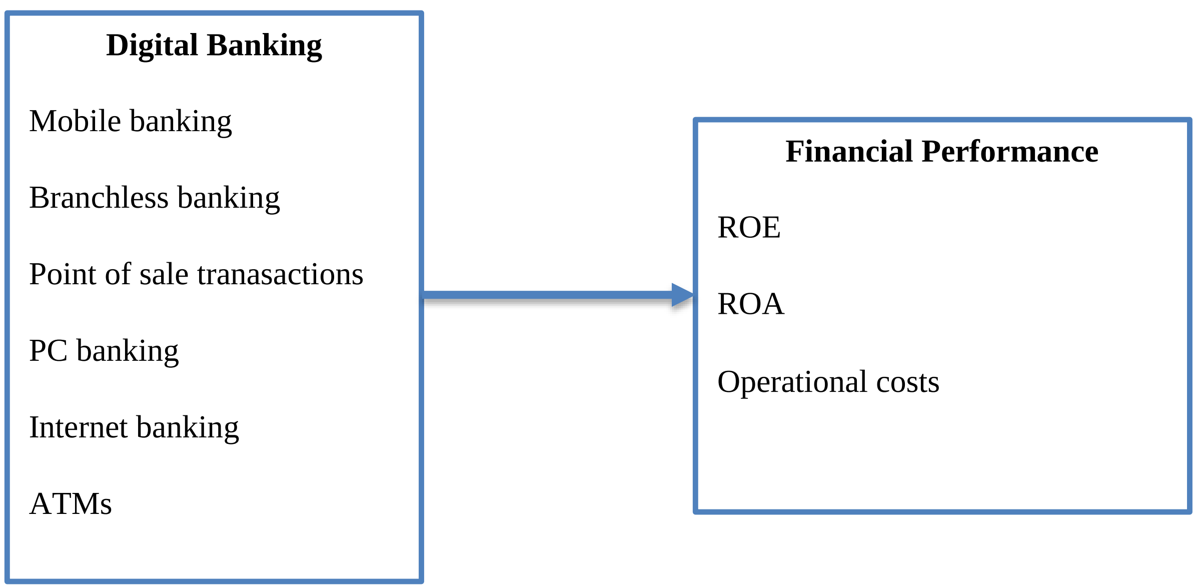
2.3.2.2 Kigen (2010): Study on impact of digital banking on transactions costs of microfinance institutions in Kenya

A study on the effect of digital banking on transaction costs of Kenyan microfinance organisations was carried out by Kigen (2010). In his research he proved that even though banks were unaware of the lower transaction costs associated with electronic banking. This was due to the fact that the clientele was tiny at the time.

2.4 Conceptual framework

The conceptual framework describes connections between the major factors that are thought to be significant in the study, Kothari, (2004). Additionally it also demonstrates the relationships between the independent variables and dependant variables. In this reseaech the independent variable was digital banking (internet banking, mobile banking, Branchless banking, PC banking) while the dependant variable was financial performance (profitability, ROE, ROA and operational costs) of FBC bank.

Independent variable **Dependent variable**



2.5 Research Gap

Based on the review, it is clear that the financial effects of digital banking on banking institutions have not been the subject of considerable research. Therefore this research aims to address this gap by answering the following question which is ‘ What is the effects of electronic banking technology on the financial performance of Zimbabwean banking institutions’?

Previous researchers have examined digital banking in different areas but have not adequately addressed different challenges experienced owing to the adoption of digital banking. The past studies on this research topic left a few significant gaps unaddressed. Therefore this research study will focus into these areas. While some research studies in Zimbabwe have highlighted that there are some problems faced by banking institutions and the relationships between digital banking and financial position has not been clearly demonstrated, the study aims to investigate how digital banking has affected financial position of banking institutions. It specifically seeks to determine whether the banks are generating profits or incurring losses owing to the adoption of digital banking.

2.6 Chapter Summary

The concepts identified in this chapter formed the general basis for appreciating the factors that have impacted the utilisation of electronic banking technologies and how this adoption has affected the operational efficiencies in commercial banks of Zimbabwe. This chapter explained in detail key terms to the research. It has also managed to bring out fundamental issues from past prominent publications that relate to the research topic. Literature theorists have also done their best in terms providing frameworks to this study however the work done was insufficient and irrelevant since most of the theories were done in and for other countries even though they have some characteristics in common with that of Zimbabwe. The following chapter will lay out the methodology used to conduct this study, including data collection approach employed to achieve the objective of investigating the influence of online banking on financial position of banking institutions,

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

An outline of the research approach employed in the current study is given in this chapter. This chapter introduces to the processes used to collect data during a research endeavor. Chapter 3 concentrates on the specific technique and methods used to collect information for this study. It is structured into multiple sections covering various aspects which includes details on research designs utilized, the sample selection and sampling techniques employed, the specific data collection methods, data analysis strategies, the key research topics investigated, and the approaches used for presenting data findings. Chapter 3 is primarily focused with conducting a field research to aid the evaluation on the influence of online banking technology on the financial position of Zimbabwean banking institutions.

3.1 Research Design

With the intention of accurately gathering the required data or correctly validating their hypothesis, the study design serves as the strategic framework for data collection techniques. Several processes were used in this research to guarantee the accuracy and comprehensiveness of the information colleted. The study utilized was a descriptive survey approach as the research strategy, with the aim to precisely characterize and document the relevant facts and conditions in the field. This approach is intended to objectively describe facts, features and characteristics of the phenomena or population under investigation. In this research study, the descriptive survey design employed both questionnaires and interviews to ensure that all relevant information was captured correctly. In addition to the descriptive survey approach, the researchers also incorporated quantitative and analytical survey methodologies. The purpose was to systematically investigate and report on the current conditions in order to facilitate generalization of the findings. The overall purpose of employing quantitative and analytical survey methodologies in this study was to determine the impact that the adoption of electronic banking has had on the financial position of banks operating in Zimbabwe.

3.2 Population

The population is the group or collection of entities to which the researcher hopes to apply the conclusions and findings of the study. It encompasses all persons who possess specific qualities (McNabb, 2017). As defined by Cooper and Schindler (2014), the population represents a broader collection or set of observational elements than the specific a sample size selected for the research. The population consisted of forty (40) FCB Bank employees from the headquarters. The study specifically included Managers and employees, particularly those responsible for overseeing the adoption of digital banking. The population selected for the study was reasonable as all of the respondents were FBC Bank employees. Harare headquarters branch was chosen due to closeness and ease in terms of data accessibility for the researcher.

3.3 Sample design

3.3.1 Sample size

According to Cooper & Schindler, (2014) the sample size is the quantity of observations or data points taken from a population in order to draw conclusions about the population as a whole. The researchers also determined the appropriate sample size considering, the type of analysis to be done, the degree of confidence they need to have in the data, and the desired level of accuracy of findings. The study sample was calculated by employing Yamane's formula, assuming a 95% confidence level (Cooper & Schindler, 2014).

$$n = \frac{\mathrm{N}}{(1 + \mathrm{Nee})}$$

n is the sample size
N is the study population
e is the alpha level of 0.05

$$n = \frac{45}{(1 + 45(0.05\mathrm{x}0.05))}$$

$$= 40.44$$

$$n = 40$$

3.3.2 Sampling techniques

Cooper and Schindler (2014), describes the sampling procedure as the process that researchers employ to guarantee that various groups, whether heterogeneous or homogeneous, are fairly represented when the sample to be researched is ultimately chosen. To ensure a fair representation from all bank management levels in the study's respondent pool, the stratified sampling approach was utilised in the present research. Stratified sampling was used to choose individuals to participate in the study since it is the best technique for guaranteeing that the respondents were chosen without bias Lewis & Liao,(2009).

3.4 Sources of Data

For this study questionnaires were utilized as a method to gather first-hand information for the study. A desk review was done to gather data from a number of secondary sources. Financial statements that show profitability statistics, newsletters, newspapers, websites and publications will provide all the data for the research.

3.5 Research Instruments

The primary data collection method for the research were questionnaires. As defined by Robinson, (2018) a questionnaire is a type of research instrument that poses a series of questions to study participants in order to collect relevant data Robinson, (2018). According to Cooper and Schidler (2014), data collection process involves systematically obtaining and analysing information from study participants in a well-defined and methodical way in order to address the particular research questions. The primary disadvantage of the questionnaire, however, is that it favours the literate and does not allow for further questioning, leaving information unanswered. Moreover, Creswell (2007) indicated that the response rate is low, at about thirty percent (30%).

The questionnaire was divided into four parts. Section A is focused at the collection of general information related to digital banking. This included questions about respondent’s position as an employee of FBC Bank and range of services frequently utilised.
Section B of the questionnaire addresses the influence of investing in online banking platforms on profitability of the bank. The section collected information with regards to the influence of digital banking on the financial position of FBC bank. The final part of this section is a 5-item Likert

scale instrument to measure profitability. In this case participants were required to indicate how much they agree or disagree with a number of given statements.

Section C of the questionnaire collected information on the influence of online banking on operating costs. The section gathered data on, the type of costs incurred which included maintenance costs, user training costs and staff costs.

Section D of the questionnaire collected information on recommandations.

3.7 Data Collection Procedure

The researchers obtained authorisation to conduct the study from the Senior manager from FBC Bank headquarters. Additionally, the consent of individual participants was sought before the questionnaires were delivered to them for completion. The FBC bank employees who agreed to participate were asked to complete the questionnaire items. The respondents returned the questionnaire as soon as it was completed. This was due to the sample strategy chosen.

3.8 Data Analysis Techniques

Researchers thoroughly reviewed questionnaires to ensure they had been completed in full and made any appropriate adjustments to the instruments. Furthermore, the collected data was coded and then analysed using the SPSS version 26 software which had been released in 2019. Microsoft Excel was also utilized in the data analysis process. SPSS analyses data for descriptive and bivariate statistics, predicts numerical outcomes, and identifies groupings. The software also includes data translation, charting, and direct marketing functionality. The initial data analysis involved using descriptive statistics, such as percentages, of central tendency and frequency measurements.

3.9 Data Presentation Techniques

The data to be studied will be displayed in a variety of ways, including tables for data display and pie charts and tables for data representation.

3.9 Validity

Authenticity, the degree to which analysed data accurately represent the topic under study is known as validity. It involves the research instrument's dependability yet an instrument need not to be valid to be dependable Kimberlin & Winterstein, (2008). Validity was defined for the purposes of the study as the degree to which the instruments used to gather data were in line with the stated goals. To assess the validity of the research instruments, the researchers obtained advice from supervisory experts and lecturers within the Banking and Finance department. The feedback was utilized for modification and enhancements of the questionnaires. Additionally, the researcher engaged finance experts to appraise the appropriateness of the evaluation mechanisms. The experts' reviews were instrumental in improving the document analysis checklist making it a viable tool for collecting data from intended sources.

3.10 Reliability

It is referred to as the repeatability, stability and consistency of the study results. If a researcher gets consistent results in similar situations but in different circumstances, then the result can be said to be reliable. Pilot study was conducted earlier, during the process of questionnaire designing in order to better appreciate how people think or comprehend a question. Pilot study was conducted well in advance so that more significant changes to the questionnaire or procedures can be made. Pilot study are mainly helpful especially when the researcher was testing new questions. A self-administered questionnaire was drafted using a variety of techniques using close ended questions. Furthermore, the questionnaire were also given to the researcher's supervisor and academics experts in the same field to assess the validity before being distributed to the respondents.

3.11Ethical Considerations

There are several ethical implications and considerations that needs to be observed by the researcher whenever conducting a research. The norms of one's behaviour that influence moral choices about us and our relations with others is what ethics are made up of and ethics might ensure safety and that is, no one is hurt or is suffering the negative externalities of research. When there is a potential clash in interests during interactions with others, according to Babie &Mouton (2001) that is when ethical issues are born. Questionnaires were used to collect data in this study and ethical considerations like right to privacy, right to be anonymous and the right to be confidential when suggested were being observed as best practices in conducting research. In this study, participants were allowed to opt out at any stage of data collection that is not to participate when they feel not to, as well as their right to privacy was observed and lastly respect for confidentiality was practiced to the respondents who did not want their identity to be disclosed during and after the exercise. Patton (2000) once argued that a researcher must be clear on what is expected from the respondent of the inquiry and the purpose of the research, this suggestion was observed during the data collection exercise and positive yields were realized in some instances which the author believed that were due to Patton's suggestion. The respondents were also made to realize that it was an academical research and there was no reward for their contributions by completing the questionnaires and data ownership and access.

3.12 Chapter Summary

Questionnaires were used in this study to gather primary data. Furthermore, to address the key research objectives, this study employed quantitative methods and a combination of primary and secondary sources. The focus of the chapter was on research methods. The study employed a qualitative approach and the design was established and discussed. The data collection techniques focused on using questionnaires. The chapter outlined some of the ethics addressed by the researcher, such as ensuring the right to privacy, confidentiality, and anonymity. The main disadvantage of the chosen research approach is that there is no space for additional investigation because the research instrument contains closed questionnaire items.

CHAPTER IV:

DATA PRESANTATION AND ANALYSIS OF FINDINGS

4.0 Introduction

The research aimed to examine the impact of electronic banking platforms on the financial position of banking institutions with a specific focus on the profitability of FBC bank. The researcher sought to examine how the adoption and utilization of digital banking services influenced the bank's profitability. Secondly, the study examined how digital banking had an impact on operational costs of banking institutions. This section, concentrated on the assessment and appraisal of the data collected for the study. The analysed data will be presented on tables and pie charts. The statistical software version 26 was employed for this purpose. The data is organized in tables beginning with demographic variable. The initial section of the chapter examined the demographic information of the participants, centred on Position of respondent, Gender, Marital status, Age range, highest level of Qualification and Working experience. The second part of the study presented results in relation to the research question. In terms of data collected, the majority of the items were close-ended, meaning participants had predetermined response options to choose from. In addition, some of the items were measured using a 5-point Likert scale, where participants express how much they agree or disagree with a scale of 1 to 5.

4.1. Response rate

40 questionnaires were distributed evenly among sampled departments at FBC headquarters and out of these only 36 were completed and returned. The researcher expected to have a hundred percent response rate, but however these expectations were not met since some questionnaires were not returned. Saunders, (2010) denotes that an 80% and above response rate is considered as excellent when using an administered questionnaire. Hence there was 90% response rate which can be rated to be an exceptional response rate since the number of responses is 10% away from the expected sample size. The findings from the field are presented in table 4.1.

Table 4.1: Response Rate

Questionnaires Distributed	40
Questionnaires Returned and Responded	36
Questionnaires not returned	4
Response Rate as percentage %	90%

Source: Research data (2024)

4.2 Demographic characteristics of respondents

4.2.1 Gender

The questionnaire required the participants to specify their gender. Results are presented in **Fig 4.1** below.

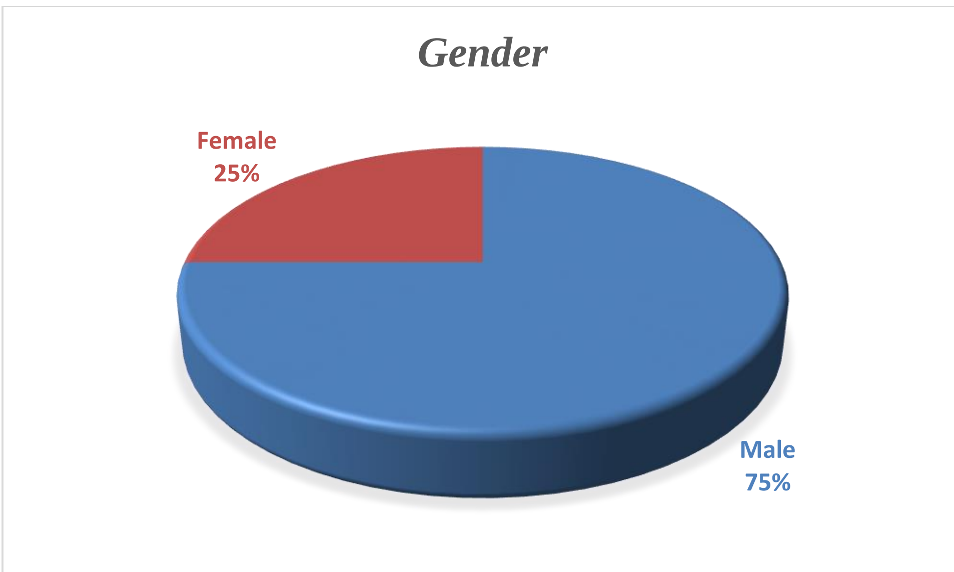


Figure 4.1: Gender (N=36)

Source: Research data (2024)

Figure 4.1 indicates that 75% (27) of the participants were male and 25% (9) were female. These results shows that males were the most participants. It supports the findings of Nyamuda, (2002) who noted that the Zimbabwean tradition expects husbands to fend for the family, hence the workplace in Zimbabwe is still dominated by men.

4.2.2 Marital status

We questioned the respondants in the study about their marital status when the completed the questionnaire that was aimed at determing the influence of the adoption of digital banking to financial performance of banking institutions in Zimbabwe. The findings review that 15% of the respondants reported being single, 50% reported they were married, 20% reported that they were divorced and 15% reported that they were widowers. The figure 4.2 below indicates the results.

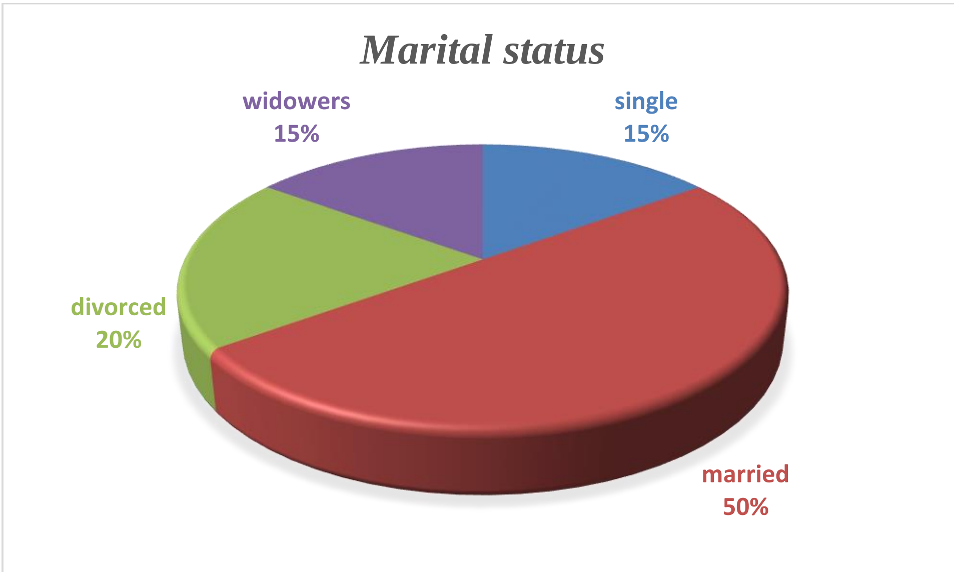


Figure 4.2: Marital status

Source: Research data (2024)

The results, displayed in figure 4.2 above , indicates that 50% of the respondants were married. In banking institutions, married staff predominates. Based on Chibba (2010), he attests to the fact that there are more married employees in banking institutions.

4.2.3 Highest level of qualification

The highest level of qualification was requested of research study participants who answered the questionnaire.

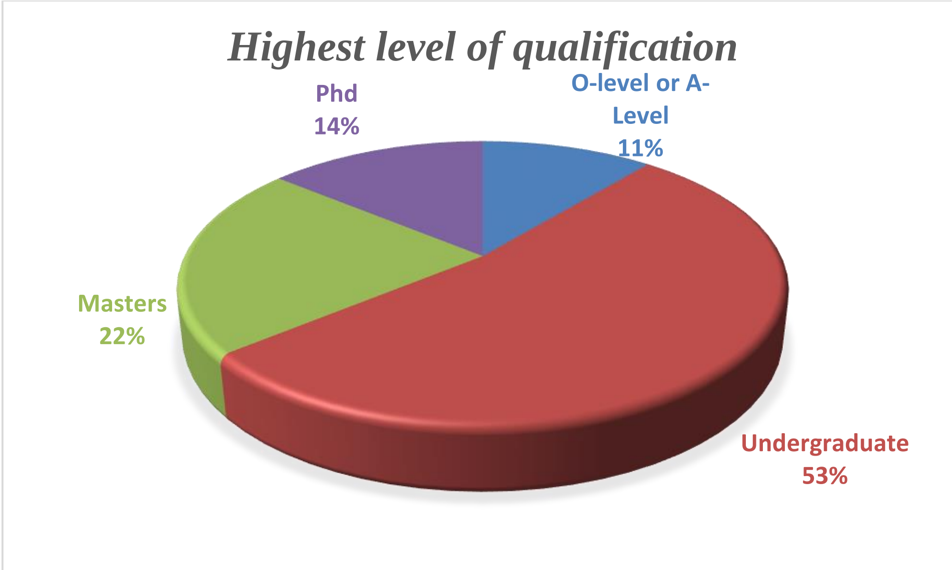


Figure 4.3: Highest level of qualification

Source: Research data (2024)

Figure 4.3 shows that, 11% of respondents had an O/A level certificate; 53% were undergraduates, and 22% had a masters degree and 14% are PhD holders in their respective fields. This show that the majority of the respondents had not attained a university qualification. This can be seen to be a logical representation of academia in the group. However, there is still need to keep on learning to attain higher qualifications such as the Masters Degree to add value to administration and operations.

The high literacy rate in Zimbabwe above 90% according to the Labour Force Survey (2011)supports this. In addition, the majority of individuals consider education to be a top priority. Based on the research findings all participants were able to understand and provide truthful answers to all of the questions because they had received an education.

4.2.4 Years of experience

During completion of the questionnaire for this research study, the respondents were asked to specify how long they had been employed by FBC. The results were tabulated in Table 4.1 below.

Table 4.2 Years of experience

Years of experience	Percentage
0-5	19%
6-10	54%
10-15	11%
15-20	8%
Above 20	8%

The above table summarises the years of experience the participants in FBC bank. A majority 54% respondents are in the 6-10 years range. Campell (2016) assets that job experience at microfinance institutions gives people useful and motivating perspective into the working world and gives them the ability to make informed career decisions. Since the respondants had been with FBC bank for a considerable amount of time, it can be inferred that data collected for this research study that there were aware of the impact of digital banking to financial performance

4.2.5: Position of respondent

Participants were questioned of their position in their institutions as part of the exercise and the findings are shown in table 4.3.

Table 4.3: Position of respondents

Respondent	Frequency	Percentage
Employees	27	75%
Managers	9	25%
Total	36	100%

Source: Research data (2024)

The response rate from employees was 75% (n=27) and the response rate form managers was 25% (n=9) The results are presented in figure 4.2. below

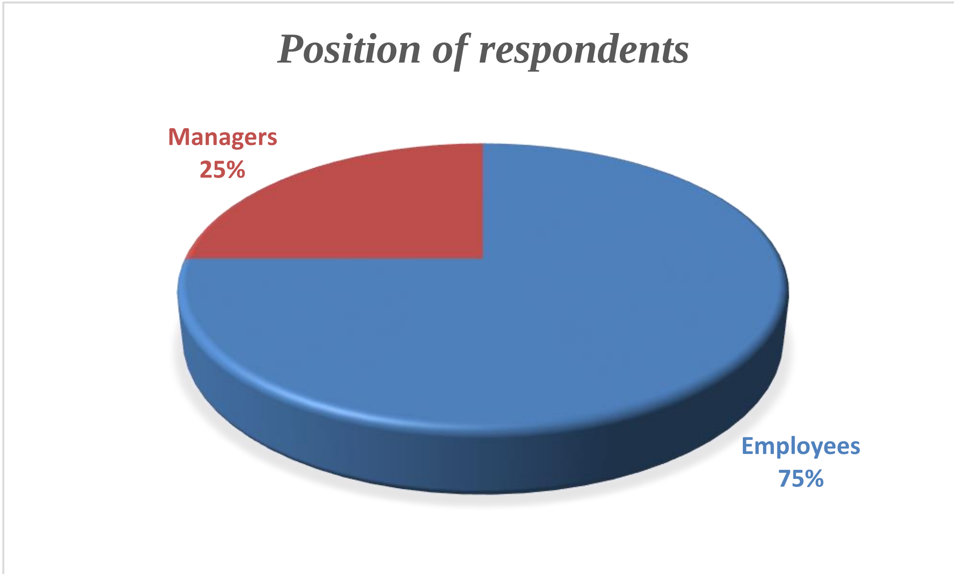


Figure 4.4: Position of respondents

Source: Research data (2024)

4.2.6: Digital banking features mostly used in by banking customers

The participants were requested to indicate the primary digital banking features mostly utilized by banking customers. The findings provided are presented in table 4.4 below:

Table 4.4: Banking feature mostly used.

Variable	Frequency	Percentage
Mobile Banking	7	19.44%
Internet banking	3	8.33%
Telephone Banking	3	8.33%
ATM Banking	9	25%
EFT Banking	4	11.11%
PC Banking	2	5.56%
POS Banking	8	22.22%
Total	**36**	**100%**

Source: Research data (2024)

In accordance to the data presentation in table 4.4 above, the digital banking platforms which are mostly utilised are as follows: The ATM banking platform has the highest percentage value of 25%. followed by point of sale which has a utilization rate of 22.22%. With a utilisation rate of 19.44% mobile banking is the second most utilised platform. EFT banking has a utilization rate of 11.11%. The lowly utilised digital platforms were internet and telephone banking (8.33%) followed by PC banking (5. 56%).Internet, telephone and PC banking are lowly utilised due high charges, which makes mobile banking and digital funds transfer more accessible to low-income earners who make up the the majority population of Zimbabwe.

4.3 Descriptive Statistics

The section involves the presentation of results on the objectives that were being investigated by the researcher. Descriptive statistics (Means and Standard deviations) were used to determine the objectives. A Likert scale was employed to determine the results. The responding points included 1 indicates strongly disagree, 2 indicates disagree, 3 indicates neutral, 4 indicates agree and 5 indicates strongly agree

4.3.1 Objective 1: To examine the impact of digital banking adoption on profitability of banking institutions

Table 4.5: Descriptive Statistics for the impact of digital banking services by FBC Bank on profitability

Statements	N	Mean	Std. Deviation
Digital banking technology has resulted in increased in profitability	36	4.68	0.833
The return on earnings have increased since digital-banking was introduced	36	3.76	0.566
The return on assets have increased since digital banking was introduced	36	3.89	0.82
Valid N (listwise)	36		

Source: Researcher's SPSS computation 2024

According to the data presented in Appendix B, which utilised a 5-point Likert scale the majority of the survey participants strongly agree that the utilization of digital banking has increased profitability of banks, as shown by a mean of **4.32**; standard deviation **0.694**.

Secondly, a mean of **3.76**; standard deviation **0.556** means most of the respondents agree that return on earnings have increased since digital-banking was introduced.

Based on the findings presented, a mean of **3.89** shows a high level of respondent agreement that digital banking has increased profitability with a high mean score as well as increase ROA, it is evident that the use of online banking platforms has positively influenced the overall financial position of banks.

The findings presented agree with Ogutu and Fatoki, (2019) in their study on the influence of online banking on performance of banks in Kenya. They ruled out that digital banking variables such as agency banking and mobile banking was positively correlated with financial performance of banking institutions. The findings presented also align with AuwalShifiu and Haslinda, in their 2015 study which established that digital banking had a positive influence on profitability of banks. However, it contrasts with the findings of Morufu. O (2016) who concluded that digital banking channels such as internet banking transactions actually had a negative effect on banks' profitability. This might be because Morufu's study was in 2016 when there was still a minimal adoption of digital banking.

4.2.1.1 Profitability Ratios of FBC Bank (2021-2022)

4.2.1.1.1 ROA

$$ROA = \frac{Net\ profit}{Total\ Assets}$$

$$2022;\ ROA = \frac{20196976973}{44503748733}$$

$$= 45\%$$

$$2021;\ ROA = \frac{11827589763}{34108819176}$$

$$= 35\%$$

4.2.1.1.2 ROE

$$ROE = \frac{Net\ profit}{Shareholder\ equity}$$

$$2022; ROE = \frac{20196976973}{19879966589}$$

$$= 102\%$$

$$2021; ROE = \frac{11872589763}{23702325297}$$

$$= 50\%$$

The above are ratios for FBC bank from 2021 to 2022. ROA increased from 35% in 2021 to 45% in 2022. This could be due to the company generating a higher return on the capital invested in assets owing to the utilization of digital banking. Holding other things constant it shows that digital banking has affected the banks financial performance positively. Similarly to ROE , it increased from 50% in 2021 to 102% in 2022. This could be due to factors like improved operational efficiency and cost reductions owing to the adoption of digital banking. In their study Auwal, Shafiu and Haslinda (2015), they employed ROE and ROA as dependant variable. They concluded that the adoption of digital banking had a positive effect on the banks' financial performance. The results above agree with their study since ROE and ROA are considered dependant variables.

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4.3.2 Objective 2: To evaluate the impact of digital banking on operational costs incurred by banking institutions

Table 4.6: Descriptive Statistics of the impact of digital banking on operating costs

Statements	N	Mean	Std. Deviation
The adoption of digital banking has led to reduced staff costs for banks.	36	3.86	1.199
Digital banking has resulted in a reduction of the bank's general administrative expenses	36	4.39	0.494
The adoption of digital banking comes with higher user training costs making it expensive for banks.	36	2.42	0.906
The banks' operational and maintenance costs have decreased has a result of digital banking.	36	4.00	1.014
Valid N (listwise)	36		

Source: Researcher's SPSS computation 2024

The majority of participants as indicated by a mean score of 3.86; standard deviation of 1. 199 the five-point likert interval scale found in Appedix B, agreed that staff costs have been reduced by using digital banking mobile devices.

Secondly, the majority of participants strongly agree that the bank's general administrative expenses have decreased as a result of digital banking with a mean score of **4.39**; standard deviation **0.494**. This has an effect on the bank's financial performance. The results demonstrate that banks are replacing human capital, with digital banking offering services directly to clients without the need of a banking officer.

Furthermore, the research show that despite t`he additional costs associated with user training mean (**2.42,** standard deviation **0.906),** usingdigitalbankingtechnology is not expensive. Lastly, the research findings indicate that digital banking technology significantly decreased operating costs and maintenance costs with a mean of **4.00**; standard deviation of **1.014**.

These results show that banks were able to lower operating expenses and boost their bottom line by implementing digital banking technology advancements like internet, mobile and electronic banking. These findings agree with Osage 2012 who concluded that the primary factors driving the popularity of banking were firstly the significant cost savings that banks achieve by providing online banking services. Kigen (2010), concurs with the aforementioned conclusions. Despite banks not being aware of them, he found in his research that electronic banking reduced also agrees with the above findings. In his study he concluded that electronic banking had transaction costs.

4.4 Chapter summary

This chapter has effectively shown all results conveying them clearly through the use of tables and figures. The study and data analysis has shown that since FBC bank implemented digital banking, their profits have improved. While the decreases were more modest, the bank experienced reductions in personnel costs, general administrative expenses and user training costs. digital banking greatly lowered operational costs.The FBC bank branches have been able to implement However, the utilization of digitalization has significantly lowered the bank's overall operational costs. Consequently, digital banking has a positive impact on the financial position of the banks in Zimbabwe.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMANDATIONS

5.0 Introduction

The chapter examines the findings and concludes the results of the research. It also addresses the research recommendations for the advancement of digital banking in Zimbabwe.

5.1 Summary

The research revealed various insights into the influence of digitalization channels in the operations of Zimbabwean banking institutions. The researcher discovered that digital banking delivery channels are not new in Zimbabwean banking sector, institutions have been adopting various modes in different extents for delivering their services to the public. The adoption of electronic delivery channels was also driven by the rise of ICT usage in the African region. This is evident from the actions taken by the Ministry of ICT in Zimbabwe, which relaxed customs duty on ICT equipment whilst ramping up efforts of awareness on ICT skills among the population. There is no doubt that the utilisation online banking services has improved the operational efficiencies in Zimbabwean banks. This is evident in the surging profitability levels, which can be attributed to the benefits of adopting e-channels that are cost effective and convenient for customers. The key research objectives were to examine the influence of online banking technology on the bank's profitability and on operational costs of banking institutions in Zimbabwe.

The second chapter was Literature review which was divided into the theoretical framework and the empirical literature review. Researcher made use of these theories; The resource based View, Morden Economics Theory, Innovation Diffusion Theory, Transaction Cost theory and the Financial Intermediation Theory.

The researcher used the descriptive survey design to precisely characterize the relevant facts in the field. The research population consisted of 40 employees from FBC bank.The researcher employed stratified sampling to choose individuals to participate who would participate in the study. To collect the primary data for the study, questionnaires were used. These questionnaires were first reviewed to ensure complete response and revised as needed. SPSS version 26 (2019) and Microsoft Excel were the software tools employed to code and analyse the data that was gathered.

5.1.1 Impact of digital banking on profitability

The first aim of the study was to examine how digitalization affects a banks ‘profitability. The data analysis reviewed that FBC bank’s profitability increased since the bank adopted digital banking. Based on the research findings the profitability of the FBC banks increased through online banking transactions. As a result, online banking services, influenced the financial position of the banks in Zimbabwe positively.

5.2.2 Impact of digital banking on operational costs

The study’s second aim was to examine the influence of digitalization on operational costs to financial position of banks in Zimbabwe. The study found that the use of electronic banking reduced operating costs of the banks. It included moderate reduction in staff costs, general administrative expenses and costs associated with user training.

5.2 Conclusion

5.2.1 Effects of Digital Banking on Profitability of banking institutions

Guided by the research findings the researcher concludes that digital banking has led to an improvement in the bank’s profitability.

5.2.2 Effects of digital banking on operational costs of banking institutions.

Guided by research results of the study, the researcher concludes digitalization, significantly reduced operational costs. Specifically, digital banking technology has led to a reduction operating costs.

5.3 Recommendations

- The research recommends banking institutions in Zimbabwe that they should make sure systems failures are minimized so as to lessen its influence on the financial position of banks in Zimbabwe. This will improve customer confidence in the system and they will frequently utilize the platforms hence, improve financial performance.

- The research recommends the banking institutions that they should prioritize expanding their Mobile Banking network as this will enhance customer accessibility to services thus improving the bank's financial performance. Clients will frequently use the platform hence improved financial performance.

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APPENDICES

Appendix I: Questionnaire

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF BANKING AND FINANCE

QUESTIONNAIRES ON THE RESEARCH TOPIC:

IMPACT OF DIGITAL BANKING ON FINANCIAL PERFORMANCE OF BANKS IN ZIMBABWE

Dear Respondant

This questionnaire aims to fulfill the requirements of a bachelor of commerce honors degree in Banking and Finance being persued by researcher at Bindura University of Science Education. Theresearcher wishes to assess the impact of digital banking on the financial performance of banking institutions in Zimbabwe in partial fulfilment the degree.

The researcher asks for your assistance in the form of responding to the questions below. Your views will offer a valuable input into this research and the researcher assures you that your responses will be strictly used for academic purposes.

Yours sincerely

B193471B

General instructions

1. Answer in the appropriate section

2. Attempt all questions.

Fill/Mark where appropriate.

SECTION A: INTRODUCTION (DEMOGRAPHICS)

1. Gender:

[ ] Male

[ ] Female

2. Marital status

[ ] Single

[ ] Married

3. Qualification:

[ ] Secondary

[ ] Undergraduate

[ ] Masters

[ ] Phd

4. Position of respondent:

[ ] Managers

[ ] Employees

5. Years of experience:

[ ] 0-5 years

[ ] 6-10 years

[ ] 11-15 years

[ ] 16-20 years

[ ] Above 20 years

SECTION B : GENERAL INFORMATION ON DIGITAL BANKING PLATFORMS

1. Please indicate by ticking in the box the frequently utilized services offered by the bank?

   a. [ ] Mobile/SMS banking
   b. [ ] Internet banking
   c. [ ] Telephone banking
   d. [ ] ATM banking
   e. [ ] Electronic Fund Transfer
   f. [ ] PC banking

SECTION C: IMPACT OF DIGITAL BANKING ON PROFITABILITY

1. Indicate the extent to which you agree with the following statements using the following ratings:

1 indicating "**Strongly Disagree**";

2 indicating "**Disagree**";

3 indicating "**Neutral**";

4 indicating "**Agree**";

5 indicating "**Strongly Agree**"

	STATEMENT	1	2	3	4	5
i.	Digital banking has resulted in an increased in profitability.					
ii.	The return on earnings have increased since digital-banking was introduced					
iii.	The return on assets have increased since digital banking was introduced					

SECTION D: IMPACT OF DIGITAL BANKING ON OPERATTIONAL COSTS

1. Indicate the extent to which you agree with the following statements using the following ratings:

1 indicating "**Strongly Disagree**";

2 indicating "**Disagree**";

3 indicating "**Neutral**";

4 indicating "**Agree**";

5 indicating "**Strongly Agree**"

	STATEMENT	**1**	**2**	**3**	**4**	**5**
i.	The adoption of digital banking has led to reduced staff costs for banks.					
ii.	Digital banking has resulted in a reduction of the bank's general administrative expenses					
iii.	The adoption of digital banking comes with higher user training costs making it expensive for banks.					
iv.	The banks' operational and maintenance costs have decreased has a result of digital banking.					

SECTION E : RECOMMANDATIONS

1.What other recommandations can you give on the impact of digital banking on financial performance of financial institutions?

……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
…………………………………………………………

Appendix II: Five-point Likert scale

Level	Scale	Interval level	Lower limit	Upper limit
Strongly Disagree	1	0.80	1	1.80
Disagree	2	0.80	1.80	2.60
Neutral	3	0.80	2.60	3.40
Agree	4	0.80	3.40	4.20
Strongly Agree	5	0.80	4.20	5.00

The five-point Likert scale is considered an interval scale. The mean is very significant. From 1 to 1.80, it means strongly disagree. From 1.81 to 2.60 it mean disagree. From 2.61 to 3.40 it means Neutral. From 3.41 to 4.20 it means agree. From 4.21 to 5

Appendix III: Financial statements

Company Statement of Financial Position
As at 31 December 2022

	Note	INFLATION ADJUSTED 31-Dec-22 ZWL	INFLATION ADJUSTED 31-Dec-21 ZWL	HISTORICAL COST 31-Dec-22 ZWL	HISTORICAL COST 31-Dec-21 ZWL
ASSETS					
Balances with banks and cash		5 861 273 545	4 186 800 937	5 861 273 545	1 217 943 459
Amounts due from related parties	2	5 012 086 242	1 497 245 186	5 012 086 242	435 549 721
Financial assets at fair value through other comprehensive income	3	133 656 377	434 851 517	133 656 377	126 498 625
Financial assets at fair value through profit or loss	4	10 226 204 805	7 352 294 663	10 226 204 805	2 138 787 902
Investments in subsidiaries	5	17 557 508 158	17 557 508 158	1 173 356 731	1 173 356 731
Time - share asset	6	184 500 000	95 522 276	184 500 000	27 787 500
Other assets	7	1 142 494 424	698 112 363	708 581 758	135 383 991
Current income tax asset		348 782 453	-	348 782 453	-
Deferred tax asset	12.4	2 161 427 129	1 004 397 238	2 004 035 867	237 222 825
Property and equipment	8	1 875 815 600	1 282 086 838	1 875 815 600	372 960 000
Total assets		**44 503 748 733**	**34 108 819 176**	**27 528 293 378**	**5 865 490 754**
EQUITY AND LIABILITIES					
Liabilities					
Amounts due to related parties	9	5 952 692 432	1 130 743 372	5 952 692 432	328 934 075
Borrowings	10	6 843 339 000	3 735 501 081	6 843 339 000	1 086 660 000
Other liabilities	11	11 008 826 460	4 648 050 327	9 401 113 496	1 073 104 030
Current income tax liability		-	490 661 990	-	142 733 932
Deferred tax liability	12.4	818 924 252	401 537 109	711 661 041	100 072 641
Total liabilities		**24 623 782 144**	**10 406 493 879**	**22 908 805 969**	**2 731 504 678**
Equity					
Share capital and premium	18	3 007 379 455	3 007 379 455	14 089 892	14 089 892
Other reserves	19	10 328 337 988	11 306 535 292	1 727 175 272	1 546 005 491
Retained profits		6 544 249 146	9 388 410 550	2 878 222 245	1 573 890 693
Total equity		**19 879 966 589**	**23 702 325 297**	**4 619 487 409**	**3 133 986 076**
Total equity and liabilities		**44 503 748 733**	**34 108 819 176**	**27 528 293 378**	**5 865 490 754**

Source: FBC Annual report 2022

Company Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2022

	Note	INFLATION ADJUSTED		HISTORICAL COST	
		31-Dec-22 ZWL	31-Dec-21 ZWL	31-Dec-22 ZWL	31-Dec-21 ZWL
Interest income calculated using the effective interest method	13.1	1 361 184 806	1 040 425 072	931 553 820	254 037 865
Interest and related expense	13.2	(714 186 186)	(528 099 265)	(399 647 432)	(116 216 730)
Net interest related income		**646 998 620**	**512 325 807**	**531 906 388**	**137 821 135**
Net foreign currency dealing and trading income		1 625 189 392	2 306 972 176	1 625 189 392	671 099 895
Net gain from financial assets at fair value through profit or loss	13.3	2 707 195 041	3 565 571 520	2 707 195 041	1 037 227 366
Other operating income	13.4	15 217 593 920	5 442 720 260	11 371 603 777	1 278 113 359
Total other income		**19 549 978 353**	**11 315 263 956**	**15 703 988 210**	**2 986 440 620**
Total net income		**20 196 976 973**	**11 827 589 763**	**16 235 894 598**	**3 124 261 755**
Operating expenditure	14	(16 894 884 831)	(4 870 254 591)	(14 004 518 097)	(1 272 428 565)
Impairment allowance	2.1	(19 821 597)	-	(19 821 597)	-
Monetary Loss		(3 237 234 059)	(2 412 072 675)	-	-
Operating profit		**45 036 486**	**4 545 262 497**	**2 211 554 904**	**1 851 833 190**
Taxation	15	543 386 101	(943 128 530)	1 018 995 336	(249 219 477)
Profit for the year after taxation		**588 422 587**	**3 602 133 967**	**3 230 550 240**	**1 602 613 713**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gain on financial assets at fair value through other comprehensive income		7 157 752	337 360 600	7 157 752	98 138 446
Tax		(71 578)	(3 373 606)	(71 578)	(981 385)
Gain on property and equipment revaluation		682 435 810	606 148 381	1 645 256 519	259 650 417
Tax		(56 831 566)	(32 150 957)	(116 858 908)	(15 296 327)
Other comprehensive income, net income tax		**632 690 418**	**907 984 418**	**1 535 483 785**	**341 511 151**
Total comprehensive income for the year		**1 221 113 005**	**4 510 118 385**	**4 766 034 025**	**1 944 124 864**
Profit for the year attributable to:					
Equity holders of parent		588 422 587	3 602 133 967	3 230 550 240	1 602 613 713
Total profit for the year		**588 422 587**	**3 602 133 967**	**3 230 550 240**	**1 602 613 713**
Total comprehensive income attributable to:					
Equity holders of parent		1 221 113 005	4 510 118 385	4 766 034 025	1 944 124 864
Total comprehensive income for the year		**1 221 113 005**	**4 510 118 385**	**4 766 034 025**	**1 944 124 864**
Earnings per share (ZWL cents)					
Basic	16.1	93.56	572.21	513.66	254.58
Diluted	16.2	93.56	572.21	513.66	254.58
Headline	16.3	93.56	572.21	513.66	254.58
Diluted headline	16.4	93.56	572.21	513.66	254.58

Source: FBC Annual report 2022