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**THE STATUS OF INFORMATION COMMUNICATION TECHNOLOGY IN  
FINANCIAL INSTITUTIONS IN NIGERIA**

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## ***Abstract***

*This paper focuses on an application of Information Communication and Technology in Nigeria Financial Institution like the use of Automated Teller Machine (ATM), Smart Cards etc. It also embraces the role of information technology in our contemporary environment. The computerization of Nigeria financial institution was not left out from the discussion of the subject matter. The value of information communication and technology in financial institution together with methodology and hypothesis were critically analysed to consolidate the important of information technology in financial institution. Finally, the summary and recommendations were given to enhance the greater efficiency in Banking Industry in the post consolidation and recapitalization of financial Institution.*

**KEYWORDS:** Automated Teller Machine, information and communications technology; technological breakthroughs; centralized architecture; global depository receipt

## **INTRODUCTION**

Information Technology system allowing a financial institution to collect information from many different sources and develop a composite picture about its customer, its market position in different financial centers, and its net exposure in those markets. The centrality of information in financial institutions is seen in decision-making. And the quality of decisions made depends on the quality of information made available, the accuracy, and timeliness of the information available to the decision maker. Hence, communication of the right information at the right time and at the right quality is what every decision maker, whether an individual or institution requires at any time.

Tulien (1997) said that technological breakthroughs first brought about industrial revolution and lately information revolution which have brought considerable changes to financial institutions. The innovations in information and communication technologies in recent years and their increasing role in development have made it imperative for governments of developing nations to harness information technology for financial institution transformation. Thus it has been noted that success of any financial institution depends on information technology and efficient electronic exchange.

Cronin and May .J. (1995) The business today is conducted in an age of financial institution crisis and highly complex technology imposing on financial institutions the need to implement sophisticated systems which accord with present day needs. It is therefore very necessary that effective and useful information should be available to any organization for effective decision making.

Financial Institutions in industrialized nations have trended toward offloading consumer banking services from branch locations to Automated Teller Machines (ATM) and point of sale (POS) terminals allowing consumers increased access to their bank accounts and credit facilities through card based instruments. Privatization practices and policies of Central

Banks globally have opened electronic financial transactions markets to emerging players who can offer innovation or efficiencies. This paper therefore examined the application of information, communication technology in the Nigerian banking system.

## **THE NIGERIAN EXPERIENCE**

In Nigeria in the late seventies up to the early eighties, the processing of information in financial institution was based on the centralized architecture with a mainframe computer running a multi-user operating system and various users connected to via terminals. This type of processing changed to a more decentralized approach with Local Area Network with in financial Institutions branches. Prior to the deregulation of the financial Institution in the mid 80's. Most banks had an appreciably high number of branches, some of which were in rural areas and were completely manual in operating. Some were sophisticated to the extent of implementing only wide area Networks by linking branches within cities and only one or two implemented intercity connectivity using leased lines.

With the deregulating of the financial Institution system in Nigeria, they witnessed the emergence of many Financial Institution with fever branches, in the mid eighties. These new Institution were sophisticated in operation and attempted to take advantage of recent advance in information technology from inception. As a result, there was an increased market pressure to adopt new technology as customer began to demand more sophisticated product and increased convenience in services delivery.

Focus of this new technological competition was the implementation of the global banking concept in Nigeria and this has affected all aspects of the financial institution. From the very standard retail operations such as cash withdrawal and cheque processing to the creation and delivery of sophisticated corporate products such as interest rate or foreign exchange swaps, in addition, the society for worldwide inter-bank. Financial telecommunication (SWIFT), made possible by advances in information technology and to

which some of our banks have acquired membership, has facilitated inter bank transaction across the globe.

Financial Institutions in Nigeria have decided to take advantage of information technology to improve their services and expand their operating base.

### ***Applications Of Information Technology In Nigeria Financial Institution***

#### **(a) Automatic Teller Machine (Atms)**

The automatic Teller Machines were introduced in the retail banks with the objectives of reducing personnel costs associated with traditional “teller window” customer services transactions.

#### **(b) Smart Cards**

Smart cards are small sized piece of plastic devices with embedded integrated circuit and used as payment instrument. The power of smart cards lies in the ability to store and manipulate data, to handle multiple applications on one card and to perform secure transactions.

#### **(c) Global Depository Receipt Programme**

Through this instrument, the financial institution was able to attract. institutional investors from diverse markets such as Europe, The United State of America, Middle East and other countries in Africa to Nigeria.

### ***Information Technology's Role Today***

Every day, financial Institution use computers in new ways computers are increasingly affordable; they continue to be more powerful as information processing tools as well as easier to use. Computers in Financial Institution one of the largest applications of computers is keeping all the financial record and also keeping the employment records of all their workers in large. Databases that are manage by computer programs. Program and

databases are use as billing customers; tracking payments received and payment to be made and tracking supplier needed and items produced, stored, shipped.

Data processing is the input, verification, organization, storage, transformation and extraction of information from data. Any information system refers to the application of computer system that process the data. Data bases store the master files.

Application programs provide the data entry, up dating and query and report processing.

### **Computerization in the Nigeria Financial Institution**

The financial Institutions comprise the banking and non-banking institution. It is widely recognized that computerization promotes efficiency and ensures timely delivery of high quantity products and services; hence, the interest of government and monetary authorities and the financial public for a computerized financial system. Therefore, the global financial system is witnessing a major change in information technology with increasing use of computer.

Structural Adjustment Programme (SAP), 1986, SAP aimed at increasing competition, promoting more efficient financial intermediation and encourage more licensing of new banks and non-bank financial institutions. The Central Bank of Nigeria (CBN) introduced the magnetic ink character recognition (MICR), a computerized system for processing cheques and other payment instrument to replace the manual processing of clearing cheques. The bank is also implementing the bank analysis system (BAS), which will provide the Bank and other corporation with information to monitor developments and financial viability of the banks.

### **Barriers To Information Communication And Technology In Financial Institution**

According to Maruapula (2007) some barriers to information, communication technology are:

## **Costs**

Most financial Institution have not been able to benefit from the opportunities of information flow because of various barriers they are confronted with. One of these involves the costs arising from the acquisition and maintenance of new information technology. Alemie (1998:183) observes that the cost of establishing networks and the tariffs charged are so high that even if computers, are available it is only the privileged few who can have access to the service.

## **Language**

According to Alemna (1999:168) Another important barrier to information flow is linguistic. He asserts that 90% of the data bases on the Internet are in English. Gruike (1995) also addressing the language issue. Suggest that there would be an even greater achievement in the area of information flow if there could direct speech interfaces with all kinds of computer. In this case the illiterate people would be able to access information.

## **Standardization**

In Financial Institution, there is also the problem of the standardization of hardware facilities. The information superhighway has engineered the importation of various brands of information technology by Financial Institution. Adam and Wood (1999:314) assert that imported technologies are designed to operate in an air-conditioned, dust free environment with a good maintenance support.

## **Illiteracy**

Illiteracy in Financial Institution is one of the serious constraints to the effective use of information technology. The quality of training in information communication technology is also unsatisfactory. Introduction to physical equipment will not solve the problem of information availability and flow unless it is coupled with human capacity and skill lack of infrastructure remains the main setback to the development of information communication



technologies in Financial Institution. Telephone line failures and electronic blackouts are frequently experienced.

### ***The Status of Information Management in Financial Institution***

Financial Institution are becoming more dependent on Information than ever before and the survival and success of these Financial Institution will highly depend on the ability to manage information as a resource for competitive advantage. This concerned with establishing the extent to which information management in practiced in Financial Institutions.

The main problem is the importance of information management within the financial institution and to ascertain how information can ensure competitive advantage in financial institution. The aim of the research was to determine the status of information management in these institutions as well as to investigate what people generally understand the concept information management.

The research revealed that information management, as a formalized concept, is fairly new to most financial institution managers and that there is no common understanding of the concept. It is how ever evident that most financial institution manager accept the fact that information management is a necessary condition for ensuring the sustainability of their institutions. Most of them acknowledged that information is very critical for the survival of the institution and for staying ahead of others.

It is recommended that institution should adopt a holistic approach toward information management. Financial institution should employ people with proper information management skills and trained personnel.

### **How Information And Communication Are Of Crucial Importance To The Success Of Financial Institution**

In a digital world, information and communication are of crucial importance to the success of financial institution. This arises for the:

- Increasing dependence on information and the systems and communications that deliver the information.
- Scale and cost of current and future investments in information and
- Potential of technology to dramatically change in financial institution create new opportunities and reduce costs.

Many financial institution recognize the potential benefits that technology can yield. But, with those potential benefits come certain risks. To be successful, the organizations must also understand and manage the risks associated with implementing new technologies. To provide effective direction and adequate control, therefore financial institution needs to have an appreciation of the benefits, risks and constraints of information technology.

### **Value Of Information Communication And Technology In Financial Institution**

The value is obtained by comparing the cost of setting up the system with the expected benefits of improvements in information delivery. The value of information communication and technology is the difference between its benefits and costs. The benefits and information offer to financial institution depends in its quality. Its quality is usually defined in terms of timeliness, accuracy reliance etc.

Awe (2002), Stated that, the value of information communication and technology lies in the net benefits it offer to financial institution. Benefit must outweigh costs for information to be of any value. Thus system analysts are encouraged to seek ways of reducing cost and enhancing the information content of the systems they are recommending. In this way financial institution will make decisions that are right for the circumstances at hand.

### **CONCLUSION**

In this research work, an attempt has been made to compare the use of information communication and technology in some financial institution. The work has also indicated the role of technology in financial institution.

The work observed that recent development in information communication and technology has brought with it greater efficiency in the utilization of productive resources through improved competition and innovation. The impact of the development on the Nigerian financial institution has come in form of huge cost savings: convenience, elimination of intermediaries, ability to access remote and far flung areas of the world for new business, enhanced speed at carrying out financial activities, efficiency which is the watch word of modern business

Information communication technology in financial institutions as it obtains in Nigeria vis-à-vis the industrialized nations of Europe, America, Japan etc. is not quite impressive. While the use of technology in financial institution started in the industrialized nations fully in the 1960s it barely started in Nigeria around the 1970s. It is not worthy that First Bank of Nigeria Plc is the forerunner in the application of technology in banking in Nigeria. It is still evident that a lot more efforts must be made by the financial institution to keep abreast with international standard. The approach of the Nigerian financial institution should now be to develop systems with the capacity to support new products and give better service. It is hoped that with time Nigeria will become self reliant in the production and application of appropriate technology used in financial institutions.

### **Recommendations**

In order to sanitize some of the pitfalls of the use of technology in financial institution in the next century, the following steps are necessary to take: First, there should be a compulsory computer literacy training in financial institution.

Second, measure to protect customers' privacy of account from the risk of misuse as a result of proliferation of data the financial institution should be incorporated into legislation. This will maintain customer's confidence in the financial institution.

Third, modern scientist should find out a way completely obliterating the menace of the computer virus syndrome if information from the financial institution is to continue to be reliable to the nations.

A look at the performance of the First Bank Plc. four years before it went computerized and four years after it become computerized would reflect a high growth rate margin, which has continued to ascend.

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