Outsourcing of ATMs - A Comparative Study between Public and Private Sector Banks in Kerala

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ABSTRACT

Outsourcing is the execution of part or entire business function by a third party. The impact of outsourcing can be seen in almost every sector whether it is manufacturing, financial, Information Technology (IT) or some other service sectors. Among these, financial services Sector is the most important one. Nowadays, outsourcing is a common phenomenon adopted by almost all banks. Outsourcing can be seen in every department of banks. The present paper attempts to analyse the reasons behind ATM outsourcing and to assess the level of satisfaction of branch managers on services provided by outsourcing agencies. For this purpose, data were collected from ATM coordinators and branch managers of one public sector bank viz.,Canara bank and one bank from private sector namely HDFC bank with the help of a structured questionnaire. A five point Likert scale ranging from highly satisfied to highly dissatisfied was employed to assess the satisfaction on outsourcing agencies' services. It is found that banks prefer to outsource ATM related activities with the hope of reducing day to day burden, cutting down expenses, getting better access to technologies and to concentrate more on core activities. Further it was also found that among all ATM activities being outsourced branch managers are more satisfied of ATM software services.

Keywords: Outsourcing, Automated Teller Machine (ATM), Outsourcing Agency, Banking Sector.

INTRODUCTION:

Outsourcing is a process whereby a Company get whole or part of its work done by a third party. The third party is termed as an outsourcing vendor/ agency and the other party is called an outsourcing client.

After the introduction of Liberalisation, Privatisation and Globalisation (LPG) policy in 1991 and with the outbreak of computerization era, the needs and expectations of customers increased, and banks found it very difficult to survive in such a competitive market. As a result, in order to cope up with the ever increasing needs of customers and to maintain the competitive edge, banks begin to outsource certain activities. Nowadays, outsourcing is present in almost every department of bank whether it is human resource department, digital banking department, IT department or credit department. One major area which is widely outsourced by both public and private sector banks is ATMs. At this juncture it is quite relevant to identify the reasons behind ATM outsourcing and to analyse the service quality of outsourcing agencies' work.

LITERATURE REVIEW:

The relevant studies related with this area are briefly presented below.
Belay & Kindie (2017) have made an attempt to analyse the effect of ATM service quality on customer satisfaction. For this, data were collected from both secondary and primary sources. Primary data were collected from 190 customers of Ethiopian Commercial Banks in Debremarkos Town by using a questionnaire. Data were

analysed using various statistical tools such as mean, standard deviation, correlation and multiple regression model. The study found that out of the five service quality dimensions tangibility, reliability, responsiveness and empathy have positive and significant effects on customer satisfaction. Whereas, assurance has a negative and insignificant effect on customer satisfaction. Researchers suggested that Ethiopian commercial banks should provide training to employees on how to treat the customers and how to solve the ATM service problems.

Idris (2014) investigated the perceived customer satisfaction towards introduction of ATM in Nigrian banks. The researcher collected primary data from 106 bank customers in Zamfara State by using a questionnaire. Satisfaction of customers was measured in relation to three variables namely ease of use, perceived accessibility and perceived security. Questionnaire contained four statements in relation to each of these constructs. It is found that most of the customers used ATM as a result of its provision for quick access to money and ease of operation but not because of optimum security.

Kakabadse & Kakabadse (2005) highlighted the two reasons for outsourcing which are cost reduction and focus on core-activities of organisation. They conducted a survey of companies from US, UK and Continental Europe and found that partnership alliances and performance driven contracts will become as important as trusted supplier relationship, which is presently preferred.

Kivijarvi & Toikkanen (2015) evaluated the Information Technology Outsourcing measurement system of a multinational Corporation in an electronics industry. In this paper a systematic framework has been developed to evaluate the properties of previous and current measurement system and to develop a new ITO measurement system. The results of the study indicate that the measurement system will differ for different levels, namely input level, measurement process level and output level. When the developed framework was compared with some other measurement systems, it was found that individual factors like focus on core competencies and cost of outsourcing were not given due weight.

Mou & Brian (2006) analysed the problems that organisations face due to outsourcing of payroll. By payroll outsourcing, organisations can reduce cost, avoid internal revenue service and enable direct deposits. But even after outsourcing employees will still be responsible for issues related to payroll. Employees cannot completely shift burden to the service provider.

From the review of the literature available in the related area, it has been found that none of the study has tried to find out the reasons behind ATM outsourcing and the satisfaction on services provided by outsourcing agencies. Hence, the present study is an attempt in this direction.

PROBLEM STATEMENT:

In this rapidly evolving world where no one is ready to wait, banks introduced ATMs which enabled customers to get better and easy access to money. But it required lot of time, effort and expertise on part of bank employees to maintain, process and update ATMs. To avoid this overburden, banks begin to outsource ATM related activities to some outside agencies. This is because of the fact that these agencies can do these works more efficiently than that of bank employees. It will eventually enable banks to reduce cost, save time, get better service quality etc. Therefore, an attempt has been made through this paper to examine the basic reasons behind ATM outsourcing and to evaluate the satisfaction level of bank branch managers on the services provided by outsourcing agencies.

OBJECTIVES OF THE STUDY:

Following are the specific objectives of the present paper.
1. To identify the motivating factors behind ATM outsourcing and
2. To analyse the satisfaction level of branch managers on various ATM services provided by outsourcing agencies.

HYPOTHESES:

The below mentioned null hypotheses were formulated and tested.
(1) **H0:** There is no significant difference between type of bank and satisfaction level of branch managers on cash and receipt roll loading services provided by outsourcing agencies.
(2) **H0:** There is no significant difference between type of bank and satisfaction level of branch managers on ATM software services provided by outsourcing agencies.
(3) **H0:** There is no significant difference between type of bank and satisfaction level of branch managers on ATM maintenance services provided by outsourcing agencies.

RESEARCH METHODOLOGY:

This study is both descriptive and analytical in nature. Here, an attempt has been made to make a comparison between Public and Private sector banks in terms of ATM outsourcing. For this purpose the researcher has selected Canara bank from public sector and HDFC bank from private sector by following Convenience sampling method. Data were collected from both secondary and primary sources. Secondary data were collected from various books, journals, websites etc. Primary data related to reasons behind outsourcing were collected from ATM coordinators of both the banks by using an interview schedule. Whereas, primary data relating to satisfaction on outsourcing agencies' services were collected from 30 branch managers each from both the banks. For this, a well-structured questionnaire was used. A five point likert scale ranging from highly satisfied to highly dissatisfied was employed. Data were analysed by employing various statistical tests like mean, standard deviation and independent sample t-test with the help of SPSS package.

The following variables were analysed for fulfilling the objectives of the Paper.

I. **ATM Cash & Receipt Loading**
   - Cash Loading
   - Receipt Roll Loading
II. **ATM Software**
   - Software for Processing
   - Software for Security updation
   - Software for CCTV inside ATM Booth
III. **ATM Maintenance**
   - ATM Repair and Maintenance
   - ATM Booth Cleaning

FINDINGS AND DISCUSSION:

The findings of the study based on analysis of above mentioned variables are presented below. This section is classified under two heads. The first head deals with the motives behind outsourcing and that of second is concerned with satisfaction on outsourcing agencies' services.

Motives behind Outsourcing:
ATM co-ordinator is the ultimate authority to provide details on reasons for ATM outsourcing. Therefore data related to this were collected from them.

As per the responses provided by coordinators, it was observed that in case of HDFC bank the main reason for outsourcing of cash loading and receipt roll loading is to reduce expense, minimise the burden of day to day activities and to concentrate more on core activities. ATM Software were outsourced to get access to latest technology, specialised work and to improve service quality. ATM maintenance and booth cleaning were outsourced to reduce expenses and number of permanent employees.

Whereas, in case of canara bank the prime motive to outsource all these activities is to reduce the burden of day to day activities of bank employees.

The coordinators of both private and public sector bank have opined that ATM card printing, issue of cards and ATM grievance redressal etc. cannot be outsourced as this may cause threat to confidentiality of customer's personal details in view of security problems.

Satisfaction on Outsourcing Agencies' Services:
Based on the result of independent sample t-test (presented in Table 1) it is found that in case of both ATM cash & receipt roll loading and ATM software the P-value is below 0.05. Therefore, the null hypothesis can be rejected. It indicate that in both these cases there is significant difference between type of bank and branch manager's satisfaction level on these services provided by outsourcing agencies.

Whereas, in case of ATM maintenance related activities as the P-value is above 0.05, the null hypothesis is not rejected. It indicate that there is no significant difference between type of bank and branch manager's satisfaction level on ATM maintenance services provided by outsourcing agencies.

Further, based on the mean and standard deviation of all ATM outsourced activities (Table 2) it has been found that canara bank branch managers are more satisfied in software for CCTV monitoring. Whereas HDFC branch

managers are more satisfied in software for security updation.

CONCLUSION:

From the foregoing analysis it is found that both public and private sector banks prefer to outsource most of the ATM related activities so that they can reduce expense, get rid of day to day activities and concentrate more on core activities. But banks do not prefer to outsource any activity which can create some sort of threat to the confidentiality of customer's personal details. It has been found that among all the ATM related activities outsourced both the banks are more satisfied in software services.

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TABLES:

Table 1: Bank wise Classification of Managers showing Satisfaction on ATM Services Provided by Outsourcing Agencies

Variables	Cash & Receipt Roll Loading		Softwares		Maintenance	
Statistic	**Canara Bank**	**HDFC Bank**	**Canara Bank**	**HDFC Bank**	**Canara Bank**	**HDFC Bank**
Mean	6.6667	7.7333	10.5333	11.7333	6.9000	6.9333
Standard Deviation	1.60459	.69149	1.90703	.69149	1.42272	1.41259
F Value	37.393		47.859		.052	
P Value	.000		.000		.821	
t Value	-3.344		-3.240		-.091	

Significant at 0.05 level
Source: Primary Data

Table 2: Bank wise classification of Managers showing
Mean and Standard Deviation of ATM related Outsourced Activities

ATM related Outsourced Activities	Canara Bank		HDFC Bank	
	Mean	**Standard Deviation**	**Mean**	**Standard Deviation**
Cash Loading	3.333333	0.802296	3.866667	0.345746
Receipt Roll Loading	3.333333	0.802296	3.866667	0.345746
Software for ATM processing	3.200000	0.924755	3.866667	0.345746
Software for security updation	3.433333	0.858360	4.000000	0.000000
Software for CCTV monitoring	3.900000	0.305129	3.866667	0.345746
ATM Maintenance	3.433333	0.858360	3.200000	0.924755
ATM Booth cleaning	3.466667	0.819307	3.733333	0.691492

Source: Primary Data