

Information technology in global banking and finance

Finance



Information Technology in Global Banking and Finance” Submitted This research aims to evaluate the affects of Information and Communication technology on the banking industry along with explaining the types of ICTs used in the banking sector and the role it has played in either improving or deteriorating the performance and success of the banking sector. At the end of the research we would evaluate that whether IT has improvised the banking sector and helped it to prosper or is the cause of major threats that the banking sector is working to reduce.

IT in Global Banking and Finance

Abstract2

Introduction and Background(Executive Summary)4

1. 1 Banking business and use of Information Technology4

Effects of IT on Banking

2. 1 Use of Information Technology in Banking 5

2. 2 Effect of use of Information Technology 5

2. 3 Limitations of Information Technology 5

2. 4 Review of Related Literature 6

Methodology7

References

List..... 8

INTRODUCTION AND BACKGROUND

1. 1 Banking can be defined as a business of borrowing, keeping and lending money. It can also be defined as a business that is being carried out by bankers. Banking industry is going through drastic changes nowadays and the major causes of these changes are; increased competition, better

products, increased restrictions etcetera. Information technology is the major issue that the executives keep in their mind while designing the strategies for global banking. Information technology can be defined as a productive combination of human resources, hardware, software and ways of communication that collect data and transform it into meaningful information in an organized manner. In today's competitive world only the banks that use their information technology efficiently and strategically can handle the changing market conditions effectively. (Anyasi and Otubu 2009, p. 1).

EFFECTS OF IT ON BANKING INDUSTRY

USE OF INFORMATION TECHNOLOGY IN BANKING

2. 1 IT can be used in the many forms or manner in global banking industry including Internet Network, SMS Alerts, E-mails, ATMs and Electronic Fund Transfers etc. The other services provided by banks are authentication, internet access, security systems etcetera. (Alawode, John & Kaka 2008, p. 675 - 676)

EFFECTS OF USE OF INFORMATION TECHNOLOGY

2. 2 Use of technology has reduced the probability of human errors and has been effective in reducing the overall costs. It also helps in providing valuable information to consumers easily and on lower costs, it also facilitates the performance of tasks and makes them less time consuming. Examples of improvised banking services because of involvement of IT are Telephone and Internet banking. (Ombati, Magutu & Nyamwange 2010, p. 155 - 156).

LIMITATIONS OF INFORMATION TECHNOLOGY

2.3 Though technology has benefited the global banking industry to a great extent but there are certain limitations to it which include; the first major limitation is security as the consumers do not consider e-banking a secure process to solve this problem banks are providing consumers with authentication, another limitation is lack of training if the work force is not properly trained then it can affect the benefits that can be reaped through information technology. In addition to that the laws and regulations prevailing both in national and global economy are also a major limitation in using information technology in banking sector. However, if information technology is used effectively it can be effective for both the banking industry and the consumers as well.

LITERATURE REVIEW

2.4 Use of new channels for the delivery of products has reduced the transaction cost for banking industry. A research carried out by Sybase indicates that a transaction carried out by a traditional banking sector costs 1.07 Euros whereas the same transaction carried out on telephone costs 55 eurocents, if carried out at an ATM the same transaction would cost 27 eurocents and it will cost only 1 eurocent if it is carried out online through internet banking. (Reixach 2011, p. 14).

As laid down by Ho and Mallick in their research paper IT also helps in reducing costs of the banking sectors but 'the effect on profitability remains inconclusive' because of the increasing competition due to networking. (Ho & Mallick 2006)

Summers in his research pointed out that Information Technology has its challenges too and he is of the view that 'at this point in time the challenges

predominate in the case of organizations like central banks, which are responsible for the reliable operation of mission-critical financial infrastructure'. (Summers 2000)

METHODOLOGY

This study will make use of research papers and work by various authors to identify the major effects of IT on the banking sector. Then with the use of surveys and questionnaires the data will be analysed and evaluated. Data collection will include collecting the improvements and threats posed by IT by way of surveys, interviews and extensive reading and research. Surveys and questionnaires will be taken from the IT specialists, banking staff and general public (users of the banking services).

At the end of the research question as to whether IT has left positive impacts on the banking sector or it has left banking to cope with serious threats would be answered.

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