Information technology and developments

Technology

Electronics and information technologies are rapidly changing the banking and financial services industry. In the world of banking, the developments in information technology have had an enormous effect in development of more flexible payment methods and more user-friendly banking services. The amount of transactions and information, have increased so rapidly during the last decades, so it is impossible to even think about banks without computers. This study describes how the information technology has diffused in the banking sector.

Some examples of payment methods and services are introduced particularly a great interest is addressed to the development and diffusion of the Automated Teller Machines (ATMs). Electronics and information technologies are rapidly changing the banking and financial services industry. Online banking and electronic payment systems are new, and the development and diffusion of these technologies by financial institutions is expected to result in a more efficient banking system. This technology offers institutions an alternative and better delivery channels through which banking products and services can be provided to consumers.

The decline in cost and increase in capacity of computers, as well as developments in communications technology, have altered not only the way information is transferred but also the cost of processing and storing information. The development of a modern banking technology began in the 1960s. It was during the fourth Kondratieff upswing, when computer-and microelectronics-sectors started their growth (Freeman & Perez, 1988, p. 60). Computers made it possible to handle a huge amount of transactions in a very short time.

These new opportunities and changes had an important effect on the organisation of work. Banking personnel left routine based and time consuming work to computers and began to concentrate on the service-sector. This was beginning of a new paradigm, " the information technology paradigm", and banking was probably the first major service branch which adopted new information technologies extensively (de Wit, 1990, p. 95). To bring services closer to a customer and to guarantee the opportunity to use them anytime a customer wants to, have been the most important targets in banking during the last twenty years.

The continuing development of more and more complicated back-office systems would not have been possible without information technology. In many cases, computers have replaced banking personnel and they have become the most important factor behind the decreasing amount of working places (Lehti & Kari, 1996, p. 123). This new information technology led to savings in labour costs, but it also originated a process of saving in other categories of capital as well, like buildings (de Wit, 1990).

In the beginning of the 1980s, Hedberg and Mehlmann (1981) had a vision on how a bank office would look like in the future. They argued that in the 1990s there would be much more highly technology based machines in the offices and these machines would serve customers. " The bank office in the future is going to look like a department store, where customers can make their daily " purchases" with help of machines" (p. 49). The personnel are needed to make the most complicated tasks and to give some advice and information to customers.

From my point of view, what Hedberg and Mehlmann said over fifteen years ago, have now become almost a reality. The illustrative example of this kind of department is HSBC bank and many other bank offices in Hyderabad, in India. The service counters have been replaced, by machines and the personnel are walking around the shop helping customers to use these highly developed machines. I have to agree that this is a big step forward, but is it really a better way to handle customers by teaching " them" to use those complicated machines?