

Effects of information technology on productivity of banking sector

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Abstract

This paper examines the impact of information technology on banks' profitability and productivity. The paper tells that demographical characteristics affects the obstacles of using E-banking, and the capital of the commercial banks has a significant impact over the expansion.

Keywords: information technology, profitability, e-banking, productivity

1. Introduction

Development in the contemporary context is a process whereby minimum progress at the socio-economic, political and technological level is ensured to fulfill the basic needs of human beings. It is also a relative phenomenon based on the comparison between the advanced and the underdeveloped countries. The key to National prosperity and development lies, in the effective combination of three factors –

- Technology
- raw material
- capital

In above factors, technology is the most important, since the creation and adoption of new scientific techniques can, in fact, make up for deficiency in natural resources and reduce the demands of capital.

The banking and financial developments witnessed by the global arena in the last few decades represents a response to the evolution of this structure. In the declaration of these developments following terms can be described:

- Trade and investment liberalization
- Currency exchange rates floating
- The removal of barriers to the movement of capital flows to and from the financial and banking markets
- Competition aggravation
- Emergence of the massive banking entities through bank's mergers
- Rapid developments witnessed by the Information and Communication Technology
- The expansion of electronic banking tools to promoting banking products which in turn reflected positively on improving the banking service's quantity and quality, and increasing competition between banks.

However, the competition has become more difficult as a result of the rapid changes brought about by the ongoing advances in technology and other global developments related to banks' activities, which will lead to increased competition in the banking industry and its expansion to become competitive on a wide-open global market. If the infrastructure of hardware, software and other integrated, the wheel of progress in this area will continue in order to achieve integration in the relationship with customers using various channels, through all hours of the day, including regular branches, remote financial services, telephone, ATM, the Internet and personal computers and then re-designing the

banks in order to achieve that. There are many indicators that emphasize widen of a scientific and technological gap between developed and developing countries; in the banking field, the gap still exists with respect to information technology, particularly to items and zones of electronic banking which are the subject of the research of the paper.

1.1 Problem

The scientific and technological development witnessed in the banking area, and the resulting widespread use of the tools and electronic banking channels in developed countries which exceeds in terms of quantity and quality that seen in developing countries, requires studying and analyzing the causes and obstacles to the expansion of e-banking.

The interest in identifying the basic responsibilities could lead to identify the subjective and objective factors influencing the broadening of E-banking usage base by diagnosing the factors above discussed.

1.2 Hypotheses

There is a statistically significant relationship between constraints of technology use and demographic characteristics of the clients. There is a statistically significant relationship between the commercial bank's capital size and its ability to expand the tools of technology due to its impact on the bank profitability its market share.

1.3 Limitation

The inability is to obtain detailed data with regard to the volume of E-banking use in terms of E-channels used and the number of users for each bank individually.

2. Research Methodology

The performance of a bank can be measured by a number of indicators. For measuring the performance of Indian banking industry, various parameters selected to analyse the profitability. And after getting that performance a comparative study is done between partially computerized era and IT enabled era.

2.1 Study Sample

The Study Sample includes all clients who have checking and saving accounts in specific time period. The study sample consisted of all general managers and their assistants,

departments' managers, branch managers, and heads of departments in these banks. The study only adopted the local banks in the final evaluation of Banks according to E-banking and excluded the foreign banks.

2.2 The Study Tool

In order to achieve the objectives of the study, a questionnaire was designed specially to address the study questions and hypotheses. The questionnaire was divided into two parts- the first part contains general information related to the study sample demographic and functional characteristics, and the second one includes questions that measure the reality of e-banking in Jordan in terms of the type of employed channels, the obstacles that prevent the use of e-bank.

2.3 The Reliability of the Tool (stability)

In order to check the stability of the tool, the measure should be applied on a sample of clients who meet the characteristics of study sample and the reliability factor of internal consistency calculation By Alfa Akron Bag Factor. After that one can get the total reliability factor and this will indicate that the resolution has connotations of stability and meets the objectives of the study.

2.4 Profitability Parameters

For measuring the profitability of commercial banks the study employs the following ratios:

- Interest earned ratio
- Interest paid ratio
- Non-interest income ratio
- Non-interest expenses ratio
- Spread ratio
- Burden ratio.
- Profitability ratio.

2.5 Data Analysis

Following are some tests gives reliability of data after analyzation:

- SPSS test used
- Averages and standard deviations
- Tree Cluster Analysis
- T-test for one sample.

3. Conclusion

The paper is telling that there is a strong relationship between the capital size and the bank's ability to increase technology tools. Consequently, there is a need at several banks to promote their capital so as to increase its ability to expand in E-banking.

Banks must foster the culture of electronic banking at senior management, not only among specialized staff, and to state its significance and benefits in increasing profits, increasing competitiveness, increasing marketing area, bank's progress and continuity, and eliminating doubts amid staff about their awareness.

4. References

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