

**THE IMPACT OF INFORMATION SYSTEMS ON COMMERCIALS BANKS
PERFORMANCE IN GHANA
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Today all over the world, information is being created and communicated at a faster rate than ever before. As information is made available in a variety of formats, the need to manage this variety of information types efficiently and effectively becomes critical. The globalization of the markets in which most organizations operate, transformation of many economies to full-fledged knowledge and information-based economies and information explosion in all facets of society have compounded the problem of managing information effectively. Most large organizations including banks, therefore, try to put in place mechanisms or systems to effectively and efficiently manage the large volumes of data / information they receive or generate internally on an hourly and daily basis. (Buatsi, 2003)

The Ghana Banking Act (Act 339, Section 47), defines the business of banking as “The acceptance for lending or investment purposes, deposits of money from the public, repayment on demand and withdrawal by cheques, drafts or by other means”, and “The financing, whether in whole or in part by way of short, medium or long-term loans or advances of trade, industry, commerce or agriculture”.

This definition categorized banks into the following five groups:

- a. The Central Banks (eg. Bank of Ghana)
- b. Commercial Banks
- c. Development Banks
- d. Merchant Banks
- e. Co-operative Banks
- f. Rural Banks
- g. Savings and loans

Commercial Banks were the first financial institutions to be established in Ghana. Ghana Commercial Bank, Barclays Bank, International Commercial Bank, etc are examples of

Commercial Banks. Their purpose is to make profit by providing services to the public through branch banking all over the country.

To match the level of sophistication of customers and their information needs and information explosion, the quest to satisfy them and other stakeholders, and the competition in the banking industry, Commercial Banks needed to invest in their information system. This is to enable them manage their processes and the information they generate for decision-making and planning.

Investment in an information system has become more of a necessity for the following reasons:

- i. Globalization of the market in which most organizations operate. This has put a new emphasis on organizational design and management control. Due to this, banks are faced with the tough challenge of making sure that their organizations are properly designed and that information is well organized, coordinated, and managed to ensure effective decision-making, planning, and management. (Hill Charles, 2002, Bateman and Snell, 2002).
- ii. Transformation of many of the world's economies to full-fledged knowledge-information based economies. As a result, banks generally are faced with a great challenge of transforming the management of their businesses. In this process, there is the need to employ quality, efficient and effective use of information systems and technologies to their advantage (O'Brien, 2003)
- iii. Information overload/explosion; stores of information and knowledge all over the world are estimated to double every five years. Due to this, there is too much information in the possession of the organizations than they practically need and can process. Now, control and use of the vast amounts of information available have become a problem. (Kupsh and Whitcomb, 1987), (Bateman and Snell, 2002), (Adika, 2006)
- iv. The revolution of the conception of information. From being a "necessary evil", information has now become a strategic resource that firms can use to gain competitive advantage to promote survival and prosperity of an industry. These changes in the conception of information reflect advances in strategic planning and theory. (Koorey & Medley, 1987)

An information system as a strategic resource for competitive advantage can fundamentally change a firm's goals, products and services, internal and external relationships. The information system can be used to transform the core business from traditional banking to electronic record keeping, providing data processing services for securities, fund and now into providing financial information services including monitoring services that allow pensions to keep better tabs on money managers. An information system as a strategic tool has also been used to provide products and services that cannot be easily duplicated. Information systems are also used to create products and services by developing Automated Teller Machines (ATMs) and Bank debit cards (William & Sawyer, 2002).

The transition to the market economy demands substantial strengthening of banking institutions and their information systems. Banks run a great risk of running into crisis in the face of financial liberalization, widening competition and diversification if new ways of managing their business resources, in particular, information, are not found. Commercial Banks, in finding new ways of managing its businesses, continues to invest huge sums of money in its information system.

However, merely investing in these resources is definitely not enough to ensure the absolute performance necessary to the bank's success and prosperity, or to the satisfaction of its customers, and the general stakeholders. Efficient and effective management of these resources to meet the needs of customers promptly requires the bank to possess the capability to strategically manage its information for effective decision-making, planning and forecasting. This will also provide it with competitive advantage over its competitors in the banking sector. Also due to the information overload, there is need for not just management of the information but also proper and effective management.

The banking sector in Ghana is one industry that collects large volumes of data in their day-to-day transactions. The Commercial Banks, for instance, does this on regular and daily bases. There is, however, a big problem in the collection, organizing, and management of this information. This is because;

- a. Employees at the operational level of the banks do not seem to understand the value of the data they are processing.

- b. Efficient dissemination of information rarely occurs. Instead most operatives consciously or unconsciously, delay data, leading to inconsistencies and delayed provision of information.
- c. There are often large disparities in the data processed and the output produced to management, hence, the difficulty in relying on information produced for decision-making
- d. Organizations will continue to be confronted with the problem of properly integrating information systems with their international business environment.

It is believed that 70% of information systems fail because of the absence of a conscious correlation between business needs and technology. It is thus imperative that the Commercial Banks should undergo periodic analysis and evaluation to ascertain the extent of alignment. (Buatsi, 2002)

These, therefore, cause great difficulty in the management of information and in the provision of the required services that would create customer and other stakeholders' satisfaction, and also beat competition. The above imperatives strongly suggest that the right investment in information system should be of obvious concern to stakeholders (customers, staff, government, etc) particularly the banks management.

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