



Master's degree thesis

LOG950 Logistics

Title: Impact of IT outsourcing on the performance of banks in Nepal

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Number of pages including this page: 72

Molde, 24th May 2019



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Abstract

Problem Setting: In a stringently competitive era, banks are often tempted to constantly upgrade their service provision and offer better services to their customers. Information technology (IT) in this context plays a major role in enabling banks in upgrading their services and extending e-banking, mobile banking, payment gateways and many other measures. While a part of literature argues that IT related services should be outsourced to cash-in on expert development and state-of-the-art technology, another part argues against outsourcing while citing negative effects on bank performance. This makes it necessary to clearly understand the way IT outsourcing impacts a bank's performance.

Methodology: A qualitative research methodology has been deployed to complete this study. Data has been collected with the help of surveys of both employees and customers present in five surveyed banks (one specific branch each). Data collected has been analysed with the help of thematic analysis techniques.

Results and Discussion: Results suggested that financial performance of banks was positively impacted. Further, level of customer satisfaction increased owing to user-friendliness of portals along with their ability to offer convenience and reduce trips to the bank. Finally, job satisfaction of employees increased as employees were able to concentrate on their core activities and did not have to deal with system technicalities.

Conclusion: The study concluded by suggesting that IT outsourcing positively impacted bank performance in terms of Return on Investment (ROI), customer and employee satisfaction. The study however acknowledged that participation of this study was limited in terms of number of banks and banks per branch that were considered. In this context, it has been acknowledged that additional research attempts would be required to establish impact of IT outsourcing on bank performance.

Keywords: IT outsourcing, Impact of IT outsourcing, Thematic Analysis

CHAPTER 1- INTRODUCTION

1.1 Study Background

Faced with ever-increasing competition, organisations today tend to continuously look for new revenue generation pathways. In such pursuit, outsourcing has been deeply embraced by the world with firms openly adopting to this phenomenon and gathering the capability of expanding to other potential markets (Gunasekaran 2015). Schniederjans (2015) indicates that global outsourcing grew by more than \$ 200 billion in 2011 with more than a 35% increase in number of services being outsourced. Additionally, the resource also pointed-out towards a phenomenal increase in outsourced IT services and relates it directly to overall performance of an organisation.

IT outsourcing might be recognised as a business practice where decision rights or responsibility is transferred by a client to an IT services or products vendor. Most popular outsourcing activities include software development, applications that require hosting, help desk services, network operations, data centres etc (Pournader 2019). While IT outsourcing might be commonly found across a plethora of industries, financial institutions (especially banks) are known to largely invest in and outsource IT (Jiang 2017a). Financial institutions (such as banks) tend to recognise that managing activities that are technology intensive often serve to divert their focus from their core thereby contributing to revenue losses (Hanafizadeh 2018a). In this context, IT outsourcing helps by enabling both banks as well as IT service vendors to focus on their core expertise. In other words, while banks might profit from focusing on core banking activities, IT companies are often able to provide reliable and efficient technological solutions thereby creating a win-win situation (Jiang 2017a).

Alternately, by outsourcing IT functions completely or in-part, banks are often able to achieve greater operational efficiency and transparency in their procedures. This might be attributed to access to infrastructure, platform and skills that are world-class in nature and well-proven in their functionality (Hon 2018). These aspects translate into increased customer satisfaction and improved competitiveness for banks. Another important reason that serves to motivate banks for outsourcing their IT activities comprises of reducing operational costs. The banking sector is often faced with high debt situations in addition to decreasing profitability owing to an extremely competitive marketplace (Hanafizadeh 2018a). Further, market limitations also reduce growth opportunities in the sector thereby making it extremely necessary to lower operational costs as much as possible. In this context,

outsourcing IT helps banks in rationalising redundancies while also improving automation and implementing variable cost structures (Pournader 2019).

On the other hand, it has also been argued that outsourcing IT actually contributes to increased operational costs. Gozman (2018) suggests that before an outsourcing decision can be made, it is necessary to invest in detailed research pertaining to reliable and qualified vendors. Additionally, costs pertaining to legal contracts and layoffs following IT outsourcing might also be significant. Alternately, other significant risks associated with IT outsourcing include the loss of control by management and loss of other intelligent and reliable employees (Hon 2018). Banks that heavily depend on outsourcing may also lose the capability of building and maintaining their own IT infrastructure. Finally, data security risks have been predominantly linked with IT outsourcing and these may severely tarnish a bank's capability and reputation (Gozman 2018).

The Nepal Context

In accordance with ([FNCCI] 2018), the IT sector in Nepal is still in its emergent stages with the Government of Nepal stressing on the importance of Business Process Outsourcing for creating additional growth and development opportunities. This opportunity has been majorly tapped by the banking sector with all major banks outsourcing their customer care and tele-support services. A few banks on the other hand have gathered support from IT experts to help them draft their security and IT Policies in line with the guidelines that had been issued by Nepal Rastra Bank in the year 2012. This initiative has allowed banks to gain expertise and strength in the areas of IT Governance, management of outsourcing, fraud management, business continuity, IT operations, audit and other aspects that might be important from an IT perspective (Nepali 2017).

Further, outsourcing of accounting activities, Automated Teller Machine (ATM) maintenance, mobile and internet banking platforms and use of cloud-based services is steadily increasing in Nepal. Past decade has also seen an upsurge of organisations that are investing their time, money and expertise in training workers in facilitating cloud-based banking services and technological platform maintenance([FNCCI] 2018). Additionally, as the Government is beginning to realise the potential of technology in improving the face of banking sector in Nepal, increased investments towards developing new and efficient technological solutions are visible (Nepali 2017).

1.2 Problem Statement

With the help of studied background of IT outsourcing, it can be revealed that the business practice on one hand may add value to the banking system by improving its service delivery, while on the other might bring along certain unexpected risks and complications ([FNCCI] 2018). Although it is necessary that decisions pertaining to IT outsourcing are taken after careful consideration of existing business needs, perspective improvements that might be brought along and overall corporate strategy of the bank, these decisions are usually more subjective than that (Ofreneo 2015). During the past decade, the optimism and passion of Nepali banks regarding outsourcing their IT related activities has increased significantly ([FNCCI] 2018). This necessitates the determination of actual impact of IT outsourcing on bank performance thereby creating a need for this study.

This study also draws importance from the fact that only an extremely limited number of published studies have examined the impact of IT outsourcing on bank performance, especially in the Nepali context. Finally, it is also necessary to note that previous studies focusing on measuring the impact of IT outsourcing on bank performance have had a narrow focus. In other words, studies have concentrated on measuring performance in terms of improved profitability. In this context, this study hopes to undertake a wider perspective while also trying to measure performance improvement in terms of convenience offered to consumers and their overall satisfaction with the overall service delivery of their preferred bank.

1.3 Research Focus

This study will focus on measuring the impact of IT outsourcing on Bank's performance. As this is a student level project that is restricted by both time as well as budget constraints, five banks would be used as a case study. To further limit focus, particular branch of each of the selected banks would be considered for this study. Following is a list of banks and their respective branches which would be considered in this study:

1. Bank of Kathmandu Limited: Teendhara Marg
2. Nabil Bank: Beena Marg (Head Office)
3. NIC Asia Bank (Nepal Industrial and Commercial): Manamaiju Branch
4. Nepal Credit and Commerce Bank Limited: Vishalnagar Marg
5. Standard Chartered Nepal: Lajimpat Road

1.4 Research Questions

In line with the specific focus area, following research questions would be addressed by this study:

1. Which IT related activities have been outsourced by the selected banks?
2. Do banks derive a competitive advantage from IT outsourcing?
3. Has IT outsourcing improved the work experience of employees of the selected banks?
4. How has IT outsourcing impacted the overall performance of selected banks?
5. Has IT outsourcing improved the level of customer experience and satisfaction with each of the selected bank?

1.5 Study Significance

The study which pertains to measuring the impact of IT outsourcing on performance of selected banks is significant as it would be beneficial for organisations engaged in facilitating outsourcing solutions in accurately evaluating their potential business prospects. On the other hand, the study would offer useful insights to banks in terms of impact of their outsourcing activities on aspects such as profitability, competitiveness and customer satisfaction. Banks would specifically be able to evaluate if engaging in this mode of operation helps their bottom line and additional measures that might be adopted to cut costs. The report will further be useful for the Government of Nepal in that its findings would play an essential role while shaping policies around outsourcing and attempting to reduce the rate of unemployment in the country. Finally, the academic community would benefit from findings of this report as students inclined towards pursuing information technology studies would be able to realistically evaluate their career options in the future.

1.6 Study Scope

The study focuses on the impact of IT outsourcing on bank performance. Bank performance for this study would be measured in terms of increase/ decrease in profitability, added customer convenience and overall customer satisfaction. The study is limited as it specifically uses five banks in Nepal (namely Bank of Kathmandu Limited, Nabil Bank, NIC Asia Bank, Nepal Credit and Commerce Bank Limited and Standard Chartered Nepal) as a case study to study the impact of IT outsourcing. Further, the study is also limited in terms of the fact that a single branch (as identified above) of each of the considered banks is being used for this study.

1.7 Study Limitations

Very first limitation of the study is the limited focus of this study. An accurate assessment of IT outsourcing on bank performance can only be made after a comprehensive study of all banks (and their branches) that are operational in Nepal. However, such a study would require a generously allocated time period for the researcher to be able to do justice to the research. However, shortage of time available to complete the research has restricted the focus of this study to consideration of five banks (and a single branch of each of these banks). Another significant reason which tends to limit the focus is budget available for the same. A comprehensive study of all banks and their branches would have required the researcher to travel throughout Nepal. Budgetary restrictions however render the same impossible thereby forcing the researcher to concentrate on only five banks.

In addition to the fact that the study is limited in its focus, it is also necessary to note that findings of this study cannot be generalised. The study considers single branches of five banks operational in Nepal. Although findings of the study might stand true for these branches, they cannot be generalised to other branches or other banks. Finally, the findings of this study are not dependable as they are based on opinions of customers and employees present in five specific bank branches and the study did not consider any reasonable measures to eliminate bias.

1.8 Study Structure

The study has been organised in six distinct chapters. Chapter 1 (or the introduction) served to highlight the study background in addition to defining the problem statement, presenting specific research objectives and stating scope and limitation of the study.

Chapter 2 (or the Literature review) focusses on presenting a comprehensive review of literature surrounding IT outsourcing and bank performance.

Chapter 3 (or Methodology) presents a detailed overview of the methodology followed to collect data from participants and analyse the same into meaningful interpretations.

Chapter 4 (or Results) serves to present a summary of data collected from research participants in a meaningful manner.

Chapter 5 (or discussion) tends to outline a comprehensive discussion while attempting to uncover patterns and themes in data that has been collected. This chapter also seeks support from existing literature to be able to support data interpretations.

Finally, chapter 6 (or conclusion) presents a clear summary of the research followed by recommendations for practice and future research directions.

CHAPTER 2- LITERATURE REVIEW

2.1 Introduction

This section will cater to review literature to gain a better understanding of the research question. It will include a brief introduction to outsourcing including its definition and discussion of reasons for which companies tend to outsource. This will be succeeded by an analysis of outsourcing models and theories, following which banking scenario will be explored with respect to the outsourcing of the IT department. The pros and cons of IT outsourcing for banks along with considerations to be taken care of before collaborating with IT companies and expanding relations will be explained with the help of examples of IT outsourcing for banks.

2.2 Outsourcing: Definition and reasons for outsourcing

Outsourcing refers to certain activities of the firm that are being obtained from the outside. This can be due to lack of available resources with the company or a more profitable situation being obtained from the outside. Since the 1990s, the outsourcing market has been flourishing and is expected to enormously expand in the near future (Jain 2016). There are several reasons large and even small companies tend to outsource these days, the most common being cost-cutting. Outsourcing helps companies to utilize their maximum potential despite their limited resources (White 2017). It has been recognized as a helpful strategy of fulfilling certain aspects of the business from outside the firm in the light of cost-cutting. However, there are several other reasons that companies tend to outsource as this activity has several other benefits.

2.3 Outsourcing models and theories

Outsourcing is a dynamic activity and requires the procurement and abidance of regulatory guidelines to ensure the best outcomes and profits. To achieve this, there are certain models of outsourcing that can be utilized while collaborating with the prospective companies. Ten different models of outsourcing have been recognized, which have their own advantages, disadvantages and applicability (Vaxevanou 2015). These models need to be carefully selected based on the outsourcing scenario, which is divided into five phases, which are, the preparation phase, selection phase, transition phase, management phase and the review phase (Vaxevanou 2015). Of all the models, resource-based view and transaction cost theory are the most eminent.

2.3.1 Resource-based view

It is based on the ideology that the company, which tends to outsource its services, lacks all the essential resources, capabilities and personnel required to perform the particular activity, which is why it needs to seek its activities from an external provider. It then utilizes the capabilities of the outsourced organization in the most cost-effective manner, which is profitable to the bank (Balashova 2016). Resource-based view is an extensive and dynamic program, which has several valid answers. The basic idea of resource-based view is that it allows the current employees to focus on their expert domains (Balashova 2016).

2.3.2 Transaction cost theory

It is based on an analysis of the comparative costs of planning, execution, adaption and completion of tasks when they are performed externally and internally. This requires banking managers to weigh out the situation and analyse whether the particular activity will be more profitable if performed in-house or external providers will be more helpful in deriving better profitability (Balashova 2016). After performing an analysis of costs in both the scenario, these authorities then make an informed decision.

2.4 IT Outsourcing: The banking scenario

Outsourcing is common within banks, particularly within the IT sector where the technical department of banks is given to an external service provider to obtain IT related services to expand business processes and improve business outcomes. State-owned banks, private-owned banks and foreign banks are majorly involved in this process (S Waluyo 2019). The reasons for outsourcing can be several, the major one being economic profits for the banks. Other than this, outsourcing can cater to improve different aspects of organizational performance. But, there are certain considerations with respect to this which must be taken care of before outsourcing a department to achieve the best favourable situation. If these considerations are not taken into account and the banking sector continues to outsource services and activities that can be performed in-house, there can be several downfalls of outsourcing banking services (S Waluyo 2019). All these aspects concerning the benefits and downfalls of IT outsourcing in the banking sector will be individually studied in the paragraphs ahead.

2.5 Overview and advantages of IT outsourcing in banks

Outsourcing, or, replacement of certain in-house activities to external subcontractors, is a common activity utilized by many commercial and international banks. It is highly preferred by managers and higher authorities as it yields higher outputs. However, outsourcing requires the formation and abidance of regulatory guidelines in place so that the best performance is achieved from the collaborated companies (IEDS 2015). The inclusion of these regulatory guidelines will help to mitigate financial crisis and avoid any adverse effects. IT outsourcing is the most common in banks along with the outsourcing of the HR department. It has been recognized that there are several benefits and advantages of IT outsourcing for banks, which are as follows:

- **Higher profitability:** Through outsourcing, the involved bank constitutes a shared risk of losses by having a mutual contract with the IT companies, which minimizes their risk of losses. Also, by assigning the task to highly trained IT professionals, banks are able to cut their expenses as they do not have to invest in the training and hiring of the in-house team to perform these activities (IEDS 2015). This allows banks to focus on their core competencies, which improves their profitability. Further, there is a greater account ability of work as it is duly provided by trained expert professionals of the outsourced company. With the help of mutual collaboration, banks are able to retain higher skill power at lower costs, which is an economic advantage for them (IEDS 2015).
- **Increased productivity of present employees:** When IT and other technicalities have been outsourced, there is greater employee productivity as employees are able to focus on their core competencies and expand within their individual domains (IEDS 2015). There is also a better employee satisfaction as they can highly concentrate on their work and need not waste time or get entangled in activities outside their domain.
- **Competitive advantage:** When banks outsource IT services to trained professionals, there is an improvement in banking technology, which gives them a competitive advantage. There are ever-changing trends and norms within technology, which IT professionals are well-acquainted with. By focusing on these technologies, these executives focus on promoting banking technology and cater to provide better services at lower costs to banks (IEDS 2015). Another way in which IT outsourcing is beneficial is because with its help, banks are able to eliminate their technical risks

and threats. They are also able to meet their internal weakness and incompetency in a more effective manner (IEDS 2015).

Outsourcing helps banks to mitigate riskier activities to an outsourced department, while they can focus on the more economic aspects of their business. By facilitating this, outsourcing has immensely assisted banking businesses in expanding economically (Deftereos 2016). This is also helpful since these IT companies are more skilled in their domain and a higher level of efficiency can be achieved by a better management (Deftereos 2016). While being a cost-cutting procedure for banks, outsourcing the IT department also helps to improve customer satisfaction, which, in turn, improves the finances of the bank. This is because of the use of innovation and technology in the process of banking, which makes it easier for the customers to avail easy services from the bank. As it allows banks to utilize newer technologies, improvement in IT services also makes the services faster and more efficient, which is highly appreciated by the customers (Agolla 2018). Banking innovation has transformed the experiences of the customers. With better IT support services, the customers can make a quicker transaction anywhere, which has resulted in an increase in the services of the bank being utilized. Mobile banking, internet banking and e-wallets have improved their experience and enhanced customer engagement with the services. It has been ascertained that collaboration with other companies has improved competitive advantage for banks by providing better services to its customers (Agolla 2018). It has been ascertained that innovation in banking has not only improved customer satisfaction, but also, it has a direct positive effect on customer retention and, at the same time, it even assists in the attraction of new customers to the concerned bank due to the availability of better and advanced services. This is because a satisfied customer is highly likely to recommend the bank's services to others. With the help of better innovation, a reduction in switch rate can be observed by banks which has an innovative edge (Agolla 2018). With all these factors in play, it is highly likely that the banking business will flourish and expand.

Studies on customer banking experiences have also revealed similar results stating that managements must focus more on improving customer experience (Dauda 2016). It has been ascertained that reduction in transaction errors, cost of transaction and waiting time of customers can immensely help to improve current customer experiences (Dauda 2016). Even in the long term, the benefits of banking innovation have been profound for the finances of the bank. A large and positive correlation has been determined in the long – term for both

large commercial banks and smaller banks. In fact, smaller banks are expected to be benefitted more in the long - term with the help of technological advancement (Scott 2017). Another significant benefit of IT outsourcing is that it allows bank to focus on other important core activities due to shifting of these activities to the external firm. By focusing on these core competencies, these banks are further able to improve customer experience (Mburu 2017). This experience is made unique with the collaboration of bank employees and technical staff from the IT companies, which are experts in their respective domains. Although outsourcing a department has an initial upscale cost, it surpasses this cost and caters to provide an economic advantage to the banks (Mburu 2017).

It has been ascertained that outsourcing is an important activity, which can be employed by banks to eliminate the disadvantages of shortage of technical manpower within their settings. By taking new intakes outside the banks with the help of outsourcing, several new banks and merged banks have continued to succeed (Anifowose 2011). With the help of automation and computerization, these banks have been successful in attracting new customers and in retaining the ones which already existed. This helped new banks to achieve desired goals, while at the same time; it also helped in generating more employment in the IT sector as a part of the prospective outsourced teams. This catered to reduce the economic cost of banks which would have been invested in hiring and training the professionals to meet these demands (Anifowose 2011). By engaging with an outsourcing company, small banks can enhance their long – term survival and success rate. Bringing in newer technology through outsourcing will also help in recovering the current losses and in reviving lost confidence of banks due to diminishing finances (Anifowose 2011).

By outsourcing IT department and bringing in new technology, banks can enhance their productivity and output without the intervention of staff members. Outsourcing helps to bring in new technology, which was otherwise not available at the bank (Ahmed 2018). For some banks which have highly profited from this collaboration, it has even been possible to trim down banking staff thereby reducing costs. Some banks have also set up branches that are completely automated and are running successfully without the recruitment of staff. The involvement of technology also helped to enhance customer experience (Ahmed 2018). However, it has been proposed that most technology that is utilized by banks is highly similar in functioning and is used by most of the banks. A similar pattern and a relative code have been recorded in these processes, which imply that there is lack of newer unique experiences for the customers (Ahmed 2018). With this regard, it has also been noted that most banks function to keep up with the current trends and competitions and do not take a step ahead in

technology (Frederick 2013). This practice is done to avoid a considerable risk or loss to the business or to avoid unusual operational errors during functioning, which cannot be managed effectively. While it is important to remain competitive with other banks and to avoid any operational error, it is also eminent that banks must invest in newer technologies and collaborations to enhance uniqueness in customer experience (Ahmed 2018). This will lead to better profitability for the concerned bank by providing them with a competitive edge.

2.6 Outsourcing in banks: Further insights and considerations

Outsourcing of departments has recently witnessed a hike, however, it is yet not understood whether it is considerably beneficial for businesses. It is not always that outsourcing is highly beneficial to any particular bank or company (Lahiri 2016). It has been observed that there can be mixed kinds of results ranging from positive, mixed, no significant impact, no impact at all or even a negative impact for the firm. This depends on the vigour of the services provided and the type of contract with the outsourcing company (Lahiri 2016). IT outsourcing is one of the most common types of outsourcing, particularly with banks, which has been recognized to have a considerable number of benefits. It greatly helps in cost reduction when managed strategically (Jiang 2017b). Other than that, it helps to overcome the limitation of technology, enterprises and resources with the company, as all the services are duly provided by the outside firm. When utilized within banking, outsourcing can cater to provide a comprehensive technical support to banking business, allowing it to expand. With the help of outsourcing, banks can easily achieve better development in information technology, which is bound to have an immense impact on their customers improving their finances (Jiang 2017b).

However, there are certain considerations which need to be made before outsourcing a department for banks. The most important is the assessment of the current available services at the bank. If there are sufficient resources and it is feasible to obtain these services from the in-house functioning itself, outsourcing is not likely to achieve any improved outcomes and would rather be a cost-enhancing activity (S Waluyo 2019). When concerning IT department, certain other important considerations must also be made, which majorly include information security concerns. It is highly imperative to manage information security while outsourcing IT department to prevent the loss of confidential information (Dhillon 2017). This depends on the competence and capability of the vendor to ensure the safety of information provided by the bank. It also depends on the mutual trust and understanding with the IT company and the policies that are in place to manage breach in case any

proprietary information is breached (Dhillon 2017). Another controlling factor is the compliance of the vendor with the client requirements and any external regulations that apply to the scenario (Dhillon 2017). In case these systems are not in place, it is likely that issues with IT security arise in case of outsourcing, which can lead to loss of partnership or a significant loss to the bank.

Other than information security, a multitude of other factors affect the decision relating to the outsourcing of the IT department. A survey of 23 banks revealed that these deciding factors are not immensely considered while selecting IT services, which is why it is likely that the outcome may not be beneficial (Hanafizadeh 2018b). In some cases, it was even found that the nature of IT services provided by the company and the capabilities of the company were not even considered while making the outsourcing decision (Hanafizadeh 2018b). This happens to be a major decisive factor responsible for a reduced outcome from the partnership. The factors considered by the company majorly included the cost of services, availability and complexity of the service, prior outsourcing experience, financial power of the company and a cultural fit between the two parties (Hanafizadeh 2018b). Since the quality of services and capabilities of the provider were not considered, a reduced quality of services outcome could be experienced with outsourcing.

Another important factor in determining the performance of outsourced IT company is the process of transfer of knowledge from the bank to these companies and businesses. High levels of shared knowledge with the outsource company helps to positively shape and improve the performance of the IT company (Blumenberg 2009). This happens because the processes and requirements are more comprehensible through the transfer of knowledge. This is enabled with the development of shared knowledge with the help of a variety of programs and interactions, which cater to enhance the process (Blumenberg 2009). These include training, defining of set standards and documented interaction and mutual agreement with the two parties for future reference. In the absence of this documentation and a thorough understanding of the processes, it is likely that the bank may experience some harms or risks in the process (Blumenberg 2009).

2.7 Effect of company relations during outsourcing

Outsourcing can prove to be a highly advantageous activity for a banking business if the company performance, fulfilment of banking IT needs and the nature of services provided by the IT company is taken into consideration. While it is important to keep these in mind, relations with the outsource company are also a determining factor in the quality of services

delivered by them (Sun 2016). It has been recognized that better relations with the outsource company are conducive to a better quality and improved outcomes of the services provided. When collaborative relationships are built on mutual trust and communication, a valuable co-creation is achieved, which also assists in future collaborations with the company (Sun 2016). This is because of better satisfaction of outsourcing employees due to the exhibit of trust by the banking business. This results in a positive future collaboration, which will help in improving future outcomes and will assist in cost-cutting in the process of collaborating with newer companies (Sun 2016). However, a repeated collaboration with the same company can have a certain set of downfalls.

Although repeated partnerships are preferred by banks due to the development of a mutually agreeable relationship and an understanding of individual ideas and perception, prolonged collaboration with IT companies is not always bound to have a positive outcome. There are several reasons for the same which include the vulnerability of the bank on these partners on whom they tend to get dependent owing to repeated partnerships and collaboration (Holloway 2016). This will cause banks to overlook the quality and efficiency of the work delivered as the partnership is mostly fuelled by a personal relationship. A repeated partnership will also cause banks to neglect any better options in the field, which will negatively influence the performance of banks due to limited innovation and techniques being used. A comprehensive analysis of repeated partnerships has revealed that while these repeated partnerships may assist in cost-cutting for banks due to the need to not look out for newer options, no higher profits may be possible with this collaboration (Holloway 2016).

2.8 An example for improving outsourcing experience through newer collaborations

Global bank, which is one of the globally leading banking services, has duly invested in IT outsourcing. Over the years, it has partnered with a few small businesses, local providers and large multinational companies to derive the most out of outsourcing. To achieve efficiency in operations, the bank has collaborated at both onshore and offshore locations and is continuing to dynamically expand these relations (Su 2016). Seeking the best services, the bank has been promoting new companies and talents to adjoin with the brand but has faced certain shortcomings. An increasing cost of these services was a major drawback, other than which, it also faced a redundancy in the process. The bank utilized a number of resources and investments for bringing new acquisitions and capabilities and to continue the partnerships which have been trusted over time (Su 2016). To achieve these operations, the bank employed many project managers or middle level managers, which specifically worked

to improve these relations and take care of delivering the expected level of IT services to the bank. This model of multi-level management was engaged to ensure cost-effectiveness and experimenting with a large number of business holders (Su 2016). Experimenting with newer business providers, expanding collaborations and employing middle management to ensure the best outcomes in the process immensely catered to the financial growth and development of the bank because of outsourcing.

2.9 IT Outsourcing in banks: Potential risks, harms and disadvantages

If outsourcing process is not highly regulated, several considerable risks and harms can arise for involved banks, which include loss of finances and leakage of confidential information of the clients. Due to errors arising from the IT company, there have been incidences of serious financial and reputational issues for the banks. It is well-known that third party relationships require a constant supervision and regulation of policies to ensure the best favourable outcomes, even then, risks may occur in certain cases (Deftereos 2016). There has been a reporting of millions of customers to be unable to withdraw cash or check their account balance, which arose from a software update occurring at the outsourced IT company. This led to a loss of major finances and clients for the bank. In another incidence, accidental loss of confidential information of the bank resulted in a compensation been made to a million of customers as this information was illegally sold after being stolen from a USB device at the IT company (Deftereos 2016). There has been several other reporting of financial losses to the bank due to non-compliance by the outsourced IT company.

Another considerable risk to banks includes poor quality of services provided by the partnered companies, which can badly reflect on the bank's repute. Quality issues are very common with outsourcing and require a monetary system in place to make sure there are no losses in the process (Pournader 2019). This requires the use of an analytical and statistical tool to measure these outcomes and measures to ensure utmost quality of services provided. While these measures are successfully used by a number of commercial banks, these lead to an added expense for the bank for the process of regulation (Pournader 2019). Ensuring a smooth process and delivery of the best services, it is also important that the bank delivers the best services, which often involves the on-boarding of manpower and managers to regulate the same. This is important to ensure the efficiency and quality of the services delivered by the IT company with the help of careful and close examination (Pournader 2019). While these models can help to regulate the quality of services from the IT company, the development and procurement of these models can be an additional burden for the banks.

Outsourcing is very common within the banking sector and has witnessed an increasing popularity, however, there are several pitfalls of outsourcing. These include:

- **Displacement of employees-** If the bank considers outsourcing despite the availability of an in-house team, this process will lead to the displacement of the current employees of the bank. This can have a negative impact on the current employees even from other departments and can lead to reduction in their productivity (IEDS 2015). IT outsourcing has been said to have a risk of lower output of employees, higher number of sick leaves applied and an overall reduced quality of work at the bank. In some cases, the cost arising from displacement of the employees and a reducing morale at the bank may surpass the cost-cutting which can be achieved from outsourcing (IEDS 2015). When this happens, there is an overall loss resulting from the outsourcing activity rather than an expected profit.
- **Loss of control:** By outsourcing the IT department, although better technology can be brought to the bank, there is an obvious loss of control as the work is completely outsourced. It is easier to maintain and regulate an in-house team with the help of policies and structures in place, but, outsourcing can be difficult to manage and often the quality of work is lesser than expected (IEDS 2015). Control issues are also due to lack of communication and information. If the bank and the vendor do not communicate freely, there will be a complete loss of control over this activity. Without timely management, 24-hour response time and definition of clear guidelines, complete loss of control can occur. Further, if the outsourced company is not dedicated enough to mutual growth and competence, any success in partnership is unlikely (IEDS 2015).
- **Loss of business knowledge:** When existing bank employees from IT are replaced by an outsourcing company, there is a loss of valuable knowledge, resources and skills from the bank, which affects its productivity. If the concerned partnership fails and the bank wishes to return to having an in-house team, the process will be harder to accomplish, due to lack of technical know-how and key business knowledge within the bank (IEDS 2015).
- **Lack of reversibility:** Often contracts with outsourced companies are for an extended period of time to procure long-term relations. In such a scenario, if the bank is dissatisfied with the services of the company, it will be daunting to break the contract and cease partnership with the company (IEDS 2015). This will either lead

to lower quality of work for the bank or an increased expense which would be required to compensate the outsourcing company to end the contract. Further, it would be an added expense to contact another company or switch to having an in – house team.

- **Communication issues:** While it is easy to communicate and get tasks from an in – house IT team, this process must be hard with an outsourcing company and may often lead to reduction in work quality due to lack of proper communication. In some cases, language barriers can worsen these communication problems (IEDS 2015).
- **Timely tasks:** This is the biggest challenge with outsourcing by banks that the functions and operations are not carried in a time – bound manner. There is often a delay in delivering reports, which makes it harder to manage at the end of banks (IEDS 2015).

Conclusively, bank IT outsourcing is expanding recently since it offers better technology and innovation to banks giving them a competitive advantage. It helps banks to make the use of best possible technology without investing in hiring and training of an internal team, allowing them to focus on their core competencies. While IT outsourcing is a helpful, cost-cutting activity and has several advantages including consumer satisfaction, consumer retention and ease in banking, it is important that banks take this decision carefully by devising careful regulatory policies. In the absence of these policies, there is a possible risk of harm which can include loss of customers, loss of finances or loss of collaboration with the respective outsourcing company. It is also important to keep relevant models in mind and utilize outsourcing for achieving mutually profitable outcomes. While considering outsourcing, it is highly beneficial to engage in newer collaborations to ensure the involvement of best innovation and technology, while at the same time, it is also essential to monitor these processes to prevent any operational errors which would lead to loss of reputation or finances of the bank. When considering outsourcing of the IT department, banks must make a judicious judgment keeping in mind the several pros and cons and the need for outsourcing.

CHAPTER 3- METHODOLOGY

3.1 Introduction

This section will discuss about the research methodology, which was employed for data collection and research and which was useful in deriving results and making a business decision. This includes the research design, sampling strategy and sample size. It will also list the databases and keywords used along with methods of data collection used for this study. These will be addressed in the subsequent sections with respect to the qualitative nature of this study.

3.2 Research Design

Research design refers to the layout or design that is used by the researcher to answer the research question. For the purpose of this study, narrative research design has been used. A narrative research design employs a group of approaches that are based on the narrative, written or visual experiences of individuals involved in the process of research (Flick 2018). It is used both as a research methodology and is also considered as a phenomenon under the study. A narrative research design has been employed for this study as it is efficient in the management of real-world problems like the one concerned with this study. The use of this research design is in line with the goals of this research. It is an important design under qualitative research methodology and is utilized after validation from the concerned audience. It is focused on the learned individual experiences and interpretations of experienced individuals in the area (Flick 2018). The use of this design allowed the interpretations of individual experiences, which will cater to answer the research question.

3.3 Sampling Strategy

Sampling strategy refers to the technique utilized by the researcher to make sure that the sample used for the purpose of this study represents the population from which the sample needs to be drawn (Martínez-Mesa 2016). For this research, convenience sampling strategy has been used. Convenience sampling strategy is a type of non-sampling probability method which relies on the process of data collection from the members of the population that are available for the purpose of this study (Martínez-Mesa 2016). Convenience sampling strategy has been used for this study as it is effective in obtaining primary data from the audience that is available to the researcher. This strategy has been used since it offers

simplicity in design and research and makes it easier to fabricate results. It further helps to fetch results in a short span of time.

3.4 Sample Size

Sample size refers to the number of samples in the research or the number of participants involved in the research study with respect to this research. This study had a sample size of 80, of which, 31 participants were bank employees and 49 participants were bank customers present in the bank on the given day of research. The inclusion of both employees and customers allowed a broader exploration of the research question from the perspective of both employees and customers, which will be immensely helpful in answering the research question.

3.5 Databases Used

For literature review, a secondary research was performed by thoroughly searching for relevant literature within trusted databases that provide a comprehensive collection of relevant data. The databases used were Elsevier, EconBiz, Jurn, Semantic Scholar, Google Scholar and Springer.

3.6 Keywords Used

For the purpose of literature review, certain relevant keywords were used to search within the databases. This helped to confine the search results to the most important literature with respect to the research question. The use of these keywords made sure that best relevant literature is studied and reviewed for this study. The following key terms were used:

- IT outsourcing and bank performance
- Banks and IT outsourcing
- IT outsourcing and bank employee satisfaction
- IT outsourcing and bank advantages
- IT outsourcing and bank challenges
- IT outsourcing and banking costs
- IT outsourcing and bank disadvantages
- Outsourcing and bank performance
- IT outsourcing and bank relationships

3.7 Data Collection

Data collection is the process of gathering and collecting relevant information in a systematic manner. It is important for answering the main research question and evaluating the outcomes of the study. For this study, both primary and secondary data has been collected in the following manner.

3.8 Survey

Survey is a method of data collection that is used for data analysis in research. Survey can be conducted by a variety of methods including online or telephonic interviews and face-to-face surveys. The medium of gathering data depends on the sample of audience that needs to be interviewed (Sutton 2015). For this study, survey was conducted with the help of questionnaires which were utilized to record the response of research participants. Survey was used as the method of primary research in the study. These questionnaires were distributed to the research participants including both bank employees and customers present on the day of data collection. These questionnaires were personally distributed at the bank and were expected to be duly filled by them to record their response. The use of questionnaires is a preferred method of data collection as it gives the participants enough time to think and answer the research questions (Sutton 2015). Further, it avoids personal interaction and thus avoids the risk of false response as with face – to – face interviews. It also ensures anonymity in the process, so the research participant can give a more honest response, thus having a better validity. Personal distribution of questionnaire was a preferred form as compared to online questionnaires as the latter often tend to be ignored or go within spam folders and is not visible to the concerned individual.

3.9 Literature

For secondary research, literature review was used to critically analyse the literature. This was done by researching online library and databases to assess relevant literature, which would help in answering the research question. These databases were searched with the help of keywords and literature relevant to the research question was selected for review. This included peer-reviewed articles and published researches which were relevant. The use of literature review helped to provide a brief overview of the research problem, which helped in shaping the direction of the research. It also helps to narrow the research as it helps to better understand the research question.

3.10 Operationalization measurement

Operationalization simply refers to the planned significance of an idea in connection to specific research questions and give a few criteria to estimate the presence of that idea (L BERG 2001). In other words, it deals with the solid perceptions that are thought to exactly catch an idea existing in reality. For this research, the operationalization measurement is based on the following specific research questions.

1. Which IT related activities have been outsourced by the selected banks?
2. Do banks derive a competitive advantage from IT outsourcing?
3. Has IT outsourcing improved the work experience of employees of the selected banks?
4. How has IT outsourcing impacted the overall performance of selected banks?
5. Has IT outsourcing improved the level of customer experience and satisfaction with each of the selected bank?

For the first specific questions, the frequency of types of outsourcing activities was considered whereas based on frequency of themes of advantages of IT outsourcing, the second and third research questions was derived. Furthermore, the fourth research question was addressed by thematic analysis themes such as overall impact of IT outsourcing, advantages of IT outsourcing, organizational changes, managerial opinions from employees' survey. Finally, themes such as added convenience, user friendly, banking visits, customer care and technology and bank performance from customer survey were identified to address fifth question.

Regard to research questions two to five, 7-point Likert scale was used to understand the consent of employees and customers. For the analysis of questions, thematic data analysis technique, and existing literature was used to support the data interpretations.

3.11 Data Analysis

Data analysis is the method of application of logical and statistical techniques with the help of necessary research skills to evaluate and interpret the data that has been collected for the research. For this study, thematic analysis was used for analysing the collected data. This method of data analysis focuses on examining, recognizing and recording certain patterns or themes within the collected data (Nowell 2017). This is the most commonly used method of data analysis in qualitative research. It involves a series of steps which are relevant to identify

and narrow down the themes within collected data. These themes were recorded and expressed in this study under different sections. The use of thematic analysis allowed flexibility in the research process and helped in keeping a detailed account of collected data, which was easily comprehensible.

CHAPTER 4- RESULTS

4.1 Introduction

This chapter presents a summary of study of employees and customers of five selected banks in Nepal about IT outsourcing by respective banks. A single branch of each selected bank was considered for this study and details of the same have been discussed in previous chapters. Banks (their selected and representative branches) were coded to facilitate easier and organised data collection and for ease of analysis. Following codes were observed:

SNo.	Bank/ Branch	Code
a.	Bank of Kathmandu Limited: Teendhara Marg	B1
b.	Nabil Bank: Beena Marg (Head Office)	B2
c.	NIC Asia Bank: Manamaiju Branch	B3
d.	Nepal Credit and Commerce Bank Limited: Vishalnagar Marg	B4
e.	Standard Chartered Nepal: Lajimpat Road	B5

The researcher was personally responsible for personally visiting each of the above-mentioned branches and conducting surveys with the help of designed and approved questionnaires. Both employees as well as customers (present in selected banks) were approached by the researcher. Raw data was collected, recorded and coded in an excel sheet. A summary of results has been presented as below. For further ease of identification, employees and customers have also been coded.

Employees background

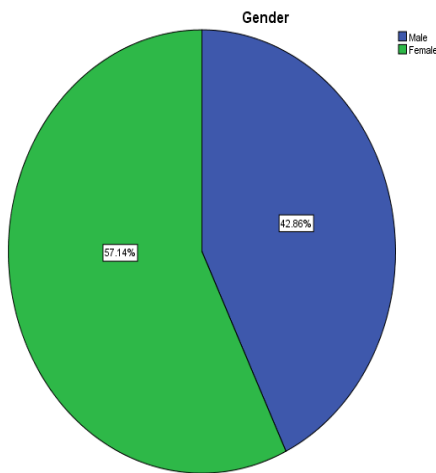


Figure 4-1: Pie chart of gender

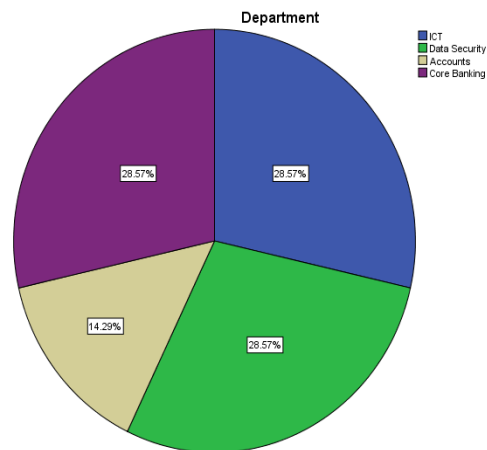


Figure 4-2: Pie chart of Department

From the employees surveyed in pie chart 1 around 43% of employees were male representing blue colour and 57% were female in the banks. Moreover, the department pie chart 2 shows that 28.57% of surveyed employees were from both ICT and data security while 14.29% were from accounts and 28.57% were from core banking departments.

4.2 Results addressing the research questions

This section caters the results derived from the surveyed data addressing the specific research questions.

Employee survey

1: Which IT related activities have been outsourced by the selected banks?

From the Bank of Kathmandu Limited: Teendhara Marg (Code: B1), all surveyed employees consisting total of 7 employees agreed that their bank outsourced ATM and system maintenance while 4 of them also agreed that their bank outsourced other IT activities such as web banking services (portal and maintenance), mobile application and portal services and data storage and security.

From the Nabil Bank: Beena Marg (Head Office)- (Code: B2), total of 5 surveyed employees, 5 employees gave the consent that their bank outsourced both ATM and system maintenance and web banking portal services whereas among them four agreed outsourcing of mobile banking and portal services, two agreed data storage and security services and one employee agreed outsourcing of accounting activities.

In the NIC Asia Bank: Manamaiju Branch (Code: B3), in total of 6 employees, all 6 employees addressed that their bank outsourced ATM, web banking, mobile banking and portal services while 3 employees among them also agreed that B3 outsourced data storage and security services.

Furthermore, in Nepal Credit and Commerce Bank Limited: Vishalnagar Marg (Code: B4), all 5 surveyed employees agreed that their bank outsourced ATM services and maintenance and among them 4 employees also approved that that bank outsourced other IT activities such as web banking, mobile banking portal services, data storage and security and accounting activities.

Lastly, in Standard Chartered Nepal: Lajimpat Road (Code: B5), all total of 8 surveyed employees responded that their bank outsourced ATM, web banking, mobile banking portal services whereas 6 and 5 of them agreed that B5 outsourced data storage and security and accounting activities respectively.

The following table shows the number of surveyed employees agreed IT outsourcing activities in their respective banks.

Table 4-1: Number of surveyed employees agreed IT outsourcing activities

Respective Banks	ATM and system maintenance	Web banking and portal services	Mobile banking and portal services	Data storage and security services	Accounting Activities
B1	7	4	4	4	
B2	5	5	4	2	1
B3	6	6	6	3	
B4	5	4	4	4	4
B5	8	8	8	6	5
Total	31	27	26	19	10

From the above table, we can find that from 31 surveyed employees, 100% of employees agreed that banks outsource ATM and system maintenance, whereas among them 27 employees (87.09%) outsourced web banking services (portal and maintenance), 26 of them outsourced mobile banking services nearly about 87% of employees. Moreover, 61% of surveyed employees outsourced data storage and security and 32.25% outsourced accounting activities. To conclude, ATM and system maintenance, web banking, mobile banking (portal

and maintenance), data storage and security are vital for banks. Thus, most of banks outsourced ATM and system maintenance, mobile banking, web banking services and data storage and security services.

2: Do banks derive a competitive advantage from IT outsourcing?

In regard to competitive advantage over other banks, IT outsourcing does not seem to be most effective in gaining advantage over others. From the bar diagram below, we found that among 31 total surveyed employees, 12 employees strongly agreed, and 1 employee very strongly agreed that IT outsourcing activities helps to gain competitive advantage over banks. However, 10 employees were neutral, or they were not sure whether IT outsourcing help to achieve competitive advantage over other banks and 8 employees agreed outsourcing helped to gain advantage. The X and Y axis refers the 7-point Likert scale and frequency of surveyed employees respectively. Furthermore, the average mean of advantage of IT outsourcing specifically IT outsourcing helping to gain competitive advantage is 5.13 which meant that surveyed employees were agreed that IT outsourcing help to achieve competitive advantage over other banks. However, among 31 surveyed employees, 10 participants had felt negative about competitive advantage over other banks.

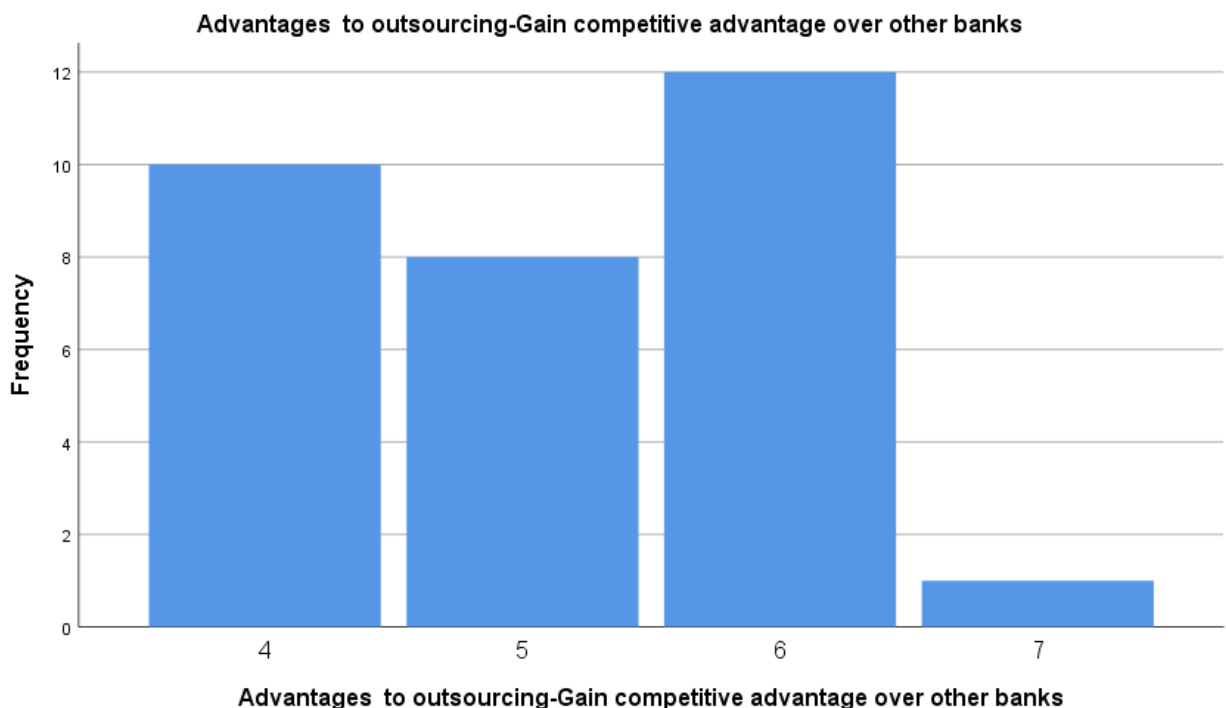


Figure 4-3: Bar diagram of advantage of IT outsourcing - gaining competitive advantage over banks

Table 4-2: Mean of Gaining competitive advantage over banks

	N	Mean
Gaining competitive advantage over other banks	31	5,13
Valid N	31	

3: Has IT outsourcing improved the work experience of employees of the selected banks?

IT outsourcing acts as a prominent role allowing the employees to concentrate on core banking. It is beneficial for those staff who are not core IT experts since they do not have to spend time for IT activities such as maintaining ATM machine and internet banking platforms. Furthermore, it helps to reduce employee burden and add convenience which results in improving operational efficiency. Moreover, from the use of IT services by employees help to provide competitive and specialized services to customers, and improved service delivery.

From total of 31 bank employees surveyed, IT outsourcing helps employees to concentrate on their core banking activities. The mean value of concentrating core banking is 5.74 which meant most of the employees felt IT outsourcing helps to improve the work experience of employees.

Further, use of IT activities by employees helped to provide competitive and specialized services to customer and improved service quality. The mean value of competitive and specialized service and improved service delivery is 5.58 and 5.35 which explains that IT activities also helped in improvement in experience of employees in their banks.

Table 4-3: Mean value of advantage of IT outsourcing

	N	Mean
Concentrate on core banking activities	31	5,74
Technological and infrastructural investment	31	4,84
Control Operational costs	31	4,42
Competitive and specialized services to customers	31	5,58
Continuously improve service delivery	31	5,35
Gain competitive advantage	31	5,13
Valid N (listwise)	31	

Furthermore, the following bar chart shows that 29 employees from total of 31 surveyed from five banks had agreed or strongly agreed IT outsourcing helped staff members to focus on core banking activities rather than investing time for IT activities. 15 participants response were strongly agreed and 5 were very strongly agreed that IT activities helped in core banking. Moreover, 9 were agreed and 2 felt that IT outsourcing had no impact on core banking. The X and Y represents 7 point Likert scale and frequency of surveyed employees.

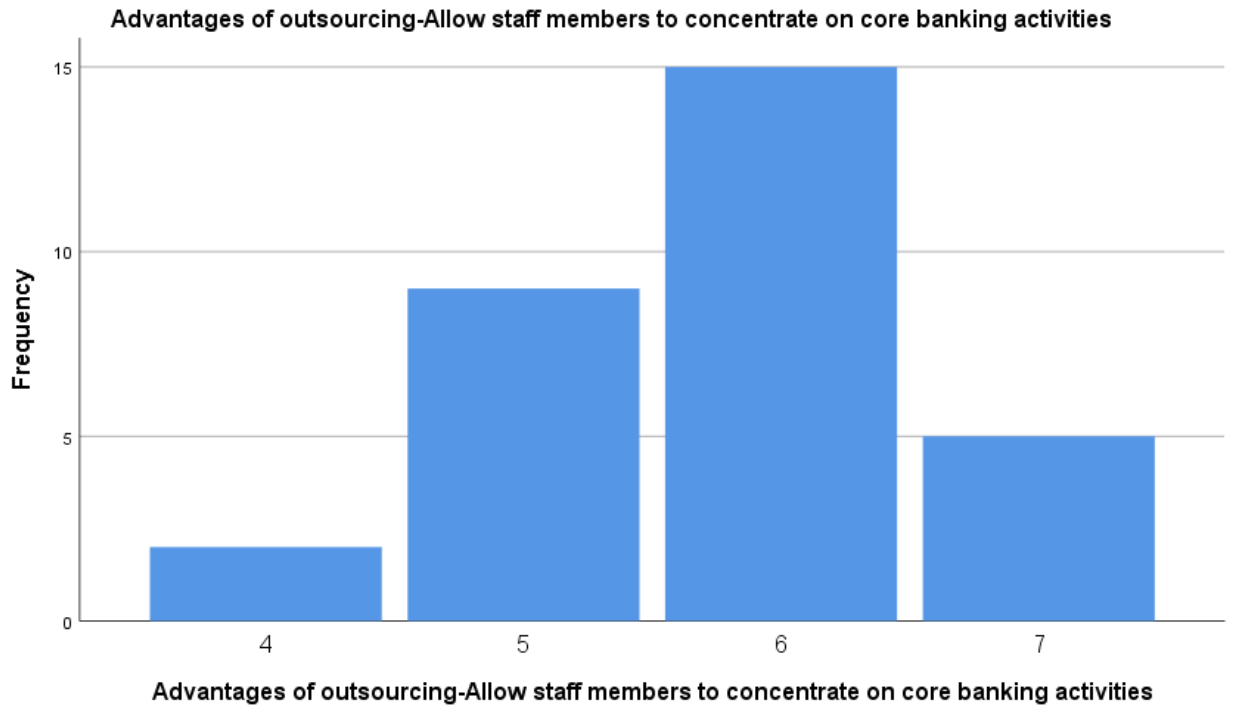


Figure 4-4: Bar diagram of advantages of outsourcing- allow staff members to concentrate on core banking activities.

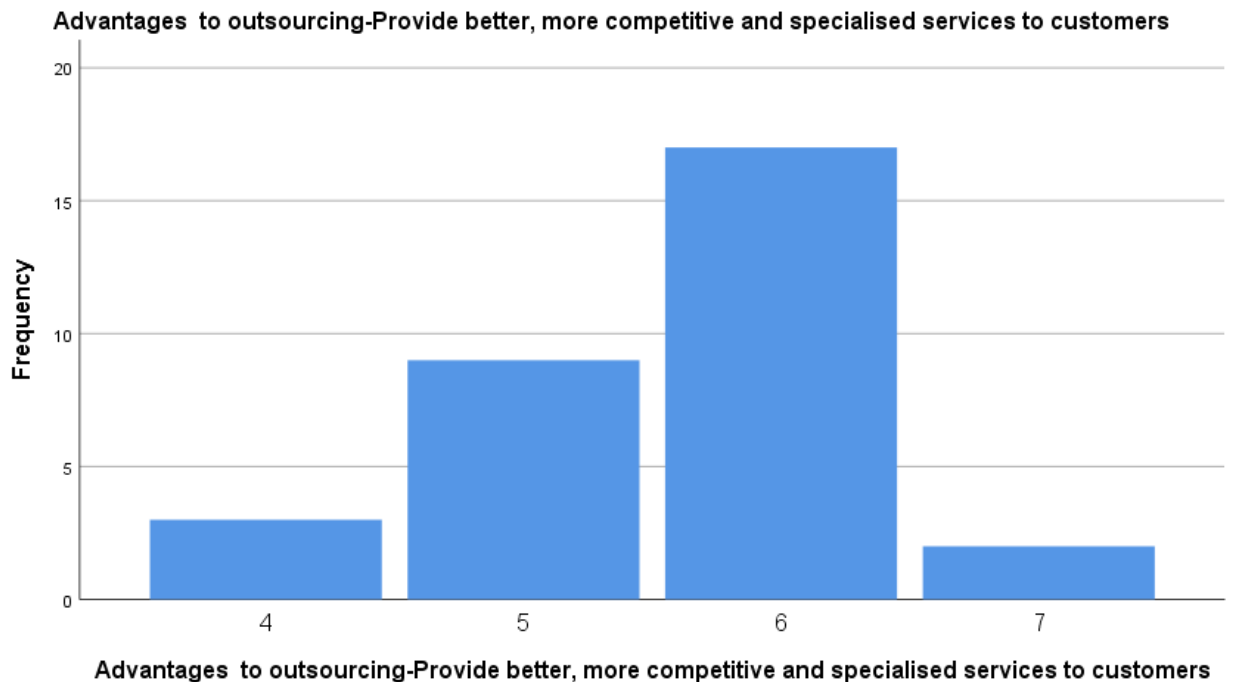


Figure 4-5: Chart of advantages of outsourcing- provide better, more competitive and specialized services to customers

In the above chart, 17 surveyed employees were strongly agreed and 2 were very strongly agreed that IT outsourcing activities provide better, more competitive services to customer. However, 9 employees agreed IT activities helped to employees while 3 were neutral on this opinion. The X axis refers the 7-point Likert scale where 7 is very strongly agree, 6 is strongly agree, 5 is agree, 4 is neutral and below 4 is disagree. The Y axis explains the frequency of employees agreed or disagreed.

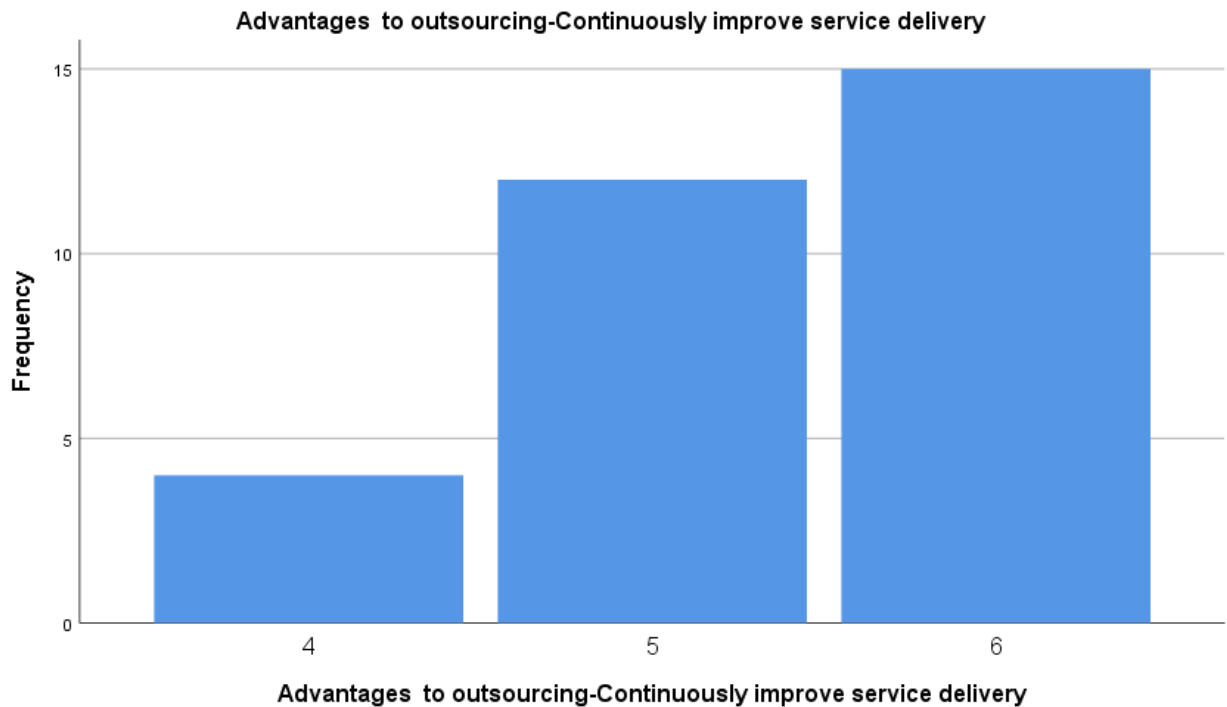


Figure 4-6: Diagram showing advantages of outsourcing- continuous improvement in service delivery

The above chart depicts that 15 employees strongly agreed, whereas 12 of them only agreed and 4 had neutral opinion that IT activities used by employees helped in improvement of service delivery in customers. The average of 86% of employees agreed that IT outsourcing activities helped in service delivery.

4: How has IT outsourcing impacted the overall performance of selected banks?

IT outsourcing has positive impact on the performance of banks. It allows staff members to concentrate on their core banking activities and provides better and more innovative services

to customers. Furthermore, other merits can be seen such as employee satisfaction, decrease in average time to serve customers, increase in the number of customers in their banks.

In context of surveyed employees, the mean value of impact of IT on overall performance is 5.45 which explains that most of the surveyed employees had felt IT outsourcing had positively impacted the performance of banks in Nepal. Here, the value 5.45 is the average of 7-point of Likert scale obtained from respondents whereas, 5 is agree, 6 is strongly agree and 7 is very strongly agree and 4 is neutral while below 4 is disagree.

Table 4-4: Mean of Impact of IT on overall performance on banks

	N	Minimum	Maximum	Mean
Impact of IT on overall performance	31	4	7	5,45
Valid N	31			

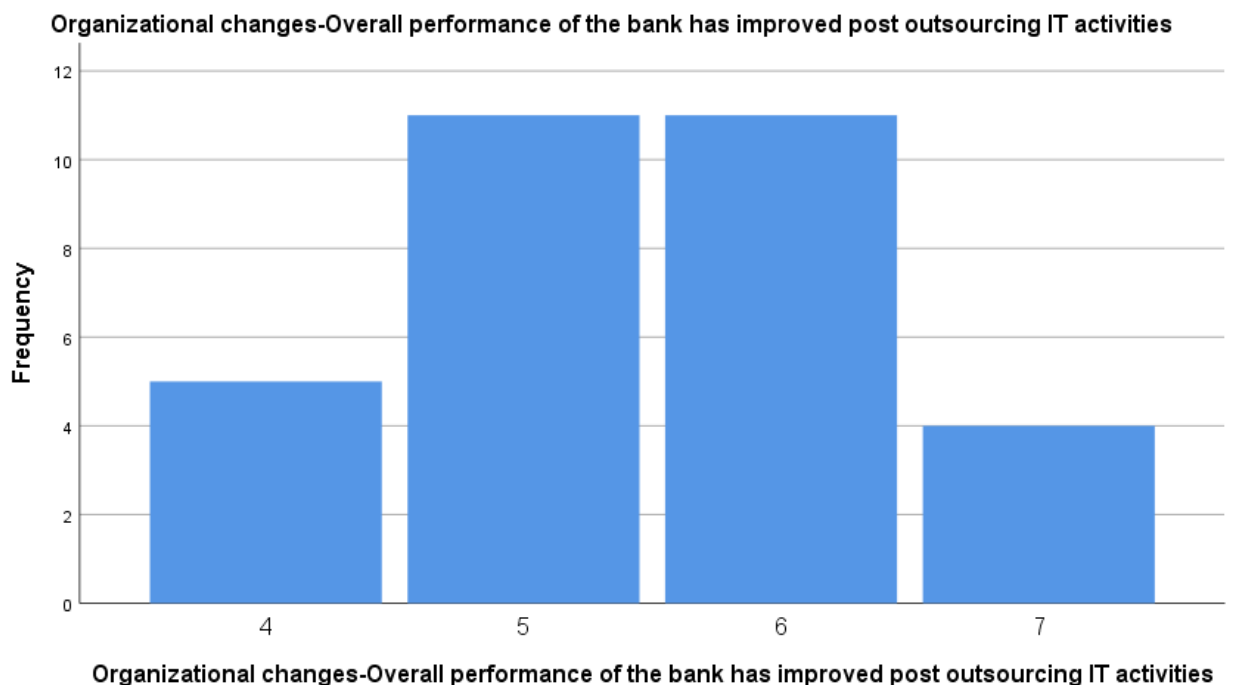


Figure 4-7: Impact of IT outsourcing on overall performance in Banks

The above bar chart depicts that except 5 surveyed participants, remaining 26 respondents agreed or strongly agreed that IT had significant impact on performance of banks in Nepal. In contrast, 5 employees were unsure or neutral that IT impacted the performance. Furthermore, 4 surveyed employees were very strongly agreed that IT outsourcing have improved the performance in banks. 11 employees felt that IT activities have strongly impacted while 11 agreed IT activities have made improvement.

Customer survey

5: Has IT outsourcing improved the level of customer experience and satisfaction with each of the selected bank?

To address this question, IT outsourcing in the banks have significant impact on customer experience and satisfaction. Use of IT outsourced activities such as ATM services, web and mobile banking and portal services have added convenience for customers to fulfil their banking needs. Furthermore, the portals provided by banks are user friendly and convenient to use and it saves time to visit banks for the transactions.

From the customer survey, we can sum up that IT outsourcing activities such as mobile banking, online banking and portal services, data storage and security services add convenience to customers to meet their needs, provides user friendly and convenient portal and save time and effort of visiting banks. Here, the mean value of adding convenient to customer, user friendly and banking visit is 5.63, 5.53 and 5.45 respectively (considering 5 is satisfactory point for comparison) which refers that customer agree that IT outsourcing services used by them have improved the level of customer experience and satisfaction with their banks. The mean value 5.63 refers surveyed customer agreed that IT services offered by banks helped customer to add convenience to fulfil banking needs. However, the mean value of use of customer care portal, devoting time are less than 5, thus use of such services are not much effective for the customers.

Table 4-5: Mean value of Ease of use of IT services from customer survey

	N	Mean
Added convenient	49	5,63
User friendly	49	5,53
Bank visit	49	5,45
Customer care center	49	4,80
Devote more time to customers	49	4,76
Valid N	49	

The level of improvement and customers satisfaction can be noticed by following diagrams. In the chart, the scale 5, 6, 7 meant agree, very agree, and strongly agree respectively based on 7-point Likert scale whereas 4 and below 4 referred as neutral and disagree.

Ease of use-IT services (such as mobile banking and online banking facilities) offered by the bank have made it extremely convenient for me to carry out my banking needs

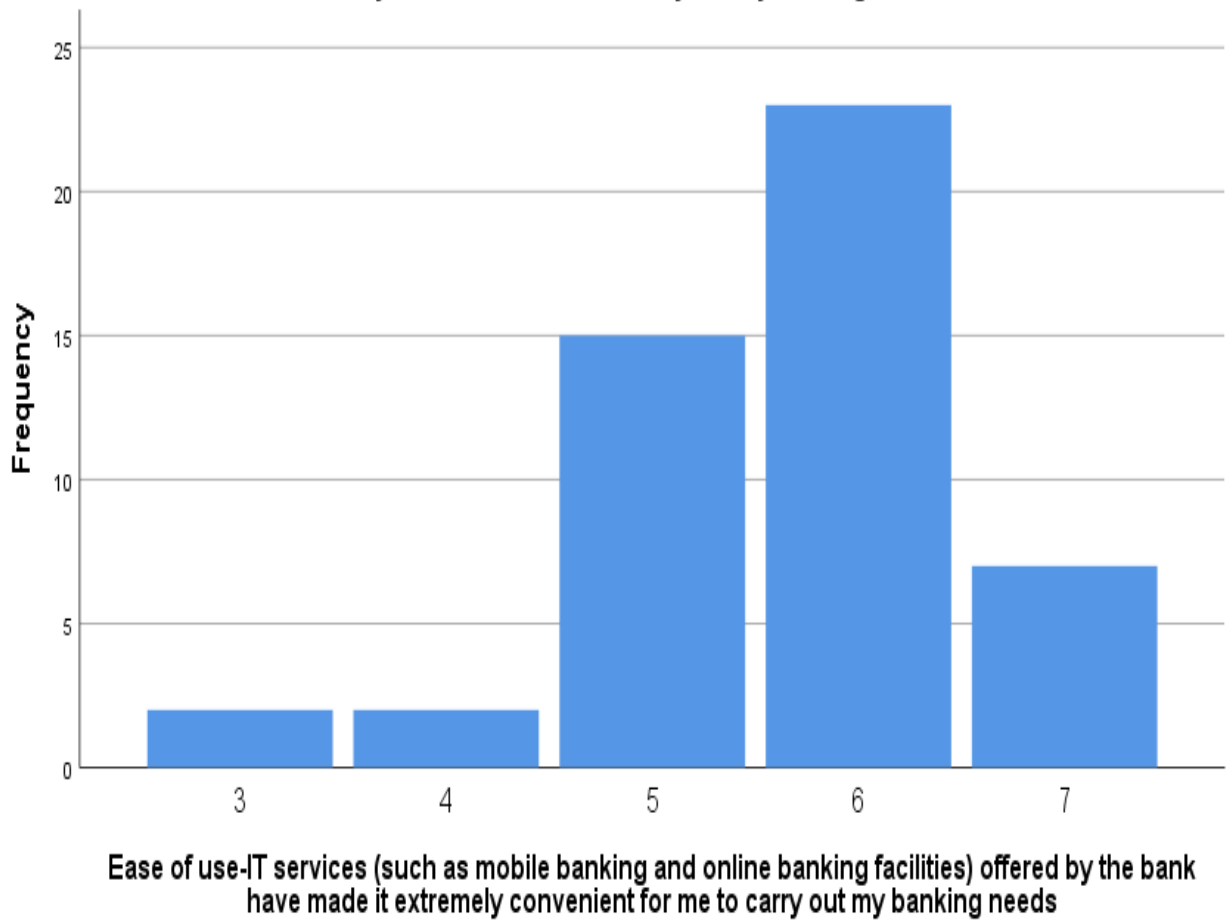


Figure 4-8: Bar diagram ease of use of IT services offered by the banks have made it extremely convenient for me to carry out my banking needs

In the above chart, in total of 49 customers surveyed, 45 participants had positive response that use of IT services helped in satisfaction of customers while 4 respondents had negative response. 23 participants were strongly agreed, 7 were very strongly agreed and 15 were agreed that use if IT services added convenient to carry banking needs.

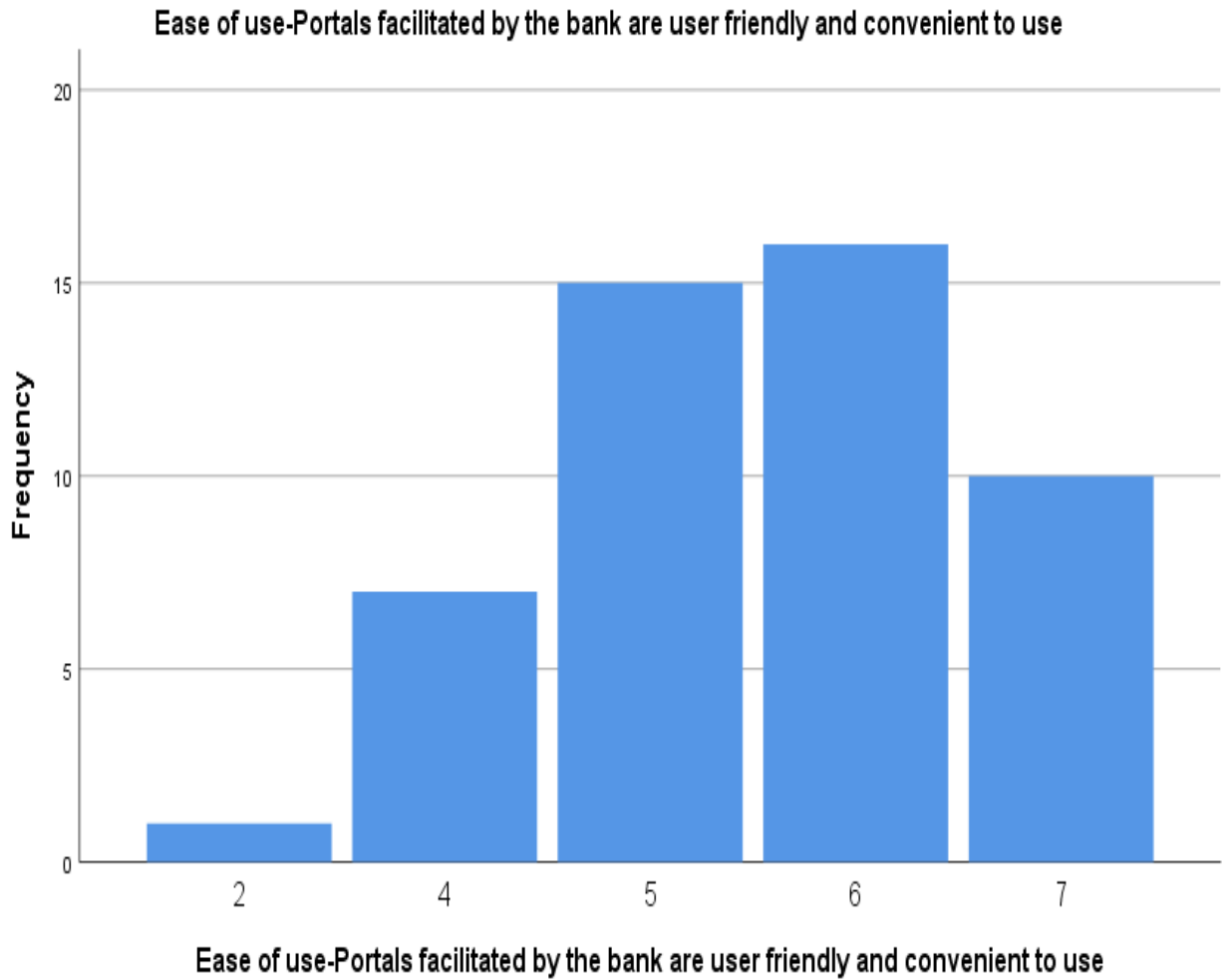


Figure 4-9: Bar diagram of ease of use-portals facilitated by banks are user friendly

From the survey of customers, 8 respondents felt that IT outsourcing services used by them were not user friendly whereas remaining 41 surveyed customers had positive response that portals services facilitated by banks are user friendly. 15 employees agreed, 16 were strongly agreed while 10 were very strongly agreed that use of portals is friendly and convenient.

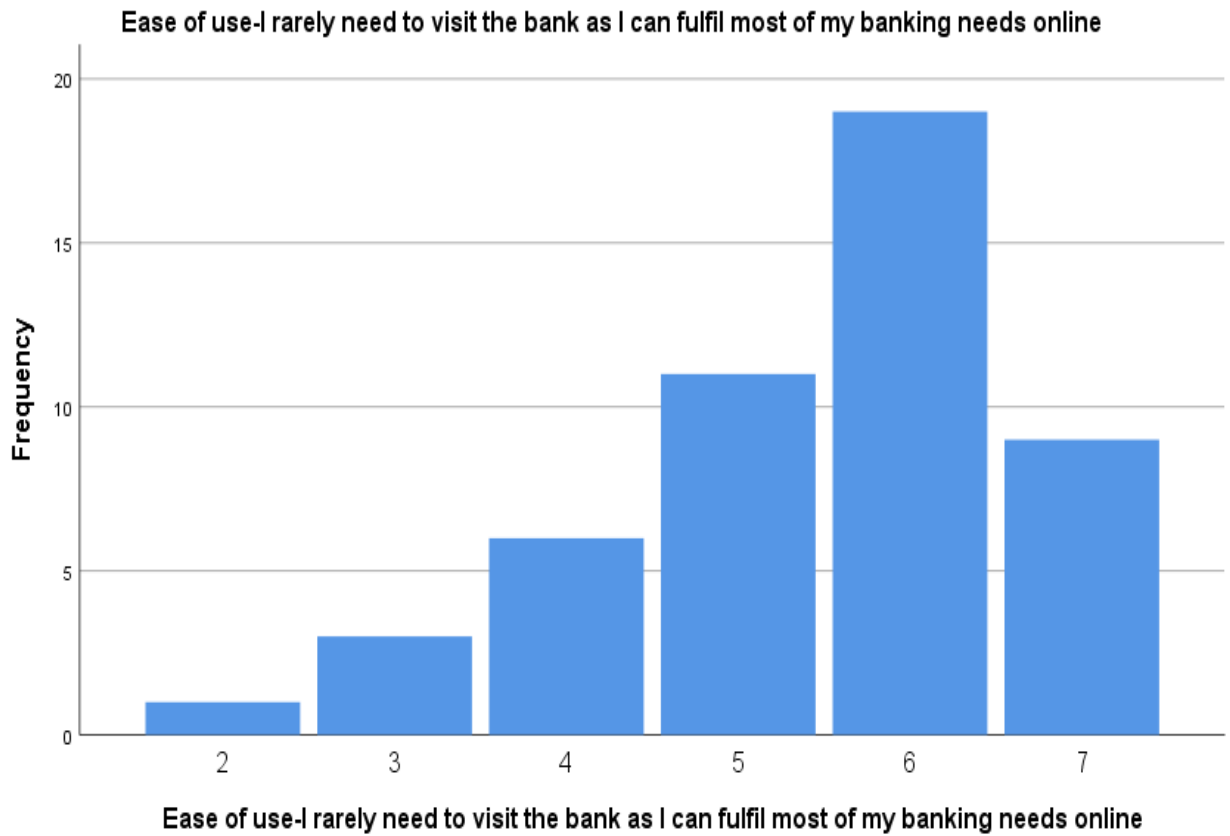


Figure 4-10: Diagram of ease of use of IT services- rarely need to visit the bank as banking needs are fulfilled online

From the 49 surveyed customers, exception of 10 participants remaining 39 felt that use of IT services helped them to meet their banking requirements online saving time and effort to visit their banks.

CHAPTER 5- DISCUSSION

5.1 Introduction

This chapter is aimed at organising data retrieved from a survey of a total of 80 individuals from five different financial institutions (banks) in Nepal. A total of 31 bank employees (working in various job roles within these banks) were surveyed in addition to 49 customers who were present in selected banks at the time of the survey. By analysing data collected from survey participants, the chapter seeks to identify key themes and patterns pertaining to impact of IT outsourcing on performance of banks. The aspect of impact in turn has been measured in terms of financial performance of selected banks in addition to employee and customer satisfaction and ease of operation.

5.2 Insights obtained from Employees

5.2.1 Overall Impact of IT Outsourcing

A key theme emerging from employee survey aimed at assessing overall feelings towards impact of IT outsourcing on bank performance. An analysis of employees of Bank of Kathmandu Limited in this respect revealed that most of employees agreed or strongly agreed that outsourcing IT services has positively impacted the performance of their bank. 2 members from core banking and accounts departments respectively were neutral in their opinion. Patterns obtained from Nabil Bank and NIC Asia Bank revealed that 3 employees from core banking agreed that IT outsourcing positively impacted the performance of their bank. On the other hand, employees working in accounts, ICT and data security divisions were either unsure or felt that IT outsourcing negatively impacted bank performance. Accounts and data security employees at Credit and Commerce Bank Ltd were also unsure of the impact of IT outsourcing on bank performance while core banking employees agreed to its positive impact. Similarly, core banking employees at Standard Chartered Nepal felt that IT outsourcing has improved bank performance while ICT and data security employees were unsure of the impact. With the total of 31 surveyed employees, except 5 of surveyed participants, remaining 26 respondents agreed or strongly agreed that IT had significant impact on performance of banks in Nepal. In contrast, 5 employees were unsure or neutral that IT impacted the performance. Furthermore, 4 surveyed employees were very strongly agreed that IT outsourcing have improved the performance in banks. 11 employees felt that IT activities have strongly impacted while 11 agreed IT activities have made improvement.

Furthermore, the mean value of impact of IT on overall performance in banks 5.45 mean surveyed participants agreed that IT outsourcing have positive impact on performance in banks.

Tan (2016) highlights that banking systems tend to generate terabytes of data on an everyday basis while also being responsible for recording data pertaining to historical transactions. These requirements render huge cost investments for the system to be high performance. This aspect according to the resource negatively impacts financial performance of the bank. Willcocks (2015) further adds to evidence and suggests that outsourcing often increasing costs as it is often difficult to explain specific requirements and uniqueness of a bank to an external agency. Further, maintenance, service and regular upgradation of systems adds to costs. It is possible that employees associated with data security and ICT domains are aware of the expenditure that banks must incur to be able to extend state of the art data protection and electronic banking services. This coupled with expenses of outsourcing might have resulted in them expressing neutral opinions or feeling that outsourcing is detrimental to bank's performance. Akhisar (2015) on the other hand, utilised methods of return on equity (ROE) and return on assets (ROA) calculation to determine the impact of outsourcing implementation of electronic banking systems on performance of banks in 23 developed as well as developing countries. The study revealed that outsourcing helped employees concentrate on their core activities thereby improving efficiency. On the other hand, implementation and maintenance of electronic banking services by experts kept them updated, user friendly and easy to upgrade. This in turn improved number of consumers in addition to relationships with existing consumers and thus improved bank performance. It is possible that core banking employees at surveyed banks saw an improvement in the number of consumers as well as in their relationship with consumers and thus believed that IT outsourcing has had a positive impact on bank performance.

5.2.2 Advantages of IT Outsourcing

Another key theme emerging from employee survey sought to enquire into specifics of advantages of IT outsourcing. Considering employee responses, core banking, data security and ICT employees strongly felt that IT outsourcing helped employees concentrate on their core activities. Furthermore, the mean value of advantages of IT outsourcing- concentrating on core banking 5.74 refers that most of the surveyed employees agreed that IT outsourcing helped staff members to concentrate on core banking. This can be reasoned out with the help of a study conducted by (Puspitasari 2019). The study argues in favour of IT outsourcing

and suggests that the process is advantageous for employees who are not core IT experts and do not need to invest time on IT related activities such as maintaining ATM machine and internet banking platforms. Also taking the costing aspect into consideration, the study further argues that reduced employee burden and added convenience often results in improving operational efficiency. This in turn helps in improving business and there for bank performance.

Almost all surveyed employees across the five banks also revealed that IT outsourcing helped banks in improving their service delivery and in facilitating competitive and specialised services to their customers. The only exception to this phenomenon were 4 employees who expressed a neutral opinion. Akhisar (2015) postulates that using third party services to manage technology and its implementation often helps banks in improving capacity and efficiency. This might be attributed to the fact that employees are able to seek help from automated systems and are able to stay focused on facilitating better services to customers. The study further highlights the importance of hiring experts for offering innovative banking solutions with the help of integrated technology platforms and automation. Although a collective opinion in favour of offering innovative services was obtained, 10 employees out of 31 surveyed, did not feel that IT outsourcing provided respective banks a competitive advantage over the others. This might be reasoned out with the help of (Dauda 2015). The study suggests that banks have been uniformly adopting automation and technology to continuously improve their services. In this context, technology alone is rarely a differentiating factor in qualitative service delivery, which relies more on the way core banking activities are executed.

Finally, employees pertaining to data security and ICT domains most expressed neutral opinions towards the role of IT outsourcing in controlling operational costs. Contrasting opinions regarding this aspect can also be found in literature. Bataev (2015) uses the example of Russian banking system in order to calculate and prove that IT outsourcing actually improves cost efficiency of banks by reducing costs associated with hiring technical competence, hosting clouds, training staff members and maintenance. Caron (2019) on the other hand, suggests that outsourcing tends to make banks dependent on facilities extended by external service providers. Also highlighting the aspect of data security, the study suggests that costs pertaining to data security and protection increase manifold thereby hurting operational efficiency.

5.2.3 Organisational Changes

A third important key theme emerging from employee surveys aimed at collecting employee opinions regarding changes that their banks experienced post outsourcing IT services. Reflecting on survey results it can be stated that all surveyed employees (except of 2 employees, who expressed neutral opinions), agreed or strongly agreed that outsourcing IT services has served to improve customer satisfaction with services offered by respective banks. It could further be noted that 10 employees working in core banking department felt that there had been a decrease in number of customer complaints, while employees from data security and ICT domains mostly expressed neutral opinions regarding this aspect. Perspectives provided by Hanafizadeh (2017) might be utilised in order to provide a justification for the noted phenomenon. The study suggests that outsourcing IT allows banks to extend state of the art and innovative banking solutions (such as mobile banking, internet banking, ATMs, home banking solutions) to their customers. This in turn tends to improve their overall level of satisfaction with banks. Further, the study also points out towards automated customer care portals that are more efficient in resolving customer queries and grievances thereby reducing wait times and improving satisfaction. Agolla (2018) on the other hand, reciprocates the importance of technology in providing faster and efficient solutions to customers thereby helping them enjoy seamless banking experiences and reducing the number of complaints.

Another important phenomenon that received agreement of employees (with the exception of 6 employees who expressed neutral opinions), comprises of the fact that employees felt that their banks experienced an increased clientele post outsourcing their IT services. Agolla (2018) provides evidence in this context by suggesting that convenience, prompt service and quick grievance redressal are a few attributes that tend to improve and strengthen relationships between banks and their customers. Improved relationships in turn tend to directly impact clientele. This might be a reason why banks might have experienced an increase in their clientele. It is also important to note that as core banking employees tend to directly deal with customers, they might be better aware of increased numbers, while employees associated with ICT and data security domains might be unsure of the same.

Employees also majorly agreed that IT outsourcing had caused a decrease in average time taken to serve customers. Venkatesh (2016) highlights the case study of an Indian bank, where outsourcing IT services significantly improved service times thereby improving and transforming overall reputation of the bank. While quoting the case study, the study suggests that automated platforms allow customers to take care of a wide variety of their day-to-day

banking needs from the convenience of their homes. This in turn reduces physical traffic in banks thereby positively impacting wait times. Additionally, automated customer service solutions offer facilities of using self-help functionalities to help consumers solve their own problems.

5.2.4 Managerial Opinions

Management personnel at surveyed banks were asked regarding their opinion on the impact of IT outsourcing on performance of their respective banks and factors that they considered important before they would consider outsourcing. An overall analysis believes that managers felt that IT outsourcing had been positive for their respective banks. According to the opinion of B1E2 *“Outsourcing has helped automate a lot of things. This has significantly reduced time required to serve consumers thereby improving their level of satisfaction and overall performance of the bank”*. B4E2 added to the opinion by suggesting that *“Outsourcing allows the bank to continuously improve its service provision and gain competitive insights. This is definitely an improvement”*. Finally, B5E3 added *“We do not need to invest time in learning to manage data security and invest time in tedious paperwork. We can seamlessly concentrate on providing banking solutions and this helps improve our performance”*. Automation and maintenance of IT platforms by experts often tends to improve overall level of customer satisfaction by allowing employees to focus on their core activities in addition to extending innovative and efficient banking services (Hanafizadeh 2017). Further, B2E2 felt that *“The turn-around time that the bank took to reach out to customers has decreased despite an increase in number of customers. Overall performance of the bank is positively impacted”*. Venkatesh (2016) argued that automated platforms allow employees to engage technology and help consumers much faster as compared to manual processes. B3E4 presented a contrasting opinion and suggested that *“The bank has spent significantly in terms of both software and hardware installation. I am not sure if profits compensate for the same.”* This opinion has also been highlighted by Tan (2016) which suggests that banks are often required to make significant financial investments in order to ensure data security and high processing systems.

While commenting on factors that had to be considered before making outsourcing decisions, common themes included cost considerations, data protection, customer value and retention and strategic directions of the bank. It tends to be a common consideration that customers were extremely important and it was necessary to build a strong relationship with them in order to be able to successfully retain them and win over competitors (Agolla 2018).

Cost considerations are also important as selecting the right vendor, outsourcing IT to be able to extend state of the art services and data protection require significant investments. It is therefore necessary to be able to predict and balance profit returns (Bataev 2015).

5.3 Insights obtained from Customers

5.3.1 Added Convenience

In order to gauge the impact of IT outsourcing on bank performance, customers visiting surveyed banks were asked if mobile banking and other technological innovations have improved their banking experience. Out of 49 surveyed customers, 45 customers agreed that IT platforms extended by their respective banks successfully made their daily banking activities easier. The mean value of ease of use- added convenient 5.63 refers use of IT services offered by the banks have made it extremely convenient to carry out banking needs. Mullan (2017) indicates that mobile banking platforms, e-banking and other technological innovations as extended by banks are often of extreme strategic importance as they related directly with return of investment (ROI), added customer convenience, retention and possible competitive advantage. Technologically innovative services further lure customers to continue banking with their current banks and not switch over to competitors. Goyal (2016) agrees with the perspective that innovations such as virtual agents, automated customer care services, mobile and e-banking services are key to business growth and development as they act by strengthening consumer relationships. González (2016) on the other hand, highlighted an extremely important point by pointing out to IT outsourcing. The resource suggests that one of the key reasons for outsourcing IT services lies in quality improvement. Wisely made outsourcing decisions can bring some of the best technological solutions on board and significantly enhancing consumer experience. The resource further argues that outsourcing also allows employees to stay focused on doing what they know best and this enhances consumer experience. Since most consumers surveyed across five banks agreed that their daily banking activities had become easier owing to technological platforms such as internet banking and mobile banking, it is possible that this has been the impact of outsourcing IT platforms.

5.3.2 User Friendly

Another key question that was asked to consumers present in surveyed banks enquired if bank portals were user friendly and can be easily used. Most consumers (with the exception of 8 customers) agreed that they found portals user friendly and easy to use. The mean value

ease of use- user friendly 5.53 also explains that surveyed customers felt portals facilitated by banks are user friendly.

Schlich (2015) notes that outsourcing services and functions that no longer form an organisation's core might significantly improve service offering. Taking the banking industry into consideration, the resource further quotes that outsourcing plays a vital role in ensuring that technological platforms and services offered are user friendly, bug-free, easy to maintain and use by all. This might be attributed to the fact that vendors and service providers who specialise in developing and maintaining banking portals often clearly understand client requirements and preferences thereby being able to deliver solutions that are often superior to those that might be internally developed by banks. In this context, it might be a possibility that outsourcing of IT services might be a key reason why most consumers found portals user friendly and convenient.

It is also noteworthy that 3 customers suggested that they preferred using other banks over the ones that they had been currently banking with. Shanmugam (2015) draws out important insights from the UK banking industry and highlights the importance of offering customer convenience. The resource suggests that today's competitive era is majorly dominated by offering convenient and technologically superior banking solutions to customers. In this context, it is possible that a few consumers are dissatisfied with portals offered by their current banks and prefer to use portals offered by others.

Another important phenomenon that could be noted is that customers who found portals user-friendly and convenient to use often relied on the same for their day to day banking needs. For example, 9 customers utilised net banking facilities extended by their respective banks on an everyday basis while 30 customers use these services frequently. Boateng (2016) relates ease of usage of technological platforms to increased frequency of use in the banking industry. The resource argues that when e-banking, mobile banking and other platforms are developed in a manner so as to promote user-friendliness, they also promote customer reliability and hence frequency of usage. Chan (2017) adds to evidence by suggesting that outsourcing often enhances user-friendliness of technological platforms hosted by banks as they are developed by experienced professionals and by keeping in mind that consumers would want to witness. Drawing from these arguments, it seems possible that IT outsourcing might have played a vital role in enhancing user-friendliness of banking portals that are being currently used by customers.

5.3.3 Banking Visits

Another important question that was posed to customers visiting surveyed banks enquired if they could fulfil most of their banking needs from the convenience of their homes and needed to physically visit the bank less frequently. In this context, 13 corporate banking customers specifically suggested that they rarely visited banks and could fulfil their banking needs via corporate portals of e-banking facilities extended by banks in case of personal banking needs. Also looking at 'frequency of service use' table, it can be stated that corporate banking customers used services such as corporate portals, mobile banking, internet banking and payment gateways on a regular basis (daily or frequently) and were less likely to physically visit ATMs or bank branches. On the other hand, 5 customers (who did not find portals extended by their respective banks user-friendly, were less likely to use them and preferred physically visiting banks for their banking needs.

Andaleeb (2016) lays emphasis on banking with a new class of clientele, corporate clients. In accordance with the resource, corporate clients are of extreme importance to every bank. This might be attributed to the fact that corporate clients provide a significant amount of business opportunities in the form of corporate accounts, employee accounts, corporate cards, investments etc. Further, it is also suggested that corporate clients need advanced technological portals and support to be able to successfully cater to their banking needs. Also referring to findings provided by (Chan 2017) and (Schlich 2015), it might be suggested that outsourcing serves to significantly improve quality of service delivery in addition to offering customer convenience and solutions that are technologically superior. In this context, it is possible that IT outsourcing has enhanced the quality of corporate portals that have been developed and extended to clients. Alternately, it might also be suggested that the quality of personal banking portals might be lower as compared to corporate portals thereby rendering some dissatisfaction.

5.3.4 Customer Care

IT outsourcing often also involves outsourcing customer care services and automating the same. In this context, the researcher wanted to gauge the way outsourcing might have impacted customer care services in the surveyed banks. While most customers (with the exception of corporate banking clients) suggested that they did not find it easy to navigate through customer care centres in order to get their concerns sorted, the aspect of customer care executives devoting time to solve customer concerns drew a mixed response. (Gozman (2015), L BERG 2001) highlights some of the primary risks associated with IT outsourcing

in the banking sector. According to the resource, when technological platforms are outsourced for their development and maintenance, currently employed staff members often only have a limited knowledge of these platforms. This underlines the need for explicit and periodic training to ensure that staff members are well acquainted to technology. As staff members working at surveyed banks might be undertrained, this could be a reason for poorly extended customer care services. Further, limited knowledge about their bank's portals might also make it difficult for them to resolve customer queries and concerns.

Bott (2015) further highlights another prominent risk as associated with IT outsourcing. In accordance with this resource, organisations tend to over invest in outsourcing and having all their processes automated. This in turn harms organisations in two ways. First, it breeds over-reliance on technology and second, it tends to push the human element away from processes. Looking at customer responses, it is also possible that banks have over-automated their customer care. This in turn could have over-complicated the system and impacted consumer experience in a negative manner. Alternately, it is also possible that employees are relying on technology to solve customer problems rather than gathering an understanding of concerns on their own. As a result, less appropriate time and attention is being provided to resolve customer concerns.

Finally, drawing from the findings of Andaleeb (2016), it might also be stated that corporate clients often receive personalised account managers so as to further enhance their banking experiences. As a result, they might not be facing similar concerns as that of personal banking customers and might be enjoying a smooth customer service experience.

5.3.4 Technology and Bank Performance

Customers were also requested to share their opinion regarding the impact that technology has had on overall performance of their banks. Responses revealed that most employees who gave their comments, felt positive about the incorporation of technological innovations. The very first category of responses comprised of the fact that customers felt a reduced need to physically visit the bank. B1C10 suggested that *"I am a corporate client and I cannot afford to visit the bank again and again, which I had to do earlier. Online portals and automation have made banking a lot easier for me."* B1C8 further added by stating *"I use mobile and net banking platforms for almost all my transactions and almost never have to visit the bank. This is super convenient, and I like it."* B2C1 had also the opinion that *"The bank's performance has improved in terms of a lot of automation and a reduced need to physically visit. However, employees are still difficult to reach and do not help."* A few employees also

had contrasting opinions and did not feel that technology and automation has reduced the need for a physical visit. B1C4 indicated that *“I visit the bank for my needs as it is near my home. I find it to be simple, safe and hassle free.”* B3C13 further felt that *“Mobile and internet banking offer additional convenience but does not completely eliminate the need to visit the bank. They are a slight improvement, but there is a lot of scope.”* Findings as suggested by both (Chan 2017) and (Schlich 2015) clearly point out towards the capability of outsourced banking platforms to be technologically superior in nature in addition to being convenient, user-friendly and easy to use. In this context, quality of banking portals and customer opinions in this context might be a direct reflection of benefits of outsourcing.

Another important aspect of customer opinion was centred on the aspect of convenience. Akhisar (2015) has argued in favour of the opinion that IT outsourcing improves customer convenience by facilitating technological solutions that are easy to use and developed by experts. This view coincided with customer opinions as B3C12 suggested that *“Banking for me is extremely convenient. Most of my work is done via my portal. In case a feature is absent, I can always request my banking representative to visit me at my office.”* Adding to the aspect of customer convenience, B1C6 also agreed by stating that *“Yes, the bank has been adding a lot of features online. This helps in saving time, reduces frustration and speeds up banking.”* Finally, B4C3 added that *“I find it super convenient to use net banking and mobile banking features for almost all my banking needs. I rarely visit the bank. Although, I do not feel that may be true for everyone as people tend to have different banking needs.”*

Finally, as (Bott (2015)) suggested, one of the prime risks of IT outsourcing comprises of the fact that employees might over-rely on technology and this in turn might negatively impact the bank’s performance. This phenomenon was also witnessed in customer responses. B4C4 stated that *“My rate of satisfaction with the bank has fallen down over the years. A few bank officials have taken technology as an excuse and as an alternative to good customer service. They hardly dedicate any time to explaining features that may be available. We are only directed to solve problems via online portals and platforms.”* To this, B5C7 further added that *“I do not believe technology has any impact on bank performance. Bank representatives have started putting off their responsibilities and quality of service has decreased.”*

CHAPTER 6- CONCLUSION

The main purpose of this thesis is to explore following specific research questions:

1. Which IT related activities have been outsourced by the selected banks?
2. Do banks derive a competitive advantage from IT outsourcing?
3. Has IT outsourcing improved the work experience of employees of the selected banks?
4. How has IT outsourcing impacted the overall performance of selected banks?
5. Has IT outsourcing improved the level of customer experience and satisfaction with each of the selected bank?

6.1 Summary of findings and responding to research questions

This section deals with the findings of this research paper and responds to the research questions.

6.1.1 Summary and responding to research questions one, three and four

Reflecting on findings obtained from surveying employees and customers at five different banks, it might be concluded that employees and customers alike felt that IT outsourcing has positively impacted performance of their banks. A common trend across surveyed employees in five banks indicated that employees involved in core banking and accounts departments were somewhat unsure as to which services had been outsourced, although most positively felt about technological advancements and changes such as internet banking, mobile banking and payment gateways. The activities such as ATM and system maintenance, web banking services, mobile application services and data storage and security were outsourced. This has been derived from a combined employee response stating that they either agreed or strongly agreed with the fact that IT outsourcing has had a positive impact on their bank's performance.

It is also necessary to state that financial implication of IT outsourcing on bank performance could not be properly established as it received a mixed response. Employees working in core banking areas believed IT outsourcing has caused an increase in the number of customers and has successfully reduced time required to serve customers in addition to their complaints. On the other hand, employees working in data security and ICT domains that development, installation and maintenance of technological platforms such as internet banking, mobile banking and payment gateways has required a significant investment from

the bank's side and this has negatively impacted profit margins. Further, the aspect of operational cost control drew a mixed response where some employees felt that infrastructural investments were significant while others felt that ROI had increase proportionally.

The impact of IT outsourcing on employees could be clearly established. Surveyed employees agreed that outsourcing activities like development and maintenance of e-banking portals and payment gateways in addition to ATM machine maintenance has allowed employees to concentrate on core banking activities and not worry about technological glitches. This in turn has increased overall level of customer satisfaction with banks and reduced workload. Employees also agreed that post outsourcing IT functions, they can extend better and more specialised services to their consumers and this has been pivotal in winning their trust. Finally, collective opinion of employees indicated that the aspect of service delivery has also improved owing to their new-found capability of upgrading their platforms and service provision with ease. It however remains important to mention that these conclusions have been derived based on majority opinion of employees surveyed across five banks. Few employees had expressed neutral or negative opinions and had felt that service delivery of the bank has deteriorated post outsourcing their IT functions.

6.1.2 Summary and responding to research question two

In context of gaining competitive advantage, most employees did not see IT outsourcing as a way of gaining competitive advantage over the others. This might be attributed to the collective opinion that banks in a competitive era adopt similar infrastructure and often attempt to extend similar services thereby making it harder to link competitive advantage to technology adoption and outsourcing. Finally, employee opinion revealed that important factors considered before making outsourcing decisions included an estimation of cost required to outsource versus developing portals in-house. Additional factors included an estimation of expected profitability, value offered to consumers and data security concerns.

6.1.3 Summary and responding to research questions five

Seeking insights from both corporate as well as personal banking customers presented across surveyed banks, the impact of IT outsourcing on customer convenience could be clearly established. Most employees felt that technological platforms such as mobile banking, e-banking, gateways etc have significantly reduced the need for physical visits to the bank and has made banking convenient. With the help of literature, it seemed plausible that

outsourcing has played a vital role in extending this convenience to consumers. The pattern was also indicated in customer responses as several responded by saying that introduction of technological platforms made banking convenient and they could fulfil most of their banking needs from the comfort of their home.

Further, it also seemed possible to estimate the impact of IT outsourcing on frequency of bank visits and user-friendliness of portals that had been extended by banks. Most customers responded by saying that they were able to attend to their banking needs from the convenience of their home and did not need to physically visit the bank. The pattern could also be seen duplicated in frequency of usage of mobile and e-banking services. However, there were a few exceptions where customers indicated that they preferred physically visiting the bank as it was in close proximity to their home or that they found it easier to visit the bank for their banking needs as compared to utilising a technological platform. A few customer opinions also indicated that platforms extended by some banks were more convenient and user-friendly as compared to their current bank. This could be deciphered as a few customers preferred using other bank platforms as compared to their own and indicated that there were several bugs and glitches that needed to be fixed.

Finally, the impact of IT outsourcing on customer service could be clearly established from customer responses. Most employees seemed unhappy with customer service executives and indicated that they found it extremely difficult to reach out to them. Customers also indicated that customer care executives did not offer dedicated problem solving despite availability of supporting technologies. While trying to reason out these responses with the help of literature, it could be deciphered that over-reliance on technology in outsourcing often results in complexity of systems and a decrease in offered service quality. Further, it also seemed possible that members of the customer care team were poorly trained about the use of their own platform and hence were unable to solve customer grievances with efficiency. The problem however was not witnessed with corporate clients across five banks with almost all corporate clients agreeing that they received good customer care services. A possible reason for the same could be that corporate clients are always highly valued by banks owing to their business potential. In this context, they often have dedicated account managers who tend to their banking needs in a systematic manner. Personal banking clients on the other hand are required to go through regular and stringent processes thereby causing problems.

Overall, it was revealed that IT outsourcing renders a positive impact on bank performance in terms of improved customer convenience and satisfaction. Additionally, positive impacts

might also be realised in terms of allowing employees to focus on their core activities, extending better and more innovative services and experiencing better financial returns.

6.2 Recommendations and Future Directions

Very first recommendation for future research comprises of conducting more comprehensive studies to be able to judge the impact of IT outsourcing on bank performance. One of the prime limitations of this study is that it considers five specific branches of banks as five different banks. Although the study allowed the researcher to obtain an overall estimate, a single branch cannot be considered representative of an entire bank. In this context, it would be necessary for future studies to consider specific banks and all branches that are active in Nepal. This can be followed by a comparative study of all banks in Nepal. Results obtained by such a study would be far more reliable and dependable as compared to the current one. Another important recommendation and future direction can be derived from methodological limitation of this study. Conclusions of the current study have only been derived based on employee and customer surveys. In this context, future directions could involve personal interviews with both employees as well as customers. Additionally, personal interviews (or focus group discussions) would also allow participants to freely express themselves without being restricted by limited questions. This in turn would provide the researcher with richer perspectives and would make the interpretation process more fruitful in nature. Alternately, quantitative analysis methodologies (such as those possible with the help of SPSS software) could also be deployed to interpret data collected from employee and customer surveys.

A third important recommendation and future direction might be derived from the fact that the current study studies various factors such as financial performance, impact on customers and employees in combination. In this context, it is possible that the study is unable to do complete justice to either of the factors and does not study them in detail. Therefore, it might be necessary to conduct independent studies for each of the factors that outsourcing IT services might impact. This will allow an in-depth analysis of impact of IT outsourcing on bank performance as opposed to provision of a combined overview.

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Appendix: Questionnaires

IT Outsourcing and Organisational Performance

The questionnaire intends to collect data with reference to monitoring the impact of IT outsourcing on bank performance. Data is solely being collected for this research and will always be kept confidential. The researcher does not intend to share this data with any third party.

Q1. How would you like to identify yourself?

- a. Male []
- b. Female []
- c. Does not wish to specify []

Q2. Please specify the department that you work with

- a. ICT []
- b. Data Security []
- c. Accounts []
- d. Core Banking []
- e. Others [] (Please Specify) _____

Q3. Please specify the number of years that you have been associated with your current organisation

- a. < 1 year []
- b. 1 year- 5 years []
- c. 6 years- 10 years []
- d. More than 10 years []

Q4. Which kind of IT functions does your bank outsource (Please check all that apply)?

- a. ATM and system maintenance []
- b. Web banking services (portal and maintenance) []
- c. Mobile Application services (portal and maintenance) []
- d. Data Storage and security []
- e. Accounting []
- f. Others (Please specify) _____

By referring to the criteria below, please indicate if you agree or disagree with the following:

Scale: 1= Very Strongly Disagree
 2= Strongly Disagree
 3= Disagree
 4= Neutral
 5= Agree
 6= Strongly Agree
 7= Very Strongly Agree

Q5. IT outsourcing has significantly improved the performance of my organisation

- a. 1
- b. 2
- c. 3
- d. 4
- e. 5
- f. 6
- g. 7

Advantages of IT outsourcing

Q6. My organisation outsources IT services to:

Criteria/ Rating	1	2	3	4	5	6	7
Allow staff members to concentrate on core banking activities							
Avoid heavy technological and infrastructural investment							

Control Operational costs							
Provide better, more competitive and specialised services to customers							
Continuously improve service delivery							
Gain competitive advantage over other banks							

By referring to the criteria below, please indicate if you agree or disagree with the following:

Scale: 1= Very Strongly Disagree

2= Strongly Disagree

3= Disagree

4= Neutral

5= Agree

6= Strongly Agree

7= Very Strongly Agree

Advantages of IT outsourcing

Q7. Post outsourcing IT services, the following changes have been visible in my organisation:

Criteria/ Rating	1	2	3	4	5	6	7
Employee satisfaction with the bank has improved							
There has been a decrease in customer complaints and grievances							
Number of customers giving their business to the bank have substantially increased							
Average time taken to serve customers has decreased							

Customers only visit the bank for cash related queries							
Overall performance of the bank has improved post outsourcing IT activities							

FOR MANAGEMENT PERSONNEL ONLY

Q8. Which factors do you consider important before outsourcing?

Q9. How do you think outsourcing have impacted the performance of your organisation?

Q10. Do you outsource to:

- a. Specialised vendors for different IT services []
- b. Mass vendor for all services that are being outsourced []
- c. Companies with proven records []
- d. Technology start-ups []

e. Others, please specify []

THANKYOU FOR YOUR TIME!!

Questionnaire 2: For customers

IT Outsourcing and Bank Performance

The questionnaire intends to collect data with reference to monitoring the impact of IT outsourcing on bank performance. Data is solely being collected for this research and will always be kept confidential. The researcher does not intend to share this data with any third party.

Q1. How would you like to identify yourself?

- a. Male []
- b. Female []
- c. Does not wish to specify []

Q2. Kindly identify the type of services that you use?

- a. Personal Banking []
 - b. Corporate Banking []
 - c. Others [] Please specify
-

Q3. Which from the following list is your preferred bank?

- a. Bank of Kathmandu Limited []
- b. Nabil Bank
- c. NIC Asia Bank
- d. Nepal Credit and Commerce Bank Limited
- e. Standard Chartered Nepal

Q4. Please specify the number of years that you have been banking with your bank

- a. < 1 year []
- b. 1 year- 5 years []
- c. 6 years- 10 years []
- d. More than 10 years []

Q5. How often do you use the following services of your bank?

Services/ Frequency	Daily	Frequently (At least once a week)	Moderately (At least once in 2 weeks)	Occasionally (At least once in 1 month)	Rarely (less than once a month)
ATM Services					
Net banking					
Mobile Banking					
Corporate Portal					
Payment gateways					
Others, Please specify					

By referring to the criteria below, please indicate if you agree or disagree with the following:

Scale: 1= Very Strongly Disagree

2= Strongly Disagree

3= Disagree

4= Neutral

5= Agree

6= Strongly Agree

7= Very Strongly Agree

Q6.

Criteria/ Rating	Very Strongly Disagree	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Very Strongly Agree
IT services (such as mobile							

<p>banking and online banking facilities) offered by the bank have made it extremely convenient for me to carry out my banking needs</p>							
<p>Portals facilitated by the bank are user friendly and convenient to use</p>							
<p>I rarely need to visit the bank as I can fulfil most of my banking needs online</p>							
<p>I can get in touch with bank officials via the</p>							

customer care centre and they effectively handle my concerns							
Bank executives can devote much more time to customers post introduction of technology							

Q7. Which are your primary reasons for banking with your preferred bank? (Please check all that apply)

- a. Convenience
- b. Technological platforms
- c. Proximity to home
- d. Others, Please specify _____

Q8. What in your opinion has been the impact of technology on bank's performance in terms of streamlined processes and customer satisfaction?

THANK YOU FOR YOUR TIME!