

The role of information technology (it) in enhancing profit and cost efficiency in banking industry a case study of national microfinance bank (NMB ltd)

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Information technology has tremendously stimulated expansion of the banking networks and range of the offered services during recent years. This work examines the impact of the progress in information technology on the profit and cost efficiencies of the Tanzanian banking sector. Data were analyzed quantitatively using the Statistical Package for Social Sciences (SPSS). Hypotheses were tested using the Chi-Square test. Other findings were summarized and tabulated to depict their frequencies. In the work the relationships between the level of implemented technology and the banks efficiency are tested. The research shows a positive correlation between the level of implemented IT as well as asset profitability and cost savings. The research also reveals that the bank faces different challenges in IT implementation. The challenges include shortage software and hardware, IT facilities changing very fast from time to time, high cost of acquisition and installation IT equipment (budgetary constraints), the need for high security of data, increase of computer virus and other malicious codes, limited technological knowhow to staffs, incompatibility of new devices with the old ones, adaptation of new technology and networking problems. Through the data analysis contained in this research, strategies that can be used to overcome the above mentioned are proposed challenges. Research for IT needs/requirements must be done from time to time to establish the actual IT needs in an organization. Organization must set aside enough budget for IS Technology (cover research, training and cost of acquire technology). Branches have to be networked. Technical know-how to staff must be enhanced, timely maintenance of IT hardware and software must be ensured, ant virus programs acquisitions and update software especially security software and passwords. IT has improved efficiency in banking industry. The improvements of the cost efficiency were relatively smaller than profit efficiency. These results indicate that introduction of the new range of services at a bank, on one hand, generates additional revenues. On the other hand the introduction of new services implies new significant cost changes. This means, broadening the range of the banking services may lead to increase in the cost of processing because there is an attempt to achieve economy of scale by banks conducting such type of banking.