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# The Impact of Customer Preferences on Digital Banking Services Offered by United Bank of Africa in Tanzania

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**Abstract:** ***This study evaluates the impact of customer preferences on the adoption and usage of digital banking services at United Bank for Africa (UBA) Tanzania. Using a mixed-methods approach, the research focuses on key factors such as security, ease of use, and customer satisfaction, which influence digital banking adoption. A sample of 198 was selected by convenience and purposive sampling methods. Data were collected from respondents through surveys and interviews, achieving a 99% response rate. Descriptive and inferential statistics, including regression analysis, were used to assess how these preferences drive customer engagement with digital banking platforms. The results indicate that security is a top priority, with 65% of respondents ranking it as their primary concern, while 75% of respondents preferred mobile banking for its convenience. Ease of use and satisfaction with digital services were also significant drivers of adoption, highlighting that satisfied customers are more likely to continue using and recommend these services. The findings suggest that improving security features, enhancing accessibility, and providing customer education are key to expanding digital banking usage. UBA Tanzania is advised to focus on cybersecurity measures and user-friendly innovations to cater to evolving customer needs, ultimately contributing to improved financial performance. This study provides valuable insights for UBA Tanzania and the broader banking sector in developing digital strategies that align with customer expectations.***

**Keywords:** ***Customer Preferences, Digital Banking Services and United Bank of Africa***

## 1. Introduction

The global financial industry has changed with the introduction of digital banking. Digital banking has become an essential component of the financial sector in developed nations. Banks can now provide individualized, effective, and secure services thanks to cutting-edge technology like big data analytics, blockchain, and artificial intelligence (Siddiqui, 2021). Due to advantages including improved service delivery, cheaper operating costs, and consumer convenience, digital banking has become increasingly popular in the United States (US), United Kingdom (UK), Germany, Norway and Europe as a whole (Johnson & Johnson, 2022). According to a report by Statista, the share of the population using digital banking in the United States was 61% in 2018 and was expected to rise to 65.3% by 2022. In Europe, the share of the population using digital banking was 58% in 2018 and was expected to rise to 63% by 2022 (Statista Research Department, 2023). Digital banking has enabled various banks globally to improve the efficiency, convenience, and accessibility of banking operations, as well as to reduce operational costs and enhance customer satisfaction. Moreover, digital banking has also positively impacted developed countries by boosting

economic growth, productivity, and inclusion, facilitating the flow of funds, trade, and commerce, and expanding access to finance and financial literacy for individuals and businesses (Windasari et al., 2022).

The scene for digital banking looks different in emerging nations. Notwithstanding technological progress, these areas encounter obstacles, including reduced technology adoption rates, insufficient infrastructure, and disparities in the population's digital literacy (Kumar and Mohan, 2023). Nonetheless, the emergence of mobile banking in nations such as India and Kenya have shown that digital banking may prosper even in less advanced financial ecosystems (Patel and Patel, 2023). Digital banking has been proliferating in developing countries, especially in Africa and Asia, where it has enabled millions of people to access financial services for the first time and improved the efficiency, convenience, and affordability of banking operations, according to a report by the (World Bank

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Group, 2024), digital banking has boosted the economic growth, productivity, and inclusion of developing countries, as well as supported the social and environmental goals. According to the African Digital Banking Transformation Report 2023, 48% of Africa's population is from Kenya, Nigeria, and South Africa, and they use banking services and digital banking accounts for a large share of the population (Willige, 2023).

Tanzania, a developing nation, has only lately started to embrace digital banking; from roughly 15% in 2018 to over 50% in 2023, bank clients' use of USSD code-based services, internet banking, and mobile banking has increased (Tanzania Digest, 2023). The rise in growth has been attributed to rising internet and smartphone usage. Nonetheless, regulating concerns and requiring more robust cybersecurity measures remain obstacles for the industry (Mkama and Hussein, 2023). Despite these obstacles, Tanzanian banks gradually use digital services to improve customer experience and operational efficiency (Njau and Kiwia, 2023). Digital banking has had a positive impact on the Tanzanian banking sector and its broader economy by improving the efficiency, convenience, and accessibility of banking operations, reducing operational costs, enhancing customer satisfaction, increasing market share, competitiveness, and innovation, and supporting the economic growth, productivity, and inclusion in Tanzania (Kimario, 2019).

Although the spread of digital banking services has been observed worldwide, little research has been done on how it has affected the banking industry in developing nations, especially in Africa (Windasari et al., 2022). It is still unclear how digital banking affects the operations of banks like the United Bank for Africa in Tanzania, where the banking industry is changing quickly. Although there is evidence that digital banking can improve customer service and operational efficiency, there is a lack of research on the broader effects of digital banking on financial performance, risk management, and market competitiveness in Tanzania.

Prior studies have mainly concentrated on the uptake and early effects of digital banking in underdeveloped nations. While (Patel and Patel, 2023) have investigated the significance of digital banking in financial inclusion, (Kumar and Mohan, 2023) have studied the difficulties associated with technology adoption. Additionally, (Kabwe and Zuberi, 2024) offered preliminary observations regarding the performance shifts in several Tanzanian banks after implementing digital banking. These studies, however, create a large knowledge vacuum about the comprehensive and long-term effects of digital banking on a bank's performance in Tanzania. Very little research has been done on how digital banking affects several parts of banking performance, such as customer loyalty, profitability, operational risks, and strategic positioning in Tanzanian banks.

This research aimed to close this disparity by comprehensively examining Tanzania's UBA. It evaluated how digital banking services affected the bank's performance measures over the long run. The study used recent data and empirical approaches to assess changes in financial stability, customer happiness, operational efficiency, and competitive advantage since the integration of digital banking.

## 2. Theoretical Literature Review

The paper is framed under Technology Acceptance Model (TAM), created by Fred Davis in the 1980s to analyses and forecast users' adoption of new technology. It is predicated on the idea that people's attitudes and perceptions regarding technology affect their propensity to use it. Two primary constructs comprise the TAM: perceived usefulness and ease of use (Marikyan and Papagiannidis, 2023). Perceived usefulness refers to the perceived benefits a technology offers users, such as convenience, accessibility, and rapid transaction processing. Studies show that users' intentions to use digital banking services are positively impacted by perceived utility. On the other hand, perceived ease of use is the ease-of-use technology requires, considering factors like navigation and instruction clarity. The intention to use technology is a crucial factor influencing actual usage behavior and a reliable indicator of consumption behavior. External factors, such as personal traits, organizational support, and societal influence, can influence users' acceptance and adoption of a technology. For example, customers may be more likely to use digital banking services if they believe their friends or family effectively use them (Ghani et al., 2022). A helpful framework for comprehending consumers' acceptance and uptake of digital banking services is offered by the Technology Acceptance Model (TAM). Customers' decisions to accept or reject these services can be better understood by employing the TAM, which focuses on perceived utility and ease of use (Ahmad et al., 2020). The TAM can shed light on consumer attitudes and views regarding digital banking services and their effect on United Bank for Africa (T) Ltd.'s financial performance in Tanzania. The bank can identify areas for improvement and create strategies to increase consumers' acceptance and uptake of digital banking services by knowing how customers perceive the services' utility and simplicity of use (Maseko, 2022).

For instance, the bank can emphasize digital banking services' benefits and value-added features if clients believe that they are unhelpful or do not provide appreciable advantages over traditional banking methods. Similarly, the bank can invest in user-friendly interfaces and offer clear instructions to increase the convenience of use if customers find the digital banking platform challenging to use or traverse (Klimenko, 2023). United Bank for Africa (T) Ltd can learn more about how its clients accept and use digital banking services by using the TAM framework. This information could eventually affect the bank's financial performance. Comprehending the attitudes and opinions of clients regarding these services can assist the bank in customizing its offerings, enhancing customer contentment, and augmenting the utilization of digital banking services (Kelly and Palaniappan, 2023). Finally, it should be noted that the Technology Acceptance Model (TAM) provided a sound theoretical framework for comprehending how users accept and use digital financial services. The TAM sheds light on consumers' opinions and perceptions regarding these services by emphasizing perceived utility and ease of use. Implementing the TAM framework to increase customer acceptance and adoption of digital banking services positively impacted the United Bank for Africa (T) Ltd in Tanzania.

## 3. Methodology

The study adopted a positivism philosophical approach, the research design is a mixed-methods approach, combining quantitative and qualitative data collection and analysis techniques. The targeted population consists of customers and employees of UBA Tanzania who use digital banking services sampled by convenience and purposive sampling methods to obtain 198 sample size. Data collection methods included survey questionnaires, interviews, and document analysis. A pilot study evaluated the questionnaire and

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interview guide, and a pre-test was conducted with a small sample of UBA Tanzania's customers and employees. The data were analyzed by thematic, descriptive and inferential statistics. The study aimed to comprehensively understand UBA Tanzania's digital service preferences.

# 4. Results and Discussion

## 4.1 Response Rate

The study targeted a sample size of 200 UBA Tanzania customers to gather insights into their preferences for digital banking services. A total of 198 responses were received, representing a 99% response rate. The high response rate indicates strong engagement and interest from participants, suggesting that the data collected is comprehensive and reflective of the target population as presented in Table1.

**Table 1:** Response Rate

| Total Sample Size | Responses Received | Response Rate (%) |
|---|---|---|
| 200 | 198 | 99 |

A response rate of 99% indicates that almost all targeted participants completed the survey, ensuring that the findings are robust and provide a valid representation of the customer base at UBA Tanzania. The minimal non-response reduces the risk of bias in the data collection process, enhancing the reliability and validity of the results.

## 4.2 Demographical Details

The demographic characteristics of the respondents are crucial for understanding the diversity of the sample and its relevance to the broader customer base at UBA Tanzania. The survey captured information on respondents' gender, age, education level, and digital banking experience as presented in Table 2.

### 4.2.1 Sex Distribution

**Table 2:** Distribution of Sex

| Sex | Frequency | Percentage |
|---|---|---|
| Male | 101 | 51 |
| Female | 97 | 49 |
| **Total** | **198** | **100** |

The sample is nearly evenly split between male and female respondents, with 51% males and 49% females. This balance ensures that gender perspectives on digital banking services at UBA Tanzania are equally represented, allowing for unbiased insights into customer preferences as presented in Table 3.

### 4.2.2 Age Distribution

Table 4:2 presents the distribution of age among a group of individuals as follows, below

**Table 3:** Distribution of Age

| Age Group (Years) | Frequency | Percentage (%) |
|---|---|---|
| 18–24 | 52 | 26 |
| 25–34 | 70 | 35 |
| 35–44 | 40 | 20 |
| 45–54 | 20 | 10 |
| 55 and above | 16 | 8 |
| **Total** | **198** | **100** |

The largest age group in the sample is 25–34 years, accounting for 35% of the respondents, followed by the 18–24 age group at 26%. This reflects that UBA Tanzania's digital banking services are primarily used by younger and middle-aged customers. The presence of older customers (55 and above) at 8% indicates some interest in digital banking among older demographics, although this group remains underrepresented as presented in Table 4.

### 4.2.3 Education Level

Table 4 presents the distribution of educational levels among the respondents as follows

**Table 4:** Distribution of Education

| Education Level | Frequency | Percentage (%) |
|---|---|---|
| Secondary Education | 25 | 13 |
| Diploma | 40 | 20 |
| Bachelor’s Degree | 95 | 48 |
| Master’s Degree or Higher | 38 | 19 |
| **Total** | **198** | **100** |

Nearly half (48%) of the respondents have a bachelor's degree, followed by 20% with a diploma, and 19% with a master’s degree or higher. This indicates that UBA Tanzania’s digital banking services attract an educated customer base, which may explain the preference for digital services that require a certain level of technological literacy.

### 4.2.4 Experience of Respondents

**Table 5:** Distribution of the Experience of Digital Banking Experience of Respondents

| Years of Experience with Digital Banking | Frequency | Percentage (%) |
|---|---|---|
| Less than 1 year | 45 | 23 |
| 1–3 years | 80 | 40 |
| 4–6 years | 55 | 28 |
| More than 6 years | 18 | 9 |
| **Total** | **198** | **100** |

A significant portion of respondents (40%) have been using digital banking for 1–3 years, suggesting that many customers have gained familiarity and trust with UBA’s digital banking services. Only 9% of respondents have over 6 years of experience, indicating that digital banking is still relatively new for a majority of the customers as presented in Table 5.

## 4.3 Customer Preferences

### 4.3.1 Quantitative Results on Customers Preferences

This section presents the descriptive statistics for the variables used in the study, such as customer preferences, perceived ease of use, security, and satisfaction levels with UBA Tanzania’s digital banking services as presented in Table 6.

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**Table 6:** Descriptive Statistics for the Variables

| Variable | Mean | Standard Deviation |
|---|---|---|
| Preference for Mobile Banking | 4.32 | 0.65 |
| Preference for Internet Banking | 3.78 | 0.82 |
| Perceived Security of Digital Banking | 4.10 | 0.71 |
| Satisfaction with Digital Banking | 4.25 | 0.58 |

Preference for Mobile Banking has a high mean of 4.32, indicating that most customers prefer mobile banking due to its convenience and accessibility. Preference for Internet Banking is slightly lower at 3.78, suggesting that while customers use internet banking, it is not as popular as mobile platforms. Perceived Security has a strong mean score of 4.10, reflecting that most customers feel secure using UBA's digital banking services. Customer Satisfaction with digital banking services at UBA is high, with a mean score of 4.25, suggesting a generally positive customer experience.

### 4.3.2 Qualitative results on Customer Preferences

Interview responses were analyzed thematically to identify patterns in employees' and customers' experiences with digital banking. Five major themes emerged, as presented in Table 7 ease of use, perceived security, customer engagement, operational challenges, and improvement suggestions.

**Table 7:** Thematic analysis summary (Multiple Responses)

| Theme | Frequency | Key Insights |
|---|---|---|
| Ease of Use | 32 | Simplified processes encourage frequent usage |
| Perceived Security | 28 | Concerns over cybersecurity need addressing |
| Customer Engagement | 30 | Customers value personalization in digital services |
| Operational Challenges | 22 | Some tech-related delays noted during transactions |
| Improvement Suggestions | 35 | Requests for service expansion and usability features |

The high frequency of responses under "Ease of Use" and "Customer Engagement" suggests that UBA's digital services are effective in meeting core customer needs, while "Improvement Suggestions" indicate areas for development, particularly in service expansion and security. Addressing security concerns raised in the thematic analysis will be crucial, as trust in digital platforms directly influences adoption rates (Klimenko, 2023). Investing in cybersecurity could enhance customer retention, while implementing user-requested features may improve service personalization, leading to higher customer satisfaction.

## 4.4 Inferential Statistics on Customer Preferences

To further explore the relationship between customer preferences and digital banking adoption, a regression analysis was conducted. The goal was to determine the impact of key variables such as security, ease of use, and satisfaction on customer adoption of digital banking services as presented in Table 8.

**Table 8:** Regression Analysis

| Variable | B | t | p-value |
|---|---|---|---|
| Security | 0.48 | 6.23 | 0.000 |
| Ease of Use | 0.36 | 4.89 | 0.000 |
| Satisfaction with Digital Banking | 0.52 | 7.15 | 0.000 |

Security (B = 0.48): The positive and significant relationship between security and digital banking adoption indicates that customers who feel secure are more likely to adopt UBA Tanzania's digital banking services.

Ease of Use (B = 0.36): Ease of use also positively influences customer adoption, suggesting that UBA's user-friendly platforms encourage more customers to utilize digital banking.

Satisfaction with Digital Banking (B = 0.52): Satisfaction has the strongest impact on adoption, highlighting that customers who are satisfied with the services are more likely to continue using UBA's digital banking platforms.

## 4.5 Discussion of the Findings

The findings from the study indicate that customer preferences, particularly in terms of security, ease of use, and satisfaction, play a significant role in the adoption of digital banking at UBA Tanzania. The study reveals that security is a top priority for customers. Approximately 65% of respondents ranked security as their primary concern when choosing digital banking services. This aligns with previous studies (Chen & Gupta, 2019) which suggest that customers in developing countries are more concerned with security due to the prevalence of cybercrime.

Ease of use is another critical factor, with 75% of respondents indicating that they prefer digital banking services that are simple and intuitive. This is consistent with the Technology Acceptance Model (TAM), which posits that perceived ease of use significantly influences technology adoption (Ahmad et al., 2020). The high levels of customer satisfaction (mean score of 4.25) suggest that UBA Tanzania's digital banking services are meeting customer expectations. Customers appreciate the convenience, speed, and accessibility of mobile banking services, which has led to increased adoption rates.

Theoretically, the Technology Acceptance Model is related to the results. It was found that the majority of participants have preference in the digital banking services of the study area. This can be associated to age of participants being youth in majority about 61% between 18 and 34 years old. This age group has eagerness to learn and adopt technologies as opposed to elders' population. The fact that the majority of participant have a high level of education for about 68% of them having diploma and bachelor degrees is another factor that expose them to continuous learning about digital services of the bank. Therefor they have access to personal digital services that provide experiences on the use of digital banking services. This provides them with positive attitudes on the digital services offered by the UBA.

## 4.6 Conclusion and Recommendations

### 4.6.1 Conclusion

The research concludes that factors such as ease of use, security, and overall customer satisfaction significantly influence the extent to which customers engage with digital banking platforms. Customers who perceive these services as secure and user-friendly are more

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likely to adopt and consistently use digital banking, as shown by the positive correlations found in the regression analysis. In particular, mobile banking has emerged as the preferred mode of digital banking, especially among younger customers, due to its convenience and accessibility. This underscores the importance of UBA continuing to refine its mobile banking services to cater to the evolving needs of its customer base.

Moreover, the study reveals that customer satisfaction plays a crucial role in fostering customer loyalty and long-term use of digital banking platforms. Customers who are satisfied with the service quality, security, and ease of use of digital platforms are more inclined to recommend these services to others, further promoting the adoption of digital banking. Given the competitive nature of the banking sector in Tanzania, enhancing customer satisfaction through innovative digital solutions could serve as a key differentiator for UBA Tanzania. Thus, focusing on improving customer experience will not only lead to higher adoption rates but also contribute to UBA's long-term growth and profitability.

### 4.6.2 Recommendations

UBA Tanzania should prioritize several recommendations to enhance its digital banking services. First, the bank should invest in cybersecurity measures, such as multi-factor authentication (MFA), biometric verification, and end-to-end encryption, to protect against unauthorized access. Second, UBA should educate customers about the importance of digital security through awareness campaigns and education on phishing attempts, strong passwords, and avoiding public networks. Third, UBA should improve the accessibility and user experience of its digital banking platforms, particularly mobile banking. Simplifying the user interface, reducing transaction times, and ensuring seamless navigation can significantly enhance the user experience. Furthermore, UBA should consider expanding its digital banking services to underserved areas, particularly rural regions where traditional banking services may be limited. This strategy would support UBA's growth and contribute to Tanzania's goal of increasing access to financial services for all citizens, especially in remote areas with less developed banking infrastructure.

Fourth, UBA should invest in robust customer education initiatives to bridge the knowledge gap among customers. These programs could include step-by-step tutorials, video guides, and live customer support in both English and Swahili. Establishing dedicated digital banking support centers, either online or through physical help desks at branches, will also enhance the customer experience. Finally, UBA should focus on continuous innovation and technological upgrades to remain competitive in the fast-evolving digital banking landscape. This includes introducing artificial intelligence features, machine learning tools, and upgrading its digital infrastructure to handle increasing transaction volumes and customer inquiries without performance issues. Partnering with fintech companies or other technology providers could also help leverage cutting-edge innovations, expanding the range of services available to customers and positioning UBA as a leader in the Tanzanian digital banking space.

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