

Information Technology and Banking in the 21st Century

Information Technology

Information is a key operational factor of any organisation. How it is collected, collated, stored, and retrieved is critical to the survival of a business - especially in the banking industry.

In recent times, changes have occurred in the banking industry creating increased opportunities as well as additional risks for the banks. Areas that were traditionally considered to be the domains of the banks are increasingly coming under pressure from non-bank financial institutions. In addition, customers are now better informed and demand a wider range of high quality products - as well as prompt and effective services.

Ideally, each financial institution should be able to support its operations with an application system that utilises the most advanced technology available today and is designed from bottom-up to be fully integrated.

Who are getting left behind?

The continued use of banking software systems that were developed over a decade ago, based on technology that is at the end of their lifecycle indicates that a number of banks have failed to develop I.T. strategies to keep up with the environment in which they now have to operate.

Significant progress in I.T. methodology and development tools has dramatically reduced the costs of developing and deploying I.T. solutions. Financial institutions can now deploy customised solutions that anticipate changes in the market and cater for their objectives as opposed to the 'one size fits all' solutions currently being marketed by a number of vendors.

The New Players

The use of innovative I.T. solutions by smaller organisations like credit unions and building societies would allow them to mitigate the competitive advantage the bigger banks with bigger I.T. budgets have. By being able to bring new products and services to market quickly and at a lower cost, the smaller organisations can win and retain a larger share of the customer's wallet.

Credit unions and building societies are changing from transaction facilitators to providers of a broad range of financial services. They have responded to the changing market by focusing on building better personal relationships with their customers. This means they now require better I.T. solutions that support their product and service offerings aimed at retaining the loyalty of its customer base.

Credit unions and building societies now face strategic decisions on how to:

- Improve existing products and services, as well as introducing innovative new ones
- Develop or acquire technology that support these products and services
- Grow their customer base organically or merge with other institutions

The Way Forward

Decision makers in the financial services sector have come to realise that in an increasingly homogenised marketplace, innovation and forward-thinking are the best ways to increase market-share and overall success.

Choosing the right technology, product and I.T. partner is a crucial step in realising these goals.