

THE DISCUSSION ON MANAGEMENT INFORMATION SYSTEM IN BANKS

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Abstract

The present paper deals with extending the use of process mapping to information systems. They states that process mapping has been used extensively for creating an accurate view of business processes in organizations. This provides management with the opportunity to maximize the efficiency and effectiveness of its internal processes. Clarifying the use of information systems at the same time as undertaking a mapping exercise will provide a useful insight into how efficiency and effectiveness can be further improved.

Keywords: Information System, Management, Bank.

Numerous studies have been undertaken by researchers so as to analyze the adoption of MIS in banks. These studies explore the interrelationship among MIS and banks from different angles. Some of the focus areas have been the implementation of MIS in banks, the need and importance, the benefits arising out of its implementation etc. these have been summarized as follows:-

Elizur (1970) in his in depth survey in a bank and a government office in the Netherlands, found that initially there was appreciable resistance to the introduction of computers. After the introduction of computers, however, employees were no longer worried about their position but reported substantial changes in work in terms of knowledge, accuracy, regulations, and increased workload.

Kakoli Saha (1986) undertook a study on computerization in banks. The study shows how mechanization affects workers and draws implications of computerization for organizational development, taking the case of introduction of electronic accounting machines in banks.

Keen (1991) states that information systems technology plays a critical role in supporting both the strategic and tactical operations of commercial banks and, hence, the importance of using such tools in the banking sector can never be overlooked.

Ravichandran, Bannerjee (1994) conducted a study to investigate information systems use to show whether managers in organizations are utilizing information systems capabilities to support the decision making process, and hence improve the effectiveness of their decisions.

Post, Kagan, Lau (1995) developed a model to evaluate the strategic uses of Information technology. The model emphasizes competition between large firms in a regional (or national) market, interacting with firms in a local market. The model is illustrated with an application to the banking industry. It compares the implementation times of larger regional banks vis-à-vis smaller local banks, and shows how the banks might use technology to respond to various changes in the banking industry.

Gupta, Collins (1997) conducted an empirical investigation to analyze the impact of information systems on the efficiency of banks. An interesting finding that emerged from this study is that in spite of the repeated pleas by professionals and experts in the field, banks, like many other institutions, are reluctant to invest in training. Almost 82 percent of the banks surveyed indicated that they invested under 50,000 in employee training over the last five years.

Harker, Hunter (1998) discusses the problems and opportunities facing the financial services industry in its search for competitive excellence. They focus on the issues related to managing risk at the firm level as well as ways to improve productivity and performance. They primarily focused on How does a bank choose what changes to make and, as important, how to go about implementing these changes?

Shafiq (2001) undertakes a study of usage of IT in the banking industry. He states that the banking sector has dramatically increased its dependence on use of IT, and it is evident by the growth in the number of branches that are connected online.

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Musbah et al (2002) undertakes a study with the aim of investigating information systems use and applications and the effects of such use on the effectiveness and efficiency of the decision making process in the Jordanian Banking sector. A field study covering 15 commercial banks in Jordan was carried out so as to test a number of hypotheses. The study indicated that information systems utilization in banks has not been optimized in a way that would improve decision making efficiency and effectiveness.

Fabian A. Ehikhamenor (2003) investigates the application of IT in Nigerian Banks in order to determine the expectations and success of IT implementations in the sector. The data were generated from a survey of randomly selected branches of 56 banks in Lagos, the commercial capital of Nigeria. Almost all the banks had an IT policy, the main thrusts of which were to achieve full application of IT, to be able to meet organizational goals, to secure competitive advantage, and to be up to date. Only 54.6% of them actually achieved some measure of successful implementations. The expected benefits of investment in IT were realized in only a relatively few number of banks.

Verboom, Iwaarden, Wiele (2004) focused on extending the use of process mapping to information systems. They state that process mapping has been used extensively for creating an accurate view of business processes in organizations. This provides management with the opportunity to maximize the efficiency and effectiveness of its internal processes. Clarifying the use of information systems at the same time as undertaking a mapping exercise will provide a useful insight into how efficiency and effectiveness can be further improved.

Jack, Pokar (2005) investigates the reason for almost universal failure to implement and sustain Financial Management Information Systems in Developed Countries. They start with a review of the received wisdom in implementing these projects, and then analyze problems in its application in the Developed Country context to identify key factors to explain why FMIS projects have been so problematic. Based on the identified negative factors, suggestions for addressing them are offered in the hope of improving success rates.

Mehta, Manhas (2005-06) conducted a study with the aim to examine the use of information systems tools, data security services and on-line databases by the banking and insurance companies which are at

the forefront of the transformational dynamics. They further state that the effectiveness and efficiency of information systems, besides depending upon the culture of the organization, also depends upon the appropriate use of system tools and techniques.

Andreas (2006) examine the role, which Internet banking can play as a new distribution channel of banking services for the benefit of both financial institutions and customers in Greece. The study explores the growth in on-line banking services and the ways in which financial institutions in Greece can take advantage of Internet technology to offer successful and cost-effective banking solutions. Results identify the reasons why Greek banks use Internet banking and their effect and place an emphasis on the strategic impact of Internet technology as a core element of financial services.

Lopez et al (2006) presents information about a broad study of information systems (IS), which was carried out during 2002-2003 in financial firms in Spain. They surveyed one in five banks, savings banks, rural credit co-operatives and credit co-operative banks. In general, it was affirmed that the IS of financial firms was in a more developed stage of their evolution than those of other firms, considering that they are more automated in terms of information and equipment.

Talal, Husam (2006) conducted a study to evaluate the level of Control Systems effectiveness in Computerized Accounting Information Systems (CAIS) that is implemented in the Jordanian banking sector to preserve confidentiality, integrity and availability of the bank's data and their CAIS. An empirical survey using self-administrated questionnaire has been carried out. The study results reveal that Jordanian domestic banks are using effective fraud and error reduction controls.

Reid, Levy (2008) conducted an empirical research to assess the customers' acceptance for Banking Information Systems in Jamaica. Based on structural equations modeling using data of 374 customers from three banks in Jamaica, this study results indicated that the classic TAM provided a better fit than the extended TAM with Trust and CSE. However, the results also indicated that trust is indeed a significant construct impacting both perceived usefulness and perceived ease-of-use. Additionally, test for gender differences indicated that across all study participants, only trust was found to be significantly different between male and female bank customers.

Ahmad Masshour, Zakaria Zaatreh (2008) investigates the investment of information systems at Jordan banks and reports the results of an empirical study that evaluates the contribution of IS in the effectiveness of banks operations. For the purpose they use various variables such as system decision performance, system usage and user satisfaction among others that are considered the most effective variables in the bank performance.

Trends in Information Technology

Certain trends have been visualized of information technology in banking sector all over the world.

(1) Outsourcing: Outsourcing is one of the most talked about as also a controversial issue. The drivers for getting in to outsourcing are many to include gaps in IT expectations and the reality, demystification of computerization in general and IT in particulars, trend towards focusing on core competencies, increased legitimacy of outsourcing and intention of getting out of worries and sort of up gradation of hardware and software versions. Not that the practice is new as earlier it was refused to as buying time or service bureau. What is needed is the clear of outsourcing, beside a definite plan to be more competitive after outsourcing. It is necessary to have checks and balances to monitor vendor performance. Cost aspects merit consideration, as also a decision on the part of the process to be outsourced shall be significance. Exit route and resource on the amount of failure after outsourcing are the other issue to be looked onto. Not withstanding these risks, outsourcing has come to say.

(2) Integration: One of the IT trend is moving from hierarchy to team approach. The purpose is to see an alternative to retooling, to react speedily and to develop capabilities rather than exploiting them. Such integration is necessary so as to address to prevalent situations:

1. Functions needing data and not getting from others.
2. Sending data to those who do not want to require them.
3. Global data exist but do not travel to required business functions.

Indian banks seem to follow this trend through the sincere redesign as described earlier. Instead of vertically divided pyramid type organizational set-ups, banks are now being to have separate group like finance, international consumer banking, industrial/commercial credit etc.

(3) From Solo to Partnership: With the development of IT, two things are taking place simultaneously. The work force as a percentage of total staff is going down and spending on IT as percentage of total spending is going up. The forms of partnership can include binding by superior service, accommodation in service sharing network, equal partnership and situations, where survival is threatened. At times, the partnership becomes necessary to get out of areas where there is no competitive advantage. Low development cost or wider geographical coverage is the aspects that create such partnership. Instances are not frequent, where joint ventures have been found with the IT vendors.

(4) Distinctive Edge: It is always said that many use but a few make use of IT. Historically, the emphasis is on using IT for large volumes like payrolls, balancing the books, the consolidation etc. That realization on having IT as matter of competitive edge has come about very lately. It is recognized that customer service is not an easy thing to provide, but IT is used as a mean. It does give value additions and erases barriers for competitors to enter. Banks understand that the cost of cultivating the new customer is 5 to 6 times of retaining the old one. Customer normally switches banks due to poor service. The appreciation of these facts has compelled the banks world over to look upon IT as an instrument to create distinctive edge over competitors. The private sector banks that were established in 1990's as a part of finance sector reforms did make good of IT to have an edge over the others. The foreign banks operating in India have also been able to market IT superiority as a distinctive edge. The public sector banks are still to make use of IT in this regard, although they are blessed with huge information base all across the country. While steps are mooted in this direction by leading public sector banks, more offensive postures are necessary.

(5) IT as Profit Centre: In the embryonic phases, IT was looked upon a means to get rid of high processing cost and time and to convert the manual operation with high volume/low complexity in two mechanical ones. With the evolutionary the process, it was seen as the best means of generating, MIS. The same approach gave the status of DSS to IT. All along, IT has been recognized as the service function in Indian Banks. However, the new trend that is emerging is considering IT as a profit centre. The cost benefit analysis of having IT or otherwise in one part. But having IT set up to generate income for the organization is the new beginning. Getting jobs from outside the bank for processing data and the like are the current trends. The outsourcing done by others is

the business, cater to by these organizations the trend of this kind is not deserved in Indian situation particularly banks. The Banks have been able to just manage what is to consider as their responsibility as IT, within the individual banks.

(6) Prospering in Down Market: The trend suggests that when there is a down turn in the market place, Pro-active corporations take the benefit of available unutilized resources to upgrade and revisit technology issues. This is seen as the right time to establish the R & D centre for IT. There are false notions about technology and its capability. Some misconceptions include:

1. Best-fit possible technology is implemented.
2. System solution is good enough and there is need to look into user expectations.
3. Innovations are generally successful.
4. Success is related only to novel ideas.
5. Technology is the sole determinant of business success, and
6. Measures and standards i.e. audit and inspection issues stand in the way of innovation.

The time available to debate on similar issues is ample and these false notions get clarified during the down market. Eventually, the decision makers reach a consensus that IT is not a panacea but it is an enabler that too when well supported by BRP (Business Process Re-engineering), human resources initiatives, physical infrastructure and responsive organization set up.

(7) Leading to Downsizing: The IT initiative is making the organization lean and flat. For IT functionalities downsizing means transferring computing power from mainframe to the personal computer and workstations. Downsizing is a typical issue faced with associated problems. Absence of top management commitment, lack of understanding of the prevalent IT infrastructure, doing too much and too fast and undertaking the exercise without a framework for controlling the downsizing operations are primarily the situations that create adversities in downsizing. In any case the trend of downsizing is very much existent in the IT environment.

(8) Getting Competitive Intelligence: IT is now seen as a resource for gathering and dissemination of executive information system (EIS). The purpose is to minimize that the bombarding and focusing on the relevance, accuracy and timeliness of the information particularly about the competitors such information enhances follow up and tracks early warning on competitor move and also customer expectations. As far as Indian banks are concerned individually, they

have to compete with other banking industry participants as also with other players in the financial sector. The competition from for insurance and government notes and saving, mutual funds and the like is always forthcoming particularly because of attendant tax benefits. Collection of required information and using the same for business purpose is constrained by the availability of the information, its volume and diversity. As such it may take some time for this trend to be visible in Indian banking scenario.

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