Case Study:

A Role of Top Management Commitment in adapting Information System in Nationalized and Private Banking

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Abstract

Information Technology is the use of any computer, storage, networking and other physical devices, infrastructure and processes to create, process, store, secure and exchange all forms of electronic data Banking sector has adopted information system to convert every manual task into automated form. Information technology is new technology used in banking to ease their work. It also helps to identify potential employees, maintaining complete records on current employees and creating training programs to develop employee skills and talents. It also helps the top level management to identify the future manpower requirements, making strategies, keeping control on every process in order to meet the long term goals and objectives.

This study aims at investigating the role of top management commitment in adapting Information technology practiced in nationalized and private banks. The study is based on primary data collected through a structured questionnaire from the managers of nationalized and private banks. This study is to find out information technology adaptation in private and nationalized banks with respect to demographical variables. To test the hypothesis, Normality, Reliability, Independent t-test and ANOVA were used. Adapting of information technologies applications being practiced were found varied among banking sector based on their size of business.

Keywords: Information Technology, Infrastructure, Information systems, Potential skills, Talents, Right people.

Introduction

Information Technology is the use of any computer, storage, networking and other physical devices, infrastructure and processes to create, process, store, secure and exchange all forms of electronic data. Information Technology Adaptation includes Electronic Transactions, Electronic record keeping and Electronic backup. It helps in recording business transactions, it is efficient way to keep financial records and requires less storage space, it provides the option of recording a sale, it automatically tallies amounts and provides reporting functions. Thus, we may conclude that information technology helps in doing all type of transaction in banking and other enterprises. Top management commitment plays a vital role in adapting information technology as they motivate their employees by supporting and providing training to them as and when required. They also support them by giving all the infrastructure required to them. With the help of information technology, top management controls all the activities in an organization.

Review of Literature

Casolaro and Gobbi[2] have studied on more than 600 Italian Bank to identify the impact of information technology usage expansion on E-Banking in Italian Banks. The study showed a significant effect for the expansion of information technology use on the coast, profitability and productivity in Italian banks. Mcphail et al[3] conducted a study on Australian bank customers, where the study aimed to identify the demographic variables for the customers and the use size of IT self-service banking of those customers. The study focused on the four E-channels which are: ATM, Spoken Bank, Internet Banks and POS. The study found that the older is the client, the less are convictions in using new electronic channel, especially for the Spoken Bank; the age factor was found to have more impact than other factors, such as academic achievement and income.

The study suggested that to focus on the privileges of using E-channels in saving time and effort, in addition, it is necessary to study the cultural and social factors of the environment surrounding the customer. Nawafleh[6] has studied the relationship between demographic variables for customers and the sense of obstacle's degree. It has been found that increased income increases the sense of obstacles. As well as for age; getting older increases sense of obstacles while the relationship between gender and sense of obstacles is less relevant.

Thomas[7] has studied that the banks, as a result of the sharp fluctuations in the wholesale operations, expanded toward the broad base of their retail customers who have full of profitability opportunities. If the infrastructure of hardware, software and other is 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.

The developing countries, including Arabs have insignificant contribution on the scientific and global technological production level. They still are receiving these

developments through open markets and their needs for it. In addition, these countries are not immune to the effects of these global developments. There are many indicators that emphasize widening 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 this study.

Mahdi et al[4] stated that financial services industry over time has opened to historic transformation that can be termed as e-developments which is advancing rapidly in all areas of financial intermediation and financial markets such as e-finance, e-money, electronic banking (e-banking), e-brokering, e-insurance, e-exchanges and even e-supervision. The new information technology (IT) is turning into the most important factor in the future development of banking, influencing banks' marketing and business strategies.

In recent years, the adoption of e-banking began to occur quite extensively as a channel of distribution for financial services due to rapid advances in IT and intensive competitive banking markets. These factors make it complicated to design a bank's strategy, which is threatened by unforeseen developments and changes in the economic environment and therefore, strategies must be flexible to adjust to these changes.

Dabholkar[3] has found that the technological developments have removed repetitive, time consuming tasks, reduced human error and extended access to banking related facilities. Technology also provides customer information that it would be much more expensive to provide on a person-to-person basis. Telephone banking facilities allow non-cash transactions to be carried out which would have required a visit to a branch earlier. Similarly, internet banking allows customers to perform tasks at a time and in a place convenient to them. He suggests that direct contact with such technology also gives customers a feeling of greater control.

Beccalli[1] found a positive relationship between total IT investment and performance in study of the European banking sector (a sample of 737 banks) during the period 1994–2000. The author used the SFA to estimate the efficiencies of costs and benefits for European banks. His main objective was to determine whether IT investments improved the profitability of banks and whether banks could gain a competitive advantage by investing in IT and therefore obtain higher short- and long-term profits. The empirical results of the study showed that the impact of IT investment on banks was negative on short-term profitability as measured by ROA and ROE ratios.

However, IT had a positive contribution to the long-term costs (technological changes) for all European banks, thus reducing the actual annual costs of production by approximately 3.1%. In addition, the impact of technological changes on cost reductions consistently increased over the studied period.

A final result of the study showed that the impact of different types of IT (hardware, software and services) on the performance of European banks was heterogeneous while investment in services was positively related to bank profitability, acquisitions of hardware and software had a negative impact on performance.

Objectives of study are:

- To study role of Top management commitment in adapting Information Technology with respect to Nationalized and Private Banks.
- To study significance of gender among employees in adapting Information Technology of Nationalized and Private Banks.
- To study significance of Qualification among employees in adapting Information Technology of Nationalized and Private Banks.
- To study significance of Years of Experience among employees in adapting Information Technology adaption of Nationalized and Private Banks.
- To study significance of Age among employees in adapting Information Technology adaption of Nationalized and Private Banks.

Hypotheses

$H0_1$: There is no significant role of top management commitment in adapting Information Technology with respect to Nationalized and Private Banks.

$H0_2$: There is no significant difference in gender among employees in adapting Information technology of Nationalized and Private Banks.

$H0_3$: There is no significant difference in qualification among employees in adapting Information technology of Nationalized and Private Banks.

$H0_4$: There is no significant difference in years of experience among employees in adapting Information technology of Nationalized and Private Banks.

$H0_5$: There is no significant difference of age among employees in adapting Information technology Nationalized and Private Banks.

Research Methodology

Universe: Cities of Indore Division have been considered for the study.

Research type: Descriptive

Sampling Technique: Convenient

Sampling Unit: Managers are considered as respondents for the study.

Sample size: Research instrument was distributed to 100 bank managers but finally 59 respondents have filled completed questionnaire.

Tool for data collection: Scale of Information Technology adaptation has been used but minor corrections have been done to get data. Reliability and validity of the scale are 0.98 and 0.822 respectively.

Tool for data analysis: In this study, after collecting the data, the raw scores are tabulated and analyzed through appropriate statistics tools i.e. t-test, one-way ANOVA with the help of SPSS.

Results and Discussion

Normality Test: The K-S Statistics tests the hypotheses that the data is normally distributed. A significance value (0.025) less than 0.05 indicates that the distribution of the data is not normally distributed. (Annexure 1, table 1).

Reliability test: Reliability test has been made for testing the reliability of information technology adaptation, with the help of Coefficient (Cronbach Alpha). Reliability of data is (.795) (Annexure 1, table 2) which is good, according to different theory of reliability, value above 0.6 is appropriate.

Since p=.581 (Annexure 2, table 3) is greater than .05 (at 5% level of significance) which means that null hypothesis is accepted. Therefore, $H0_2$ (There is no significant difference in gender among employees in adapting Information technology of Nationalized and Private Banks.) is accepted. Hence, it may be concluded that gender has no impact on adapting information technology in Nationalized and Private Banks. While gender does not make any difference in information technology in Nationalized and Private Banks, it may be the reason that today everyone irrespective of gender works for the family. Even in modern society and corporate, man and woman both are having equal responsibilities and authorities

Since p=.118 (Annexure 2, table 4) which is more than .05, it means that null hypothesis is accepted. Therefore, $H0_3$ (There is no significant difference in Qualification among employees in adapting Information technology of Nationalized and Private Banks.) is accepted. It can be interpreted that qualification does not affect in adapting Information technology in banks.

Since p=.908 (Annexure 2, table 5) which is more than .05 (at 5% level of significance), it means that null hypothesis is accepted. Therefore, $H0_4$ (There is no significant difference in Years of experience among employees in adapting Information technology of Nationalized and Private Banks) is accepted. It can be inferred that experience does not affect in adapting Information technology in banks.

Since p=.149 (Annexure 2, see table 6) which is more than .05, it means that null hypothesis is accepted. Therefore, $H0_5$ (There is no significant difference of in age among employees in adapting Information technology Nationalized and Private Banks) is accepted. It can be inferred that age does not affect in adapting Information technology in banks.

As all the hypotheses (H02, H03, H04, H05) are being accepted, it can be interpreted that H01 (There is no significant role of Top management commitment in adapting Information Technology with respect to Nationalized and Private Banks) is rejected and can reach up to a conclusion that there is a significant role of top management commitment in adapting Information Technology with respect to Nationalized and Private Banks.

Conclusion

The result of the study revealed that there is a no significant difference in adapting Information technology with respect to gender, qualification, experience and age of employees of Nationalized and Private Banks. There is no significant difference found between male and female bank employees in adapting Information technology, this may be because of equal opportunity given to employees irrespective of gender, qualification (undergraduate, master's and Doctorate) degree, experience (less than one year to more than 10 years) and age (from 20 to 60).

Adapting Information technology helps in effective and efficient working of banks. With the above result, it is clear that top management commitment plays a vital role in adapting information technology.

By providing good training and infrastructure employees can easily adapt information technologies which can contribute in the growth of industry as a whole.

Table 1
Normality Statistics

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
mean	.124	59	.025	.953	59	.023

a. Lilliefors Significance Correction

Table 2
Reliability Statistics

Cronbach's Alpha	N of Items
.795	15

Table 3
Independent Samples Test
Gender

Group Statistics					
	Gender	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
mean	1	47	3.7745	.46011	.06711
	2	12	3.5667	.45881	.13245

Independent Samples Test										
		Levene's Test for Equality of Variances		**t-test for Equality of Means**						
		F	**Sig.**	**t**	**df**	**Sig. (2-tailed)**	**Mean Difference**	**Std. Error Difference**	**95% Confidence Interval of the Difference**	
									Lower	**Upper**
mean	Equal variances assumed	.309	.581	1.397	57	.168	.20780	.14873	-.09003	.50564
	Equal variances not assumed			1.400	17.105	.180	.20780	.14848	-.10532	.52092

Table 4
One-way ANOVA test
Qualification

ANOVA					
mean					
	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	.917	2	.458	2.222	.118
Within Groups	11.550	56	.206		
Total	12.467	58			

Table 5
One-way ANOVA
Experience

ANOVA					
mean					
	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	.123	3	.041	.183	.908
Within Groups	12.344	55	.224		
Total	12.467	58			

Table 6
One-way ANOVA
Age

ANOVA					
mean					
	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	2.007	6	.335	1.663	.149
Within Groups	10.459	52	.201		
Total	12.467	58			

Implications

The study provides the followings important implications for researchers, scholars and practitioners. The findings of the study have thrown up numbers of possible applications for practitioners, scholars and researchers. Such applications are conceived as implication of the study for facilitating the conversion of knowledge into wisdom. Information Technology adaptation covers various aspects under umbrella of supportive organizational behavior.

Implications of the study are for the managers of the banks who get updated information through information technologies used as per their requirement. When proper training is given to employees (male or female) in bank, employees' satisfaction level also goes up with adapting information technology. Qualification (undergraduate, masters and Doctorate) does not put much impact on adapting information technology, thus bank should provide proper training so that employees should understand how to use and get updated information as per requirements. Bank authority should encourage for employee participation in management, training and learning procedure to adapting information technology. The research will be helpful in understanding the current position of the banks and to adopt strategy to increase the employee satisfaction level based on the internal facilities of the banks. This research can be further used to evaluate the facilities provided by the management towards the employees.

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