

A Study on the Impact of IT Integrated Services on Commercial Bank Employees

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ABSTRACT

Indian Commercial Banks with large number of branches have huge customer base. But the presence of private and foreign banks with their attractive products and service packages, the customers had several options. The products offered by the foreign banks lured the customers away from the banks which did not offer them. This set a new trend in banking industry. Retaining the existing customer base and expanding the same became the order of the day. The competition among the banks became very intense. The leading Indian commercial banks quickly shifted their focus by re-engineering their processes in providing prompt, efficient customer service and offering variety of hi-tech banking products/services.

The paper focuses on the impact of integrating IT in providing their services on commercial bank employees in India. The objective of the paper is to examine the status of IT integration in Indian commercial banks and to analyze the impact of the same on bank employees. The study reveals that the impact of Process reengineering on employees is positive as perceived by the sample respondents. There is high-level of understanding among the employees about the various PR initiatives taken up by their banks except for back-end software used for banking operations and hardware knowledge to correct simple technical snags.

Keywords: IT Integration, Impact, Employees, Banking operations, Commercial banks.

INTRODUCTION:

Banking in developing countries like India, started witnessing the changed technological and socio-economical factors in providing new financial services with the support of Information Technology, e.g. easy transfer of funds and messages across and beyond the national boundaries. Financial institutions, including banks, all over the world are, therefore, crucially dependent on products of IT and thus the need for BPR in banks.

The Indian banking industry passed through a slow pace of change w.r.t. the transformation in products and services affected through IT. During the last decade, with the liberalization and opening up of Indian Economy, new private sector banks were established and foreign banks also expanded their presence in India. The new private sector banks had a distinct advantage over the nationalized banks as they were able to start their operations with fully computerized services from day one. Foreign Banks were already offering such services.

The commercial Banks, with their social obligations, were having a large number of branches operating manually with a huge customer base. But then the presence of new private and foreign banks with their attractive products and service packages, the customers had several options. The products offered by these banks lured the customers away from the banks which did not offer them. This set a new trend in banking industry. Retaining the existing customer base and expanding the same became the order of the day. The competition among the banks became very intense. The leading banks, therefore, quickly shifted their focus by

re-engineering their processes in providing prompt, efficient customer service and offering variety of hi-tech banking products/services. In order to achieve the same, the leading nationalized banks started building up necessary infrastructure for introducing attractive hi-tech products and offering new services.

OBJECTIVES OF THE STUDY:

- ✓ To examine the various IT integrated services offered by the commercial banks.
- ✓ To analyse the impact of IT integrated services on commercial bank employees.

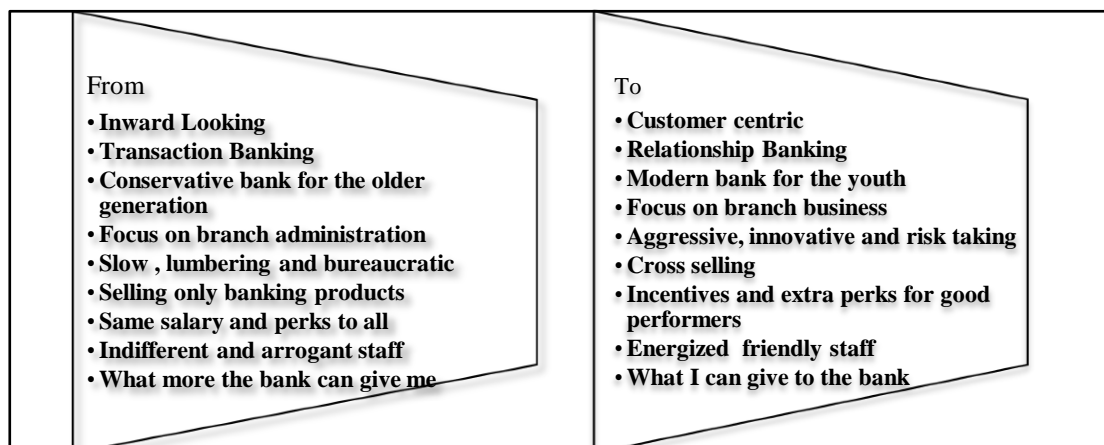
METHODOLOGY:

The study is based on both primary and secondary data. The Primary Data is collected through structured questionnaire from 125 commercial bank employees and the responses are interpreted using “statistical package for social science”.

Transformation of change in Indian Commercial Banks:

The transformation of change in Indian commercial banks was seen during the post reform period i.e. based on Narsimham committee’s recommendations. Commercial banks needed the transformation from laid back approach to fight back approach, from the era of socialism (all are equal) to an era of competition. The transformation of change in commercial banks is presented in Chart- 1

Chart 1: Transformation of change in Indian Commercial Banks From



Role of IT in commercial Banks:

Information Technology has basically been used under two different avenues in Banking. One is Communication and Connectivity and other is Business Process Reengineering. Information technology enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets.

BPR in Commercial Banks:

The year 2000 saw the designing phase for BPR in commercial banks with the following objectives.

1. Simplify customer facing branch processes.
2. Migrate non-customer facing processes to central processing centres.
3. Empower branches to become sales, service and marketing units.
4. Raise customer satisfaction levels
5. To enhance productivity

During the year, the BPR Project has successfully implemented its first phase of roll out. Non-CBS dependant initiatives were rolled out across all the Circles for reduction in turnaround time for sanction of loans, skill pooling and to improve quality of appraisal & sanction. Retail Assets Central Processing Centres (RACPCs) and Small Enterprises Credit Cells (SECCs) were created, covering all the Circles. For improving quality of service to the customers, initiatives like Grahak Mitra and Drop Box were launched. To provide a superior Banking experience for the high net-worth customers, Relationship Manager (PB) concept has been

implemented. To migrate customers to Alternate Channel of service delivery, a highly successful initiative by way of ATM migration was launched. Currency Administration Cells are set up to manage idle cash at Branches and to eliminate the drudgery for the Branch staff in transporting currency. All these initiatives have resulted in significant improvement in customer service levels, reduction in operating costs for the Bank and creation of highly skilled and motivated BPR Implementation Teams. The various services at SBH along with BPR initiatives are presented in the table below

Activity in the Branch	BPR Outfit
Cash transactions, customer rush	ATM, Drop Box
Customer service in the branch	Grahak mitra
Customer Relationship building	Relationship Manager.
Central Govt. Pensions	Pension Processing Cell
Advances - appraisal/sanctions/follow up/recovery	Loan Processing Centres.(Retail and MSME)
Recovery of NPA, sick/sticky loan accounts.	Stressed Assets Resolution Centres
Bank Guarantees, Letter of Credits, Bills, Forex Related transactions	Trade Finance Centralized Processing Centre.
Deposit account opening, maintenance, cheque book issue.	Liability Centralized Processing Centre.
Cash Management	Currency Administration Cells

OBJECTIVES:

The paper focuses on the impact of IT integrated services on bank employees. As we are aware that in any banking institution an employee constitute the most important input. Because of this fact, the concern for improving productivity has to be focused on staff productivity. This paper makes an attempt to examine the views and perceptions of bank employees. After the pilot survey it was found that all the employees in the bank are not aware of all the changes in their banks and it was only branch manager and assistant manager were able to give information. Thereby the structured questionnaires were executed only to these two cadres in the bank to know the perceptions of the employees in relation to Business Process Reengineering in the banks. The responses of 125 commercial bank employees was collected, analyzed and discussed in detail

FINDINGS OF THE STUDY:

The employees considered speedy operations with a maximum average score of 8.55 as the major objective of BPR in banks. In the order of priority the other objectives include, better customer services (8.43), adoption of latest technology (7.42), accuracy of transactions (7.10) and cost reduction in operations (6.93).to satisfy existing customers (5.55) and to create new customers (5.31) and the least importance is given to easy rectification of errors and reduction of staff.(Table1.1)

Table 1.1: Objective of BPR in banks – Employees perceptions

S.NO	Particulars	Weighted Score	Average Score	Rank
1	Cost reduction in operations	866	6.93	5
2	Accuracy of transactions	887	7.10	4
3	Speedy operations	1069	8.55	1
4	Better customer services	1054	8.43	2
5	Adoption of latest technology	927	7.42	3
6	Reducing cost of employees	518	4.14	9
7	Reduction of staff	394	3.15	11
8	Easy rectification of errors	511	4.09	10
9	To satisfy existing customers	694	5.55	6
10	To create new customers	664	5.31	7
11	To win over competitors	572	4.58	8
Total		8156	5.93	-

Source: Primary data

It was found that there is high level of awareness among the employees regarding BPR initiatives of the bank, with the aggregate score of 2.09 out of total 3. It is noticed that high level of awareness is found in case of

alternate delivery channels (2.45), knowledge about electronic services offered by the bank (2.32), product and customer centric sales force (2.25), retail banking (2.21), recommendations of information technology in banks (2.19). There is also the low awareness levels found with respect to hardware knowledge to correct simple technical snags (1.74) and backend software used for banking operating (1.89). (Table 1.2)

Table 1.2: Awareness among employees with respect to BPR in Banks

S.No	Particulars	W.S	A.S	Rank
1	Back-end software used for banking operations	236	1.89	6
2	Recommendations of Information technology in the banks	274	2.19	5
3	Knowledge about electronic services offered by banks	290	2.32	2
4	Hardware knowledge to correct simple technical snags	217	1.74	7
5	Retail banking i.e. CPC's	276	2.21	4
6	Core sales and service branch – SSB	248	1.98	8
7	Product and customer centric sales force	281	2.25	3
8	Alternate delivery channels	306	2.45	1
Total Score		2128	2.09	

Source: Primary data

It is found that the BPR in banks is having a positive impact on the employees, where all the average scores of individual statements are below 2.5 out of 5, as the statements given were negative except that they have a fear of losing face to face contact with customers. The least score of 2.18 is for threat on status of employees due to computerization in the banks, indicating that the employees have accepted the change and are in the process of adopting the same. (Table 1.3)

Table 1.3: BPR and its Impact on Employees

S. NO	Particulars	Weighted Score	Average Score	Rank
1	BPR in banks does not help to improve efficiency of employees.	277	2.22	5
2	It is difficult for the employees to switch over from manual system to computerized system.	288	2.30	4
3	Most of the bank employees took VRS on account of re-engineering of processes in banks	312	2.5	2
4	The bank employees are overburdened after BPR in banks.	305	2.44	3
5	We are losing face to face contact with customers an account of BPR in banks	366	2.93	1
6	There is a threat on status of employees due to BPR in the banks.	272	2.18	6
Total		1820	2.43	

Source: Primary data

It is found that the average score is 5.5 on a 10 point scale indicating just the average score. The top most benefit as perceived by the bank employees is faster customer service 7.82, and the other benefits in order of their preference include time saving with the average score of 7.34, greater efficiency 6.88, lower transmission costs 5.95, reduce of transaction errors and misunderstandings 5.53 etc. (Table 1.4)

Table no 1.4: Benefits of BPR in banks – Employees Perceptions

S. NO	Particulars	Weighted Score	Average Score	Rank
1	Faster customer service	977	7.82	1
2	Reduce transaction errors and misunderstandings	691	5.53	5
3	Lower transmission costs	744	5.95	4
4	Greater efficiency	860	6.88	3
5	Easy clearance	593	4.74	7
6	Time saving	917	7.34	2

S. NO	Particulars	Weighted Score	Average Score	Rank
7	Increase in the no. of banking services	681	5.45	6
8	Retaining existing customers	541	4.33	8
9	Provides better management information	474	3.79	9
10	Increase in transaction volume	398	3.18	10
Total		6876	5.5	

Source: Primary data

It can be concluded that the most important problem of BPR in banks as perceived by the employees is lack of trained personnel having the highest average score of 7.59 out of 9, followed by a score of 7.28 out of 9 for machine failures.(Table1.5)

Table no 1.5: Problems of BPR in banks – Perceptions of Bank Employees

S.NO	Particulars	Weighted Score	Average Score	Rank
1	Lack of trained personnel	949	7.59	1
2	Loss of brain power	479	3.83	7
3	Security concern problems	703	5.62	3
4	Machine failures	910	7.28	2
5	Data integrity problems	691	5.53	4
6	Threat to status of employees	484	3.87	6
7	Threat to ego for employees	398	3.18	9
8	Threat to security for employees	423	3.38	8
9	Electricity disturbances	577	4.62	5
Total		5614	4.99	

Source: Primary data

It is found that overall satisfaction among the listed factors is 3.45 out of 5, which is far above the average level of satisfaction. Among the individual factors highest level of satisfaction was noticed in case of job security (3.92), followed by other factors such as recognition (3.66), promotion opportunities (3.61) and workload (3.36) etc. (Table1.6)

Table no 1.6: Level of satisfaction of BPR in banks – Employees Perception

S.No	Particulars	Weighted Score	Average Score	Rank
1	Work load	420	3.36	4
2	Extra allowance	389	3.11	5
3	Recognition	457	3.66	2
4	Promotion opportunities	451	3.61	3
5	Salary and monetary benefits	383	3.06	6
6	Job security	490	3.92	1
Total		2590	3.45	

Source: Primary data

The employees felt that the major impact of it is on bank performance (4.32) as indicated by both financial and operation indicators. In the opinion of sample respondents the impact of BPR in banks is relatively low on bank customers as compared to bank performance and employees of the bank.(Table1.7)

Table 1.7: Overall Impact of BPR in banks – Employees Perceptions

S.No	Particulars	Weighted Score	Average Score
1	Customers	412	3.30
2	Employees	504	4.03
3	Bank Performance	540	4.32
Total		1456	3.88

Source: Primary data

SUGGESTIONS:

- Awareness among all the employees i.e. (different cadres working in the bank) should be created relating to the various initiatives taken up by the bank.
- Any change made in the bank should also result in the change in attitude of the employees. Management should take the necessary action and try to involve all the employees do the same.
- The bank has to undertake training programs individually for each of the BPR initiatives, separately so as to enable the employees to adopt themselves with the changes that have been made in banks.
- As the sample respondents feel that the impact of BPR is found more on bank performance as compared to employees, the management should consider the same and try to also include productivity based pay scale in addition to the regular pay.
- Efforts should be made to make arrangements for continuous power supply and minimum of machine failures to avoid inconvenience to employees and customers.
- ATM/Debit card facilities are used widely by the customers, they should reengineer the process of ATM's even for deposit of cash at ATM's, which will reduce turn- around time of customers.
- An active customer complaint cell should be established at every branch, so as to enable the customers to express their grievances and solve their problems.
- Management should take the feedback of employees and customers frequently so as to know the pulse of the major stakeholders.

CONCLUSIONS:

Thus the study reveals that the impact of BPR on employees is positive as perceived by the sample respondents. There is high-level of understanding among the employees about the various BPR initiatives taken up by their bank except for back-end software used for banking operations and hardware knowledge to correct simple technical snags. The major problems faced by the sample respondents being lack of trained personnel and machine failures. It is found that the sample respondents perceive the impact of BPR more on bank performance as compared to its impact on customers and employees. Though majority of banking services witnessed improvement after BPR, the sample respondents are of the opinion that some of the services can be improved further namely clearance of outstation cheques, deposit and withdrawal of cash.

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