

**EFFECTS OF INFORMATION TECHNOLOGY ON BANKING SERVICE****By professor Gabriel Alier Riak PhD\* and Dut Bol Ayuel Bill***Upper Nile Upper University, South Sudan**\*Corresponding Author*

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The banking sector should anticipate challenges when adopting the use of technology so as to increase the possibility of success when using different forms of technology. Bradley and Stewart (2003), note that in the 21st century, many of the world banks use some form of technology. The research also found out that small banks have reaped great benefits from the emergence and use of technology. This conclusion is echoed by Vainio (2006) who concludes that the use of technology to provide services by small banks help them to gain a competitive advantage.

Poon (2008) notes that security and privacy in technological banking are the main source of dissatisfaction among banking customers and thus the influence the satisfaction of customers.

However, advantages of technological banking that has yielded satisfaction from customers include better content provision of banking services, convenience, design and easier accessibility. E-banking success can also be affected by the banks speed in offering e banking services, the operational management of the e-banking services, the cost of using e banking for the customer and product features on the e-banking platform.

**2.3.1 Challenges of Technology on Banking**

Thomas, Kellermann and McNevin (2002) notes that in spite of the fact that technology has enabled a new dimension of scope and timing to be created, it has also created the possibility of crimes being committed in a faster time. Technology has led to great benefits for the banking sector but it has also worsened traditional risks. As more and more services are being offered in form of e-banking, customers are getting more concerned in regard to privacy and security. Consumer electronic commerce growth has faced a major challenge of lack of information privacy and security. There will be need for greater and continuous vigilance and revision as the scope of technology in the banking sector grows.

Technology has also enabled information to be easily moved across borders and between different banks which has led to a greater risk of information loss. According to O'Leary,

Williams and O'Leary (2009) there are two issues that come to mind in regard to security in the banking sector. These issues are privacy and security. In addition, there is the issue of who is able to access the banks computer systems and the information in there and at what time. Research done on the main issues affecting the adoption of technology in the banking industry have pinpointed lack of security, privacy and little trust of the web as some of the major issues (Rotchanakitumnuai and Speece, 2003)

Banks have in most cases failed to adopt technology for use due to the fear of loss of security and privacy of their information (Sathye, 2009). The challenges encountered in the use of technology cannot be avoided but it is important for banks to take care when using technology as the negative effect it can have on the business can lead to loss of millions by the banks.

Security breaches and disruptions in the availability of banking services can lead to a damaged reputation for the bank which has the potential to affect the provision of other services by the bank (Schaechter, 2002).

**2.3.2 Importance of Technology on Banking Services**

They are enormous benefits of technology for banks and customers when we look at the current technological age as noted by Heikki (2012) that technology is the source of many benefits to banks and customers who offer and seek banking services. A study done by Agboola (2011) reveals that technology was the major source of competition among banks.

Tornatzky and Klein (2012) note that relative advantage was an important factor of consideration when banks decided whether to adopt a new innovation. Banks adopt technology due to the perceived benefit the technology will bring to the bank (Agarwal and Prasad, 2008).

A study done by Eshun (2009) shows that information technology related innovations introduced in the banking sector have enhanced and influenced in a great and positive way the delivery of service in the sector. Jalal-Karim and Hamdan (2010) study on the impact technology had on the improvement of different Jordanian banks performance matrix revealed that technology improved the banks return on assets, the net profit margin and earnings per share. Another study done by Osei and Harvey (2010) revealed that technology increased banks return on assets and return on equity. In yet another study by Moyaet *al.* (2010) on the technological innovations used by Uganda's bank of Africa revealed that the use of technology in the bank had improved the rate at which services were offered in the bank.

Today banking customers can manage their money in a better way as technology allows them to access their accounts anywhere and at any time. Technology has also improved the speed at which banking transactions are done, has led to lower costs of banking services for customers and has provided convenient ways of accessing money and other banking services when compared to other banking methods (Suki, 2010). These advantages have led more banks to use technology to offer banking services and products. IT has provided convenience to customers as they are able to access their financial accounts and information and customers are also able to transact in a faster way (Rotchanakitumnuai and Speece, 2003). Lüneborg (2003) notes that banks that used technology to provide various services saw a positive impact on different performance aspects such as market share, sales and increased amount of established customer's relationships.

Intangible benefits which can be said to have been brought by the use of IT in the banking sector include; increased customer loyalty, attraction of new customers and a competitive advantage obtained by banks that use IT in offering their services and products. These intangible benefits are equally important to the banking sector. Both the tangible and intangible benefits are important to the banks as they lead to an increase in revenue and a decrease in costs. Banking customers who prefer to use the e-banking platform bring more profits for the banks as they make use of more bank offered products, they also easily adopt new systems used by the banks and also trust the bank's systems to keep larger bank balances (Hitt and Frei, 2002). Flavian (2004) further states that technology used to provide banking services does affect the reputation and image of the bank in addition to affecting the loyalty and satisfaction of the customers. Most bank managers have taken a keen interest on ways in which they can increase technology usage in the provision of bank services.

The use of technology in the banking sector has made it a lot easier for customers to compare the services and products offered by banks. Agboola (2001) supports this observation and notes that the use of ICT in the banking sector has led to the provision of accurate information to customers, has led to faster services offered to customers, has ensured convenient business hours for the banks, has led to the provision of Home and Office banking services, enabled customers to be given fair and prompt attention and has led to an overall improvement in customer service. In spite of the advantages the adoption of technology in the banking sector has not been accepted across the globe and there is no common generalization. Ramayah (2002) notes that customers can eventually lose interest in the use of e-banking in case they feel that it does not benefit them to use the innovation despite the fact that it might be easy to use. However Wang *et al.* (2009) is of a different opinion noting that the use of technology in the banking sector has been steadily growing globally and this growth seems to continue.

## REFERENCE

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