

## Chapter 5

### Conclusion and Recommendation

#### 5.1 Introduction

The research study explained that there is a substantial influence of ICT usage on the bank branch performance improvement. In conducting this research it was found that usage levels of ICT in the branches differed significantly. Some branches were using ICT in many of their business functions whereas in others the ICT usage was limited to core banking applications. For example, some branches have not explored the possibility of using e-mail communications with customers to further improve customer service levels and reduce delays in correspondence.

This research analysed ten different measurements for the impact of ICT usage on branch performance. Out of the ten measurements, only three measurements did not show a strong positive impact which meant that there was no benefit accrued due to ICT usage. One such measurement was the impact of 'ICT application' on increase in total advances granted by the branch. As per the results there was only a weak relationship between 'ICT application and increase in advances'. According to banking practices, loans and advances are granted to customers in the form of short term loans, term loans and overdrafts. Interest earnings from advances are contributing very much towards the branch profit. Loans and advances are granted to customers on their request after a careful credit analysis. A credit report is to be prepared showing expected utilisation pattern of the money and the disbursement pattern of the bank. Customer repayment ability is to be explored. The customers' banking transaction history is also to be studied. Hence the ICT is to be used heavily in the pre analysis of loan disbursement in order to confirm the credit worthiness of the customer. Cost of funds and recovery methods are also important parameters in deciding the interest rate at which the loan is granted. Data mining and data

warehousing techniques can be used to streamline the decision making process and reduce the delays in loan disbursement process.

One outcome of this research is that it can point management that most benefit can be achieved by using ICT in bank branch operations. The results of this research will enable the bank to take corrective decisions on fund allocations for ICT training on employees. The bank can implement e-learning facilities using the existing infrastructure.

## **5.2 Enhancement of ATM Facilities**

According to customer responses received during the survey, the ATM usage is very popular among customers. Customers are very happy to use them without travelling to their branches. However from the research results of this work it is revealed that customers are not happy with the level of availability of ATM facilities in the country. ATM location points are limited and not easy to find the next ATM machine when the closest machine is malfunctioning.

In order to provide more ATM points, the bank can explore possibilities of sharing ATMs with other banks in the country. The bank is currently sharing ATMS with another local bank. Thereby the customers may be able to use the closest ATM for his need irrespective of the bank he or she is banking with. However, it is not easy to achieve this scenario, as the bank which owns the most number of ATMs in the country will have an adverse effect while the other banks will enjoy an extra advantage. Software integration will also be a barrier in achieving the best solution.

During the interviews it was revealed that the bank can incorporate other functionalities like cash deposits, acceptance of clearing cheques, fund transfers, currency conversions among own accounts as in margin trading and issue of mini statements on customer request depicting the total exposure of customers via ATM s. It is necessary to amend and incorporate required legal policies pertaining to these functionalities in order to serve the customer.

### **5.3 Mitigation of Negative Impacts from ICT Usage in Banking**

The bank is equipped with expensive and comprehensive software applications. Some of the applications are developed in-house. However, most of the software applications are bought from foreign vendors. Banking applications are complicated and still maintain user friendliness to a greater extent. However it is revealed from this study that there is a considerable level of digital divide among the banking staff. Some employees experience job stress due to the heavy usage of ICT. Most of the experienced professional bankers are lack of sufficient ICT literacy. Hence it is necessary to educate and motivate the bank staff to get them involved in ICT. Bank employees in this bank are interested in acquiring banking knowledge. Are they also interested in acquiring ICT literacy skills? Whether they realise the strategic value of ICT is questionable.

By introducing ATMs, Internet banking, SMS banking and phone banking; the need of a banker will not arise for most of the day-to-day banking transactions. However as of the Asian nature of living, there are some customers who like to visit their bank branches not only for their banking transactions but also to spend some time at the branch meeting with bank staff and other friends. It is necessary to have consideration to reserve this human nature while implementing total e-banking solutions.

### **5.4 Conclusion**

The analysis proves that the adequate use of ICT has a significant impact on improved branch performance. The positive impact on the overall profit of the branch is very high. Establishment of the on-line inter branch network covering most of the branches in the island has increased the convenience of customers. The achievement of anytime and anywhere banking has reduced customer visits to branches.

The level of ICT usage at some branches, despite the core banking application availability is not at an adequate level. Functionalities provided by ATM machines are to be enhanced as ATM usage is very popular among customers. In the past years,

customers were scared to withdraw money from a machine thinking how a machine could dispense money. Situation is much improved today and most of the customers own ATM cards for cash withdrawal and balance inquiry.

Branch staff is not using email communication as expected by customers. It is necessary to motivate branch staff to increase the use of e-mail communication. This will enable them to communicate with customers promptly. Branches can cut down extra costs incurred in advice and statement printing if they can send digitally signed e-mails to customers instead of posting hard copies.

Most of the customers have not seen the web site of the bank. As a solution to this it is possible to have a display desktop at the reception counter of the branch with bank home page for customer use. This will be an educative step and thereby bring in more customers to the branch. It was shown from the survey that some of the bank branch staff members even have not seen the web site of the bank. Hence it is required to enable all staff to access Internet during leisure times in order to get acquainted with the Internet. Staff when ICT literate will become automatic advertisers to promote Internet banking. Word of mouth will travel fast and encourage customers to join Internet banking. Initially, this will help to reduce the number of customers visiting the branch and ultimately the most valuable asset of the branch; the staff; can be used for marketing and other professional fields.

The ICT literacy level of the staff can be further improved and facilities to be given at branches to use ICT for their branch work. Core banking applications should be further strengthened to reduce staff time spent on routine work. Staff should be free to use ICT for new avenues and enhance the deposit mobilisation, increase the advance portfolio and recovery of non-performing loans.

Bank branches act as critical decision making units of the bank. ICT usage can be used to assess and benchmark different bank branches and identify low performing branches. Data envelopment analysis can be used to benchmark branches for getting

the maximum output from ICT usage [Soteriou, AC, Stavrinides, Y (1997)].

In the years to come the entire bank branch networks in the country will be equally equipped with the latest ICT functionalities. There is a tendency that branch staff might not meet customers at all. Merely the names or numbers will identify customers. That will affect our Asian culture of regular meetings and discussions. Hence the competition will be on special attention given to customers by his/her own branch and ultimately it will be the human relationship that will bring back customers and not the technology. It will be the human nature, love and care of serving customers that will attract and retain customers with the branch.



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