

PDF - IMPACT OF INFORMATION TECHNOLOGY ON OPERATIONAL EFFICIENCY OF BANKS IN NIGERIA (A STUDY OF DIAMOND BANK NIGERIA PLC) - researchcub.info **ABSTRACT**

It is of utmost importance to all be it policy makers, bankers, researchers and scholars to assess the impact of investment in information technology on the financial and operating performance of the banks. In this project, the researcher studied the impact of information technology on operational efficiency of banks in Nigeria. The purposive sampling was used for the study. Questionnaire is the main instrument for data collection for this study. The sample consisted of 150 respondents and from the statistical perspective, the choice of Chi-Square was considered. The findings revealed that the adoption of Information Technology affects the operations of commercial banks in terms of effectiveness, efficiency, competitiveness, customer base and globalization of the bank. The study concludes that for a bank to continue to remain financially viable and managerially performing, it must give high priority to information technology management, especially in terms of financial analysis. The study, therefore, recommends that there should be in place policies for managing the information life cycle for integrating the information flows into the business plan of Nigerian banks. Adopting new computer technology only raises potential information processing capacity while having adequate infrastructure improves access to needed data. Banks should ensure that mechanisms exist to identify the costs of information technology as an intangible asset to the banks and its contribution to the value added of the banks should be appreciated.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Due to the rapid change going on in the business environment, there has been a need for organizations to employ a faster, more efficient and more effective way of carrying out their activities in order to get better results and performance from operations. Thus, there is no better method that could be employed in achieving better performance by organizations than the use of information technology.

Information technology has become global tool for banking industry to reach global markets. The use of Information technology in banks has become a global phenomenon and every bank must be Information technology compliant in order to survive in global competitive environment. The introduction of Information technology has changed manual and traditional forms of doing business and is being replaced by the sophisticated technology that is based on automation and interconnection of computers and other electronic devices. For instance, ledger books, paper invoice, printed materials and business trips are being replaced with online billing and payments, elaborate website with product information and real-time teleconferencing across continents and time zones (Ojokuku and Sajuyigbe, 2012).

According to Ovia (2001), the banking industry has moved into an era of menu-driven ultra- robust specialized software programmes called banking applications and these applications can carry out virtually all banking functions relying heavily on information collection, storage, transfer and processing.

Woherem and Adeogri (2000) claimed that only banks that overhaul the whole of their payment and delivery systems and apply Information technology to their operations are likely to survive and prosper in the new millennium. He advices banks to re-examine their service and delivery systems in order to properly position them within the framework of the dictates of the dynamism of information and communication technology.

Due to the rapid change undergoing in the business environment, there has been a need for organizations to employ a faster, more efficient and more effective way of carrying out their activities in order to get better results and performance from operations. Thus, there is no better method that could be employed in achieving better performance by organizations than the use of information technology. The role of information technology in this modern age cannot be overemphasized especially in the banking industry which operates in a complex and competitive environment. Due to the tight competition, there are a lot of changing conditions and highly unpredictable economic climate.

Laudon and Laudon (2010) contend that managers cannot ignore information systems because they play a critical role in contemporary organization. Also, Adetayo et al (2009) and Boyett and Boyett (2009) emphasized the effect of business on information. Oyebisi et al (2010) also claimed that only banks that overhaul the whole of their payment and delivery system, operations and apply information technology devices are likely to survive and prosper in the new millennium.

However, some scholars have argued that additional investments on information technology contributed negatively to productivity. Marrison and Bernard (2009), Baily (2008) argued that the estimated marginal benefits of investments in information technology are less than the estimated marginal costs. Litchenberg (2009) also argued that although information technology investments have increased productivity, it has not resulted in supernormal business profitability rather there were some evidences of small or negative impact on profitability. However, the main purpose of this study is to conduct a survey on the impact of the implementation of information technology in an organization that is if it has actually impacted on organization positively or negatively.

Information is vital and necessary for the survival of any society, establishment, industry and system irrespective of the level of its development. In a typical establishment or system, information is required to design or modify its general and specific organizational structure, determine the hierarchical levels of leadership, duration of labour amongst the workers, rules and regulations governing its operations and interrelationship with other establishments or systems within and outside its environment (Zakari, 2013).

However, due to the rapid change going on in the business environment, there has been a need for organizations to employ a faster, more efficient and more effective way of carrying out their activities in order to get better results and performance from operations. Thus, there is no better method that could be employed in achieving better performance by organizations than the use of information technology. Information technology "is a general term that describes any technology that helps to produce manipulate, process, store, communicate and/or disseminate information (William & Sawyer, 2007). In very short time information technology has become the back bone in modern industrial society and the major contributor to the progress of both developing and developed countries (Yasudevan, 2013).

The role of information technology in this modern age cannot be overemphasized especially in the banking industry which operates in a complex and competitive environment. Due to the tight competition, there are lot of changing conditions and highly unpredictable economic climate. Laudon and Laudon (2010) contend that managers cannot ignore information systems because they play a critical role in contemporary organizations. Also, Adetayo, Sanni, Ilori (2009) and Boyett and Boyett (2009) emphasized the effect of IT on business and the effect of business on IT while Oyelusi, Ilori, Ogwu and Adagunodo (2010) also claimed that only banks that overhaul the while of their payment and delivery systems, operations and apply IT devices are likely to survive and prosper in the new millennium.

However, some scholars have argued that additional investments on information technology contributed negatively to productivity. Morisson and Bernact (2009), Baily (2008) posited that additional investments contributed negatively to productivity, arguing that 'estimated marginal benefits of investments in IT are less than the estimated marginal costs'. Litchenberg (2009) also argued that although IT investments have increased productivity, it has not resulted in supernormal business profitability rather there were some evidences of small or negative impact on profitability. Mulira (2009) also observed that ad-hoc acquisition of IT has often resulted in under-utilization of the equipment and the developmental impact on such cases has also been minimal.

In conclusion, the main purpose of this study is to conduct a survey on the impact of the implementation of information technology in an organization that is if it has actually impacted on organization positively or negatively.

1.2 STATEMENT OF THE PROBLEM

In this 21st century, business organizations need to find new and faster ways to adapt to the changing business environment. These days, computers and information processing devices are everywhere; they make work faster and more efficiently carried out. Computers and information processing influence decisions made by managers and decision makers and also affect how work is organized and how employees feel about work. The essential element of management is information processing and thus information technology systems are expected to heavily influence management and business operations.

However, the decision to invest on information technology by organization is based on fear of being left behind by competitors rather than on a genuine understanding of the real benefit that information technology brings to the organization. Thus the main focus of this research work is to investigate the extent of the impact of information technology on the performance of business organizations dealing especially with the banking industry.

1.3 OBJECTIVES OF THE STUDY

The general purpose of this study is to examine the impact of information technology on operational efficiency of banks in Nigeria. This study is set out to achieve the following objectives to:

- i. Assess the effect of information technology on services delivery.
- ii. Assess the impact of information technology on bank's profit.
- iii. Examine whether or not information technology has any effect on the daily operations of banks in Nigeria.

1.4 RESEARCH QUESTIONS

This study addresses the following questions:

- i. To what extent does information technology improve Nigerian banks 'service delivery?
- ii. Does information technology have influence on banks' profit?
- iii. To what extent does information technology affect the daily operations of banks in Nigeria?

1.5 RESEARCH HYPOTHESES

The following hypotheses have been developed:

H0₁: There is no significant relationship between information technology and Nigerian banks 'service delivery.

H0₂: Information technology does not determine banks' profit.

H0₃: Information technology does not enhance daily operations of banks in Nigeria.

1.6 SIGNIFICANCE OF THE STUDY

The study examines the impact of information technology on organization's performance. It is hoped that the research result would enable organizations more especially the banking industry to know the benefit or effect of IT on their profitability after investing in information technology. The findings of this study will assist senior management to have a more realistic approach in making decisions on organizational investments and the associated expectation of the likely benefits. Moreover, it is expected to serve as a blue print for students, managers and employees or organizations who are interested in conducting a research on the impact of information technology in organizations.

1.7 SCOPE AND LIMITATION OF THE STUDY

In carrying out this research work, the focus of the study is on the impact of information technology on operational efficiency of banks in Nigeria. This study examines the electronic banking operation of Diamond Bank Plc in Lagos metropolis.

However, due to the short time given in carrying out this study, the study is limited to some branches of these three branches of Diamond Bank Plc on the Mainland area of Lagos State. Also, lot of money that is required to administer questionnaire limits the researcher to eighty employees and one hundred and twenty customers of the three banks selected.

1.9 DEFINITION OF TERMS

- i. **Information:** This can be defined as processed data that has been verified as accurate and timely, organized for a purpose and presented within a context that gives it meaning and also relevant to the decision at hand.
- ii. **Information technology (IT):** This can be defined as both the hardware and software that is used to store, retrieve and manipulate data in order to process it into information.
- iii. **Organization:** This can be defined as a group of people who form a business in order to achieve a particular aim.
- iv. **Performance:** This can be defined as a successful execution of a contract, or fulfillment of an obligation.

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