

**A STUDY ON THE IMPACT OF INFORMATION
TECHNOLOGY ON STATE BANKS IN BATTICALOA
DISTRICT**



BALASUBRAMANIAM PRATHIPAN

962



Project Report
Library - EUSL

**DEPARTMENT OF MANAGEMENT
FACULTY OF COMMERCE AND MANAGEMENT
EASTERN UNIVERSITY, SRI LANKA**

2007

Abstract

The banking sector is leading in the use of Information Technology in Sri Lanka. Banking has always been a highly information intensive activity particularly over the last few decades that information technology (IT) has affected the banking industry heavily. The state banks have realized that the Information Technology is an important aspect in banking.

The purpose of this study is to evaluate the impact of Information Technology on the state banking sector in Batticaloa district. Because the adoption of Information Technology in banks has improved customer services, facilitated accurate records, provides for home and office banking services, ensures convenient business hour, prompt and fair attention, and enhances faster services, as well as it improves the banks' image and leads to a wider, faster and more efficient market.

In order to evaluate the impact of information technology, the model has been developed based on literature review and the model has six variables, which are operational cost, time and speed, internal system efficiency, security and risk, job and work environment, communication and decision making. The target population for this study is all employees of state banks in Batticaloa district (259), for this study purpose 150 employees were randomly selected and questionnaires were distributed among them and their responses are obtained through questionnaire.

Then the results are presented in details. In particular, this study points out the importance of IT in state banking sector and also points out significant benefits which are received by state banks in Batticaloa district. This study showed that, Information technology have contributed in various aspects of state bank positively. So, Banks must use computerized system to be flexible and able to handle changes in the Banking sector. This flexibility can increase the computerized systems' lifespan in banks and also if banks apply new technologies in to their system, it will be more beneficial to them.

CONTENTS

	Page No
Acknowledgement	i
Abstract	ii
Abbreviations	iii
Table of contents	iv
List of Table	x
List of Figure	xi
CHAPTER 01: INTRODUCTION	1
1.1 Background of the study	1
1.2 Problem Statement	4
1.3 Research questions	6
1.4 Objectives of the study	7
1.5 Significance of the study	7
1.6 Scope of the study	8
1.7 Assumption of the study	9
CHAPTER 02: LITERATURE REVIEW	10
2.1 Introduction	10
2.2 Information technology	10
2.2.1 Definition of Information technology	11
2.2.2 Factors which are influencing Individuals' IT usage	11
2.2.2.1 Gender and IT use	12
2.2.2.2 Income and IT use	12
2.2.2.3 Education, profession and IT use	13
2.2.2.4 Age and IT use	13
2.2.2.5 Location and IT use	14
2.2.3 Use of information technology in an organization	14
2.2.3.1 Recording Transactions	15
2.2.3.2 Decision Making	15
2.2.3.3 Planning and Implementation	15
2.2.3.4 Performance measurement	15

2.2.3.5 Control	16
2.2.3.6 Communications	16
2.3 Impact of IT on organization	16
2.3.1 Impact on Organizational Structure	16
2.3.1.1 Flatter organizational hierarchies	16
2.3.1.2 Change in supervision	17
2.3.1.3 Power and status	17
2.3.2 Impact on Jobs, Task and working environment	17
2.3.2.1 Job content	18
2.3.2.2 Employee career ladder	18
2.3.2.3 Work process	18
2.3.2.4 Electronic workforce	19
2.3.2.5 Functional areas	19
2.3.2.6 Virtual Components	19
2.3.2.7 Electronic Banking	19
2.3.2.8 Technological leveling	19
2.3.3 Impact on Decision making	20
2.3.4 Impact on Communication	21
2.3.4.1 Electronic communications	21
2.3.4.2 Technological matrixing	21
2.3.4.3 Inter-organizational relations	21
2.4 Impact of Information Technology on organizations	21
2.4.1 Tasks	22
2.4.2 Technology	22
2.4.3 Culture	22
2.4.4 Structure	23
2.5 IT applications and frame work	23
2.5.1 Organization structure	24
2.5.2 People	24
2.5.3 Tasks	24
2.5.4 Technology	25
2.5.5 Information technology	25
2.6 Impact of IT on banking sector	25
2.6.1 Impact on Cost aspects	25

2.6.1.1 Banking transactions	25
2.6.1.2 Overall operating expenses	26
2.6.2 Impact on Time and Speed	27
2.6.3 Impact on decision making	29
2.6.4 Impact on internal operations	30
2.6.5 Impact on the structure of the banking sector	31
2.6.5.1 Banking capacity	32
2.6.5.2 Bank branches	32
2.6.5.3 Bank personal	33
2.6.6 Impact on risks in banking	33
2.6.6.1 Strategic risk	33
2.6.6.2 Legal risks	34
2.6.6.3 Operational risk	34
2.6.6.4 Credit and market risk	34
2.6.7 Information technology on communication of banks	35
2.7 Summary of Literature Review	36
CHAPTER-03: CONCEPTUALIZATION AND OPERATIONALIZATION	37
3.1 Introduction	37
3.2. Conceptualization	37
3.2.1 Operational Cost	38
3.2.2 Time and Speed (Response Time)	39
3.2.3 Internal System Efficiency	40
3.2.4 Security and Risk	40
3.2.5 Job and work environment	41
3.2.6 Communication and Decision Making	41
3.3 Operationalization	43
3.4 Summary	46
CHAPTER-04: RESEARCH METHODOLOGY	47
4.1 Introduction	47
4.2 Study setting, Design, and Method of survey	47

4.3 Sampling	48
4.4 Data Collection	49
4.5 Methods of Measurement	50
4.6 Questionnaire Administration	51
4.7 Methods of Data Analysis and Evaluation	52
4.7.1 Methods of Data Analysis	52
4.7.2 Methods of Data Evaluation	53
4.8 Summary of Methodology	53

CHAPTER – 05: DATA PRESENTATION AND ANALYSIS

5.1 Introduction	54
5.2 Personal Information	54
5.2.1 Gender	54
5.2.2 Age	55
5.2.3 Educational Qualifications	56
5.2.4 Monthly income	56
5.2.5 Experience	57
5.2.6 IT related training which is provided by the bank	58
5.3 Research Information	59
5.3.1 Operational cost	59
5.3.2 Time and Speed	61
5.3.3 Internal System Efficiency	62
5.3.4 Security and Risk	64
5.3.5 Job and work environment	65
5.3.6 Communication and Decision Making	68
5.4 Variables view	69
5.4 Gross tabulation Analysis	71
5.4.1 Gender	71
5.4.2 Age	72
5.4.3 Educational Qualifications	73
5.4.4 Monthly income	73
5.4.5 Experience	74
5.4.6 Types of Bank	75

5.4.7 IT related training which is provided by the bank 75

5.5 Summary 76

CHAPTER - 06: DISCUSSION 77

6.1 Introduction 77

6.2 Discussion on personal information 77

6.3 Discussion on Research Information 79

6.3.1 Operational cost 79

6.3.1.1 Stationery cost 80

6.3.1.2 Processing cost 80

6.3.1.3 Transaction cost 80

6.3.1.4 Staff cost 81

6.3.1.5 Maintenance cost 81

6.3.1.6 Communication expenses 82

6.3.2 Time and Speed 82

6.3.2.1 Transaction time and speed 82

6.3.2.2 Transferring time and speed 83

6.3.2.3 Processing time and speed 83

6.3.3 Internal System Efficiency 84

6.3.3.1 Manual Errors 84

6.3.3.2 Convenient 85

6.3.3.3 Work load 85

6.3.3.4 Internal operations 85

6.3.4 Security and Risk 86

6.3.4.1 General Security 86

6.3.4.2 System security 87

6.3.4.3 Transaction security 87

6.3.4.4 General risk 87

6.3.5 Job and work environment 88

6.3.5.1 IT Knowledge 88

6.3.5.2 Job and structure design 89

6.3.5.3 IT related training needs 89

6.3.5.4 Competency 90

6.3.5.5 Job profile 90

6.3.5.6 Productivity and the flexibility	90
6.3.5.7 Job involvement	91
6.3.5.8 Employees contribution	91
6.3.5.9 Atmosphere	92
6.3.6 Communication and Decision Making	92
6.3.6.1 Information usage	93
6.3.6.2 Decision improvement	93
6.3.6.3 Power decentralization	94
6.3.6.4 Communication capacity improvements	94
6.3.6.5 Communication improvements	95
6.4 Summary	95
CHAPTER - 07: CONCLUSION AND RECOMMENDATION	96
7.1 Introduction	96
7.2 Conclusions and recommendations on research variables	96
7.2.1 Conclusion	96
7.2.2 Recommendations on research variables	97
7.3 Suggestions for Future Research and Limitations	98
7.3.1 Suggestions for Future Research	98
7.3.2 Limitations of the Study	99
7.4 Implications	99
APPENDIX	
Appendix 01: Questionnaire	xii- xiii
Appendix 02: References	xiv-xv