

## **THE IMPACT OF INFORMATION TECHNOLOGY IN BANKING SYSTEM**

**(A Case Study in Telangana Gramina Bank, Telangana)**

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### **Abstract**

we are now in information age that is characterized by an ever-changing information technology revolution and an information superhighway on which every corporate entity and profession must more, if it is to survive in the 21st century. The sector that has been most radically affected by the information technology developments is the banking system. The information technology has become a critical business resource because its absence could result in poor decisions and ultimately business failure.

It is information technology which enables banks in meeting such high expectations of the customers who are more demanding and are also more techno-savvy compared to their counterparts of the yester years. They demand instant, anytime and anywhere banking facilities. This has, however, now given way to large scale usage in services aimed at the customer of the banks. The present paper reveals the impact of IT on new delivery channels--in the form of Automated Teller Machines, Net Banking, Mobile Banking and the like. Further, IT deployment has assumed such high levels that it is no longer possible for banks to manage their IT implementations on a standalone basis with IT revolution, banks are increasingly interconnecting their computer systems not only across branches in a city but also to other geographic locations with high-speed network infrastructure, and setting up local area and wide area networks and connecting them to the Internet.

**Key Words:** Technology revolution, banking system, network, Information Technology, delivery channels

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## **Introduction**

All the necessities of modern life brought light to the fact that information for the modern organization is a resource parallel in importance to land, labor and capital. It is very vital and a priceless resource. It is no longer news that we are now in information age that is characterized by an ever-changing information technology revolution and an information superhighway on which every corporate entity and profession must more, if it is to survive in the 21st century.

The sector that has been most radically affected by the information technology developments is the banking system. The information technology has become a critical business resource because its absence could result in poor decisions and ultimately business failure. Technology has opened up new markets, new products, new services and efficient delivery channels for the banking industry. Online electronics banking, mobile banking and internet banking are just a few examples.

Information Technology has also provided banking industry with the wherewithal to deal with the challenges the new economy poses. Information technology has been the cornerstone of recent financial sector reforms aimed at increasing the speed and reliability of financial operations and of initiatives to strengthen the banking sector.

The IT revolution has set the stage for unprecedented increase in financial activity across the globe. The progress of technology and the development of worldwide networks have significantly reduced the cost of global funds transfer.

It is information technology which enables banks in meeting such high expectations of the customers who are more demanding and are also more techno-savvy compared to their counterparts of the yester years. They demand instant, anytime and anywhere banking facilities.

Other researches show that information technology has been providing solutions to banks to take care of their accounting and back office requirements. This has, however, now given way to large scale usage in services aimed at the customer of the banks. IT also facilitates the introduction of new delivery channels--in the form of Automated Teller Machines, Net Banking,

Mobile Banking and the like. Further, IT deployment has assumed such high levels that it is no longer possible for banks to manage their IT implementations on a standalone basis with IT revolution, banks are increasingly interconnecting their computer systems not only across branches in a city but also to other geographic locations with high-speed network infrastructure, and setting up local area and wide area networks and connecting them to the Internet. As a result, information systems and networks are now exposed to a growing number.

### **Research Hypothesis.**

Hypothesis are sets of assumptions formulated by the researcher, accepted or rejected personally on the basis of research findings. The hypothesis to be tested in the course of this researchwork is stated strictly in their null forms as follows;

1. Information technology has effect on the growth of Telangana Gramina Bank, Telangana.
2. Technology is influencing competition and the degree of contestability in Telangana Gramina Bank, Telangana.
3. Technology influence Economy of scale in Telangana Gramina Bank, Telangana.
4. Technology influence the economics of delivery.

### **Objectives of the study:**

1. Does IT have a meaningful effect on saving the time of the customers and the employees of Telangana Gramina Bank.
2. Does IT have a meaningful effect on cutting down the expenses of Telangana Gramina Bank.
3. Does IT have a meaningful effect on facilitating the network transactions of Telangana Gramina Bank.

### **The Review of Related Literature**

The number of studies on information technology in the literature is abounding and is dramatically on the rise due to its indispensable significance in all aspects of our life. As Princhard and Cole (1997) state, Information Technology (IT) is a term, which generally covers

the harnessing of electronic technology for the information needs of business at all levels. It is a computer based system as well as telecommunication technology for storage, processing and dissemination of information.

The role of information technology in the banking industry is accentuated too but not sufficient in Telangana. Lichtenberg (1995) concludes that there is significant benefit from investment in Information Technology especially in the Banking Industry. Mario Castelino (2006) suggests that Indian banking industry has provided the leading edge to what is happening to the Indian economy. Banks have equipped themselves with the latest of technology--core Banking. Business Process Reengineering has been introduced to enhance spleen and efficiency of delivery.

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. But focusing on both threats and opportunities of information technology, Blili and Raymond (1993) concluded that the strategic use of information technology can both threaten and benefit small and medium-sized enterprises (SMEs). In this paper, the strategic importance of information technology is analyzed in light of the specificity of these organizations. Planning approaches are then outlined, focusing on how SMEs can attain a mastery of information technology for competitive advantage.

There are also statistical reports regarding the banking industry affected by IT announced by organizations throughout the world. For instance, you can find those released by Computer Industry Report, March 27, 1992 as follows:

The banking sector in the survey base saw budgets drop 10% on average in 1991, and expects only average growth in 1992. With average site budgets in excess of \$4 million, the highest in the survey group, the downturn for banking has affected the entire IT market.

Banking had the highest negative rating in its attitude towards IS spending; almost half checked choices indicating stable spending with no major growth in any area, or a contraction of spending.

Controlling costs is a critical imperative for nearly two-thirds of the banking community, by far the highest ratio for any of the sectors surveyed.

The replacements will presumably be largely PCs, since banking had the lowest percentage (18%) agreeing that UNIX workstations are becoming a viable alternative to traditional personal computers.

A survey-low 29% of PCs in banking were connected to a host computer, compared to an average of two-thirds.

Overwhelmingly the major activity of software staff at banking sites is systems or network maintenance, which accounted for 60% of staff time compared to an average of 33%. Only 16% of staff time went to developing new applications.

### **Method of Research**

Both Exploratory Research and Descriptive Research were used in accomplishing the objective of the study.

### **Sampling Design**

Random sampling is the sampling design of this study; it is the most appropriate design to use in this study since the researcher decided the sample size of the study i.e. 100 bank customers and a sample of 20 clerical and 20 managerial in the bank.

Primary research was conducted using questionnaire surveys to them. The researcher tallied, scored and tabulated all the responses in the provided survey questions. The researcher conducted the survey personally with the respondents. Further research will be carried out through consultation of books, journals and magazines. Secondary data will support primary data

collection to show a clearer picture of the information technology's effect on Telangana Gramina Bank, Telangana.

### **Scope of the study**

The focus of this study shall cover the role information technology play on the operations of Telangana Gramina Bank. Specifically, the information in this research work is limited to the activities of Telangana gramina bank, Telangana

### **Conclusion**

The research brought to light the fact that IT has been of great impact on Telangana Gramina Bank, Telangana. The findings both from the questionnaires and the library research reveal that IT leads to saving the time of the customers and the employees conspicuously, cutting down the expenses and facilitating the network transactions. The details are as follows:

Regarding the first research question, both the customers and employees believe that IT has a meaningful effect on saving the time of the customers and the employees of Telangana Gramina Bank, Telangana. (84% and 91% respectively)

Apropos to the second question, around 91 % of the bank managers believe that IT has a meaningful effect on cutting down the expenses of Telangana Gramina Bank, Telangana.

Concerning the third research question, the customers and bank employees answered that IT has a meaningful effect on facilitating the network transactions of Telangana Gramina Bank, Telangana. (88% and 93% respectively). The data gathered from the library research also approved the abovementioned results.

The outcome of this study is limited only to the data gathered from the books and journals about information technology and its impact on Telangana Gramina Bank, Telangana and from the primary data gathered from the result of the questionnaire survey and interview conducted by the researcher. As the research was completed in a limited period of time other factors and variables are not considered. This might have an impact on the results of the study.

We cannot deny that the advancement of technology was a necessity of the current era. Businesses need to adopt and embrace new technologies to provide excellent business operation and services to their clients. The bank industry is not an exception with regards to this adaptation. So it is worth suggesting that the banking industry needs to spend more on IT and better apply IT to improve its operations, customer services and products. Banks should devote more resources to development of secure IT systems, services and products.

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