

Effect of ICT on Organization Performance in Banking Sector

Mohammed M. Al-nadesh^{1*}, Mariam S. Al-othali², Khlood S. Al-othali³.

^{1,2,3}Research Scholar, Business Administration and Commerce Faculty of Commerce and
Management Science Department of Business Administration and Commerce

Dr. Babasaheb Ambedkar Marathwada University, Aurangabad

Abstract:

The purpose of this study is to assess the impact of information and communication technology on the performance of an organization in the banking industry. This means that the introduction of information and communication technology in banking services has a positive impact on the growth and development of the organization. In addition, to say that customers are their asset and the best possible way to satisfy them is to provide them with the best services. Based on the results, it was observed that information and communication technology leads to efficient and effective performance of banks and information and communication technology leads to competitive advantage over others and thus increase the profitability of banks.

Introduction:

Today's business environment is very dynamic and undergoes rapid changes as a result of technological innovation, increased awareness and demands from customers. Business organisations, especially the banking industry of the 21st century operates in a complex and competitive environment characterized by these changing conditions and highly unpredictable economic climate. Information and Communication Technology (ICT) is at the centre of this

global change curve. Laudon and Laudon, (1991) contend that managers cannot ignore Information Systems because they play a critical role in contemporary organisation. They point out that the entire cash flow of most fortune 500 companies is linked to Information System.

The application of information and communication technology concepts, techniques, policies and implementation strategies to banking services has become a subject of fundamental importance and

concerns to all banks and indeed a prerequisite for local and global competitiveness. ICT directly affects how managers decide, how they plan and what products and services are offered in the banking industry. It has continued to change the way banks and their corporate relationships are organized worldwide and the variety of innovative devices available to enhance the speed and quality of service delivery.

Information has always been an integral part of every organization's operations and manager's work, its importance and the need to manage it is growing at a nominal rate. Technology is a powerful force that is leading the world towards commonalities. Since the beginning of human age, technology has been one of the most essential and important factors for the development of mankind. Over the last two hundred years, technological changes have often been linked to economic growth in the form of new types of goods and services.

Therefore, information technology can be defined as the modern handling of information through electronic means, which includes access storage, processing of various forms of electronic technology to

improve business operations and overall profitability.

The growing importance of information technology is due to the increasing complexity of the organization's environment and the ever-increasing complexity of the information generated by this complexity.

Information must be accurate for a manager to be useful because it must provide accurate and reliable reflection of reality, it must have timely sources, it must be available in a timely manner for appropriate administrative duties. The information should also be complete as it provides the manager with all the facts and details he needs. Information must also be relevant as it assures managers that the information is useful to them for their specific needs in specific situations.

The greatest innovation of the twentieth century is in the realm of information technology. The introduction of computers and advances in information technology has changed the global economic landscape, especially the banking industry.

Information technology is a term that encompasses all types of technology used to create, store, exchange and use information in its various forms (business data, voice

communication, steel images, motion pictures, etc.) multimedia presentations and other formats that have not yet been conceived. This is a simple term to combine both telephony and computer technology in one word. This is the technology that is going on, which is often called the "information revolution". (Charles Babbage, 2001).

The banking industry is at a crossroads today. Banks are under increasing pressure to provide better services to consumers, with new technology contributing to globalization and the integration of the global financial market. Consumer expectations for new products and alternative delivery channels have skyrocketed. Now, consumers are unlikely to adopt and adapt to the so-called mass-produced and mass-marketing myopia that characterizes the pre-1986 banking era (Zeller, 2002). Now they want bank products and services that meet their specifications.

They are willing to pay for the additional values that complement their additional personal product or service as well as personalized marketing, in the same vein they have in mind to move from one bank to another, keeping in mind the old relationship. Ready for Once they have

identified the flaws in the delivery of their banking services. Just as computerization gives banks unlimited opportunities to innovate in new product and service areas and often reduces the turnaround time associated with those services. It also poses an unprecedented threat to them.

Today, information and communication technology has made great strides in various industries and has made significant positive efforts on banking transactions, bank profits, cashier's work, services, patronage etc.

Information and Communication Technology

Information Technology (IT) is the automation of processes, controls, and information production using computers, telecommunications, software and ancillary equipment such as automated teller machine and debit cards (Khalifa 2000). It is a term that generally covers the harnessing of electronic technology for the information needs of a business at all levels. Irechukwu (2000) lists some banking services that have been revolutionized through the use of ICT as including account opening, customer account mandate, and transaction processing and recording. Information and Communication Technology has provided

self-service facilities (automated customer service machines) from where prospective customers can complete their account opening documents direct online. It assists customers to validate their account numbers and receive instruction on when and how to receive their chequebooks, credit and debit cards. Communication Technology deals with the Physical devices and software that link various computer hardware components and transfer data from one physical location to another (Laudon and Laudon; 2001)

ICT products in use in the banking industry include Automated Teller Machine, Smart Cards, Telephone Banking, MICR, Electronic Funds Transfer, Electronic Data Interchange, Electronic Home and Office Banking.

Various Risk Associated with Information and Communication Technology

Information technology is without doubt an enabler of quality services in banks, because of inherent speed and accuracy associated with information technology in bank services delivery. It has become the indispensable tool deployed to maximize banks competitive advantage. However, there are known risks associated with information and communication technology which includes:

Customers/Staff Alienation

The desire to serve customers well is the bedrock of innovation in the method of service delivery. Under the manual regime of service delivery, service relation is defined by customers to employees (CTE) but information technology changed the paradigm to customers, the machine (ATM). This would have adverse impact on knowing your customers well. It is acknowledged that efficient and effective service deliveries are positively correlated. But at what cost to the customers and the banks are such innovation and deployment of IT acceptable and even reasonable.

Job Cut

Evidence in all information technology development and developing economics point to one fact that it always come with massive job cut. This could create socio-economic problems. Though information technology creates a new kind of job and new wealth within the economy, we still have no record that all those that lost their jobs were given new jobs.

Risks of Swallowing Core Banking Business

There is the risk that information technology precedent over core business of banking. In the long run, it may permanently impair the

factor competitiveness of Nigeria banks. Consequently the solution to this may according to Will Locks (2002) be computer (IT) out sourcing as practiced by common-wealth bank of Australia, Xerox etc. According to well and Broad Bent (1998) IT out sourcing is the handing over to third party, the management and operations of IT assets and activities this can later lead to greater strategic loses. They may include:

- Lower return on assets;
- Significant increase in information system staff turnover.
- Longer time to market new products

System Operation Risks

As noted earlier, Etim (2003) posit that computerization of bank services rest on computer and telecommunication, which could be susceptible, to system failure, internet manipulations and inconsistent regulatory policies. This risks include:

Scanning Automated system, False data entry, Virus, Fraudster logging into telecommunication Network and Inconsistent regulatory system.

Implication for Information and Communication Technology for Customer Service for Bank

In the new competitive arena, it is not the possession of IT that will determine how successful banks will be but the success will be calibrated by the risk management experts in IT development. And managing these risks is a better understanding of the implication of computerization of services on the following:

Customer/Staff Interaction with Information Technology:

Effective and efficient information technology of service must think about the customers and staff, not how bank deploy IT to foster only mechanical service delivery of bank customers Davenport (2001) called this a human centered approach to IT, which contrasts with the standard IT view. This approach recognize that:

- Information evolves in many directions, taking on multiple meanings.
- People don't share information easily.
- **Job Shredding:** This is an inevitable adjust to service information technology implementation. Job cut should be preceded with retraining and resettlement activities to make those displaced by IT development add more wealth to the industry or outside it.

- **Core Banking and Information**

Technology: Bank must always ensure the IT services core-banking activities and not core-banking fitting into IT legacy. We have several evidence that tend to indicate that over-bloating the importance of information technology usually end in computerization replacing core-banking activities which it ought to serve. Although most organizations tend to practicalise this by outsourcing IT to third party, this has to be pursued with caution.

- **System Operation Risk and**

Information Technology: System failure and other associated operational risks are those which cannot be ruled out in banks that embrace computerization of customers service. Furthermore, system manipulation, bugs wire tapping and unauthorized access are crime that go hand in hand with information technology. However, banks must weigh the types of system and operations that pose greater risk to information security.

In order to minimize such risk, dynamic technology controls in respect of

information security should be put in place, including the Encryption, Message authentication, Security software and Data retention.

Conclusion:

Banking service delivery using information and communication technology has become inevitable, consumers are now clamoring for extra value that meets their specifications. As such, traditional banking services need to be rapidly refined to fill the gaps through information and communication technology.

However, it has been noted that information and communication technology enables banks to improve the services provided to their customers, provide them with competitive advantages and provide customers with instant service delivery through the use of computers.

In addition, information and communication technology has improved the handling of work and improved the attitude of the bank staff towards work and customer. Consumer interest and patronage has also increased as unrestricted access to their account and other benefits like online banking, smart cards, ATMs etc. And the risk of unforeseen events has decreased.

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