Key Future Challenges of Indian Banking Information System: A Qualitative Investigation

Sarika Kaushal, Department of Management Studies, Indian Institute of Technology Delhi, New Delhi, India
Dilwar Hussain, Department of Humanities and Social Sciences, Indian Institute of Technology Guwahati, Assam, India

ABSTRACT

Indian banks spend heavily to procuring banking information systems (BIS) in order to achieve positive benefits to the bank and to its customers. They are under increasing pressure to justify its value. However, the evaluation of success of the BIS is generally ignored by banks especially at the post-implementation stage. One of the main reasons for the lack of evaluation of BIS is the dearth of proper measurement models and parameters. Furthermore, there are many key challenges that impede the widespread use of banking information systems especially in India. This article explores some of the major future challenges of BIS in India by using qualitative research designs. The data was collected from 100 respondents at the level of bank manager or higher officials. The data was analyzed using thematic analysis (Braun and Clarke, 2006). The thematic analysis revealed three themes associated with future of BIS: the technological challenges, human factor related challenges, and the business related challenges. This study indicates that it is imperative to address these challenges in order to gain optimum benefits out of BIS. The results also indicates that banks need to frame policies for training programs, and implementing adequate restructuring mechanism and change management programs and expand business initiatives.

KEYWORDS

Banking Challenges, Banking Information Systems, IT Success, Key Inhibitors

1. INTRODUCTION

In the age of high speeding digital advancement, banks are experiencing extensive transformation and encountering continuous pressure to survive in the changing business environment. To cope effectively with these pressures, Indian banks are investing heavily on procuring various highly advanced and sophisticated state-of-art technological products.

Banking information systems (BIS) is one such kind of technology that requires a large investment in terms of time, money and efforts. A minor error could cause serious damage to the bank functioning and even tarnish its reputation (Capgemini, 2008). Indian Banks have made considerable investment in
IS, but still they have not reaped optimum benefits from these investments as they are unable to provide single window-for-all-functions. (Chakrabarty, 2010). Increased investments by developing countries in procuring technology have not resulted in adequate returns with various banking institutions facing risk of IS failures or frauds (Ranganathan & Kannabiran, 2004).

There is little documented research related to the issues and challenges faced by Indian banks which may range from unskilled workforce, inefficient resources and infrastructure to customer resistance. This study is an attempt to understand some of the key challenges faced by Indian banks in getting optimum benefits out of BIS.

2. LITERATURE REVIEW

Technology is very much integrated and pervasive with banking that it is impossible to think of banking operation without an effective IT system in place. Banks are one of the largest investors in information system (IS) infrastructures like core banking solution, mobile banking solutions, client relationship management solutions and so on. The Centralized banking system (CBS) is one such technological advancement that has revolutionized the banking sector. CBS are organization-wide information systems that bring substantial changes to a bank’s methods of working and information flows. It contains record of all customer transactions and the processing of those transactions. It enables banks to offer a multitude of customer-centric services from a single location (Chakrabarty, 2010). It enables customers to access their accounts from any branch, anywhere, irrespective of where they have physically opened their accounts. Gradually, majority of the branches of the commercial banks including Regional Rural Banks are progressively bought into the core-banking net. Today, all the public sector banks have completed 100 per cent computerization of their branches with CBS. The banks in general have implemented Finacle, Bancs 24, Pinware, Crown, Flexcube, and I-flex information systems as CBS solutions (Chakrabarty, 2010).

Growing dependence on CBS technology has accelerated the demand for the secure, reliable and integrated network. However, even spending heavily on procurement of safe and reliable technologies, these technologies are not free from hackers and intruders. Some of the major ways of security breaches that banks have come across in the past are: web spoofing, mail spoofing, hacking the computer or mobile, cloning, media tapping, poisoning the network structure etc. Technology is faceless, and this absence of a ‘human touch’ can be quite intimidating, if not threatening, to those just entering the banking network. Banks therefore, take extra care to ensure that the people are not driven away from banking because the technology interface is unfriendly. Lack of technical knowledge and expertise among end users’ and managers is the major cause of ineffective use of systems while lack of proper training, competence and skills might result in resistance and indifferent attitude towards the IS in different ways. Moreover, if the system is voluntary, users will avoid it; if the system is mandatory, resistance may take the form of increased errors, disruptions, and sabotage (Hussein, 2009). Past researches indicated that the amount of time spent on the training and the quality of the training is positively associated with the user participation and satisfaction (Guimaraes, Staples, & McKeen, 2003). Training improves knowledge, skills and attitudes which in turn increase confidence, motivation and job satisfaction (Fill & Mullins, 1990). In addition, employees’ training is increasingly considered to be a prerequisite for the success of IS (Pritchard & Armistead, 1999). Resistance to change also emerged as an important factor associated with challenges. Chan and Lu (2004) found that bank staff’s resistance to technology is a common problem in the banking sector. Davis et al. (1989) argued that the introduction of new technology is bound to cause a disturbance within the organizations and to the individuals. They further stated that successful adoption of new technology is influenced by the user’s attitude. Davis et al (1989), and Tan and Teo (2000) suggested that a user’s attitude can be a very powerful enabler or inhibitor for technology adoption. However, factors such as motivation, technical competence and capabilities, training and management support are some elements that reduce employee’s resistance towards the system. It was evident from the review of various studies
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