CHAPTER III
ANALYSIS OF DEMOGRAPHIC VARIABLES AND PERCEPTIONS OF BANK EXECUTIVES ON OUTSOURCING

3.1 INTRODUCTION

The previous chapter presented the literature review in the domain of outsourcing by banks. This chapter presents the empirical analysis that sheds light on the perceptions of bank executives on the risks and satisfaction of the actual performance of banks due to outsourcing. As a first step, an analysis of work related demographic profile like, experience, age, level of education, etc., of the bank executives are presented.

Next, bank executives’ perception on the importance of different dimensions of banking are investigated according to traditional demographic variables (age, number of years of service, and gender etc.). Comparison of respondents’ perceptions of risk in outsourcing, overall assessment of the quality of work performed by the service providers and the satisfaction for each of the questions reveal areas (i.e. gaps) where banks may reduce or increase outsourcing. Hence, a detailed study of the influence of demographic and work related issues on outsourcing perceptions of bank executives is attempted in this chapter.

For the purpose of the study, statistical tools like percentages mean scores, and standard deviations were calculated for overall analysis. Moreover, one-way ANOVA
(F-Test) and (T-Test) were applied to identify the significant differences and association of attributes among bank executives on their perceptions of risk analysis and other variables connected with outsourcing. T-test analysis was used to identify the significant differences in the perceptions of bank executives regarding risk involved in outsourcing and the actual quality of work results and the satisfaction levels of these executives based on their gender, age, education level and their number of years of work experience in banks.

3.2 ANALYSIS OF DEMOGRAPHIC AND JOB RELATED CHARACTERISTICS OF BANK EXECUTIVES

Table 3.1

<table>
<thead>
<tr>
<th>No. of Years</th>
<th>Frequency of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 10 Years</td>
<td>83</td>
<td>26.8</td>
</tr>
<tr>
<td>11 to 20 years</td>
<td>81</td>
<td>26.1</td>
</tr>
<tr>
<td>21 to 30 years</td>
<td>101</td>
<td>32.6</td>
</tr>
<tr>
<td>31 and above</td>
<td>45</td>
<td>14.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>310</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The table shows that the sample respondents are bank executives with varied years of experience. Most of the respondents had 21 to 30 years of service, indicating that there was sufficient maturity level in the sample respondents of the survey to answer the questionnaire.
Table 3.2

GENDER OF THE RESPONDENTS

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>146</td>
<td>47.1</td>
</tr>
<tr>
<td>Female</td>
<td>154</td>
<td>52.9</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>

The above table shows that the gender representation was mostly even, although there were slightly more females than males. Thus the survey was positively balanced in terms of gender.

TABLE 3.3

AGE OF THE RESPONDENTS

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>26 - 35</td>
<td>87</td>
<td>28</td>
</tr>
<tr>
<td>36 - 45</td>
<td>83</td>
<td>26.8</td>
</tr>
<tr>
<td>46 – 55</td>
<td>93</td>
<td>30</td>
</tr>
<tr>
<td>Over 55</td>
<td>47</td>
<td>15.2</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>
72% of the respondents were above 35 years of age and 28% are up to 35 years of age. This shows that experienced people in terms of age responded to the questionnaire, increasing the scope of reliability of the findings.

**TABLE 3.4**

**LEVEL OF EDUCATION OF RESPONDENTS**

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduation</td>
<td>155</td>
<td>50</td>
</tr>
<tr>
<td>Post Graduation</td>
<td>115</td>
<td>37.1</td>
</tr>
<tr>
<td>Professional</td>
<td>36</td>
<td>11.6</td>
</tr>
<tr>
<td>Others</td>
<td>4</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>310</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Respondents were highly educated with the vast majority of them having at least a college degree and with nearly half with post graduate and professional degrees. The category “others” include those who were diploma holders and with higher secondary schooling background.

**3.3 REASONS FOR OUTSOURCING**

The main reasons behind outsourcing of operations are competition, core competence and the growth of communication technology (Oza, 2010). In the late 1980s many organizations implemented outsourcing mainly to cut cost. Since then
cost savings has been found to be the most cited reason for outsourcing (Drezner, 2004)².

Thus, **Rank analysis** is undertaken for the different reasons for outsourcing. The dimensions included in the questionnaire were for example, to find out the competitive advantage due to outsourcing, improvement in quality of customer service, avoiding recruitment of additional staff, cost reduction etc. The above analysis is expected to highlight, the most sought after reason for outsourcing. Based on the perceptions of the respondents, it is possible for banks to outsource only those activities that are ranked high when compared to those that are ranked least, in order to gain operating efficiency.

The ranking given by the respondents for the various reasons for outsourcing are presented in the following tables:

**TABLE 3.5**

**COMPETITIVE ADVANTAGE**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>63</td>
<td>20.3</td>
</tr>
<tr>
<td>2</td>
<td>64</td>
<td>20.6</td>
</tr>
<tr>
<td>3</td>
<td>81</td>
<td>26.1</td>
</tr>
<tr>
<td>4</td>
<td>69</td>
<td>22.4</td>
</tr>
<tr>
<td>5</td>
<td>33</td>
<td>10.6</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>
Competitive advantage was ranked 1 to 4 almost equally, with rank no. 3 slightly higher than the rest. This shows that more respondents in the sample have preferred competitive advantage as the reason for outsourcing of their banking operations. It is likely that outsourcing is viewed by the bank executives as a strategic move that can allow banks to gain a relatively better competitive advantage, wherein they are able to concentrate effectively on their core banking activities.

**TABLE 3.6**

**COST REDUCTION**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>129</td>
<td>41.6</td>
</tr>
<tr>
<td>2</td>
<td>47</td>
<td>15.2</td>
</tr>
<tr>
<td>3</td>
<td>69</td>
<td>22.3</td>
</tr>
<tr>
<td>4</td>
<td>53</td>
<td>17</td>
</tr>
<tr>
<td>5</td>
<td>12</td>
<td>3.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>310</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Cost reduction was ranked no.1 reason for outsourcing by a large margin of respondents. It was ranked as 5 only by 3.9 percent of the respondents. This shows more banks outsource to benefit by reduction in cost and thereby increase their
revenue. Lower costs are perhaps the prime benefit of outsourcing, ultimately leading to overall profitability and performance efficiency.

**TABLE 3.7**

**IMPROVEMENT IN QUALITY OF CUSTOMER SERVICE**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>52</td>
<td>16.8</td>
</tr>
<tr>
<td>2</td>
<td>72</td>
<td>23.2</td>
</tr>
<tr>
<td>3</td>
<td>80</td>
<td>25.8</td>
</tr>
<tr>
<td>4</td>
<td>54</td>
<td>17.4</td>
</tr>
<tr>
<td>5</td>
<td>52</td>
<td>16.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>310</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Improvement in quality of customer service was ranked 2 and 3 by the highest number of respondents, although the percentages did not differ greatly across rankings. Banks are service organizations which have to give importance to customer satisfaction and the above table 3.7 reflects the bank executives’ views regarding this. The results and overall reasons of outsourcing should focus on adding value to the final customer of the service. By achieving lower operational costs and a higher level of quality and expertise these results can be used to add value to the customer. The respondents have felt that there is improvement in quality of work when given to service providers perhaps of the technicalities involved in present day banking transactions.
### TABLE 3.8

**AVOIDING RECRUITMENT OF ADDITIONAL STAFF**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>21</td>
<td>6.8</td>
</tr>
<tr>
<td>2</td>
<td>95</td>
<td>30.6</td>
</tr>
<tr>
<td>3</td>
<td>49</td>
<td>15.8</td>
</tr>
<tr>
<td>4</td>
<td>84</td>
<td>27.1</td>
</tr>
<tr>
<td>5</td>
<td>61</td>
<td>19.7</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>

There was a fair amount of variability in the ranking of the factor, “avoid recruitment of additional staff,” such that there was nearly a five-fold difference between the first and second ranks. Nearly 30% of respondents have ranked 2 for this reason of outsourcing. The bank executives are perhaps of the view that outsourcing will lead to downsizing of the staff.
TABLE 3.9
LACK OF INTERNAL EXPERTISE
(Ex. Network management, software development etc.)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>45</td>
<td>14.5</td>
</tr>
<tr>
<td>2</td>
<td>32</td>
<td>10.4</td>
</tr>
<tr>
<td>3</td>
<td>35</td>
<td>11.3</td>
</tr>
<tr>
<td>4</td>
<td>46</td>
<td>14.8</td>
</tr>
<tr>
<td>5</td>
<td>152</td>
<td>49</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>

The factor, “Lack of internal expertise” was generally ranked quite low overall, as a reason for outsourcing, with nearly half of the respondents giving it a low score of 5. The rank 1 was given by only 14.5 per cent of the respondents which reflects on the opinion of the respondents that this is not the main reason for outsourcing. The sample respondents do feel that people with the required expertise can be found and recruited in their banks so that more responsibilities can be shouldered by the banks themselves to provide good services to their customers.
**TABLE 3.10**

OVERALL REASONS FOR OUTSOURCING

<table>
<thead>
<tr>
<th>Justifications</th>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost reduction</td>
<td>1</td>
<td>129</td>
<td>41.6</td>
</tr>
<tr>
<td>Competitive advantage</td>
<td>2</td>
<td>63</td>
<td>20.3</td>
</tr>
<tr>
<td>Improvement in quality of customer service</td>
<td>3</td>
<td>52</td>
<td>16.8</td>
</tr>
<tr>
<td>Lack of internal expertise</td>
<td>4</td>
<td>45</td>
<td>14.5</td>
</tr>
<tr>
<td>Avoid recruitment of Additional staff</td>
<td>5</td>
<td>21</td>
<td>6.8</td>
</tr>
</tbody>
</table>

The data show that the respondents in the sample survey opted for “cost reduction” as the foremost reason for outsourcing their banking operations. More than twice as many respondents ranked this factor as number 1 reason for outsourcing compared to the next highest ranked reason for outsourcing, namely “competitive advantage”.

This may be due to the reason that banks operate with customers’ money and they would like to save by cutting costs. The banks would also like to benefit by competitive advantage in order to increase revenue and satisfy their customers. The above results are in tandem with an earlier study, wherein, it was observed that “reduction in cost due to outsourcing is the main reason why banks outsource and by
leveraging the core capabilities, of both the outsourcer and the vendor, outsourcing can even be a better driver for competitive advantage”³.

3.4 SELECTION OF OUTSOURCING VENDORS:

To maximise the potential benefits and minimise the dangers of outsourcing, there is a need for a suitable outsourcing strategy to best select outsourcing candidates (Choi and Hartley (1996)⁴. There is a need to clearly establish selection criteria and then to monitor the performance of outsourcing vendors against these criteria once a contract has been established. Coulson-Thomas (1997)⁵ show that the most common selection factors are: market position of the potential outsourcer, perceived quality of goods and services offered, product and technical leadership, track record and the contending companies image and reputation. Bailey et al. (1998)⁶ suggested outsourcing organizations to primarily focus on technical excellence of outsourcing vendors.

Emphasis on financial viability is also needed which includes an assessment of the vendor’s overall financial health, both, the fiscal and practical⁷. The banks that outsource should develop performance and cost targets to develop initiative; review performance of the service provider regularly and decide whether to continue the contractual relationship with the outsourcer.

All the above observations were empirically analysed in this study, as presented below:
TABLE 3.11

FINANCIAL VIABILITY

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>26</td>
<td>8.4</td>
</tr>
<tr>
<td>2</td>
<td>36</td>
<td>11.5</td>
</tr>
<tr>
<td>3</td>
<td>35</td>
<td>11.3</td>
</tr>
<tr>
<td>4</td>
<td>43</td>
<td>13.9</td>
</tr>
<tr>
<td>5</td>
<td>49</td>
<td>15.8</td>
</tr>
<tr>
<td>6</td>
<td>44</td>
<td>14.3</td>
</tr>
<tr>
<td>7</td>
<td>28</td>
<td>9.0</td>
</tr>
<tr>
<td>8</td>
<td>37</td>
<td>11.9</td>
</tr>
<tr>
<td>9</td>
<td>12</td>
<td>3.9</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>

Financial viability was not a dominant reason for vendor choice as illustrated by a wide range of rankings provided. The vendor should have resources and capabilities that are not available to the banks internally. But in the present study, the respondents who are bank executives perceive that there are other factors that are more important than financial viability.
TABLE 3.12

EVALUATION OF EXPERTISE OF THE OUTSOURCING VENDORS

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>118</td>
<td>38.1</td>
</tr>
<tr>
<td>2</td>
<td>47</td>
<td>15.2</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
<td>1.3</td>
</tr>
<tr>
<td>4</td>
<td>40</td>
<td>12.9</td>
</tr>
<tr>
<td>5</td>
<td>43</td>
<td>13.9</td>
</tr>
<tr>
<td>6</td>
<td>20</td>
<td>6.5</td>
</tr>
<tr>
<td>7</td>
<td>16</td>
<td>5.2</td>
</tr>
<tr>
<td>8</td>
<td>14</td>
<td>4.5</td>
</tr>
<tr>
<td>9</td>
<td>8</td>
<td>2.6</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100.0</td>
</tr>
</tbody>
</table>

“Expertise” was a significant variable in the choice of vendors signaled by the fact that over 38% of respondents ranked it number 1. Otherwise a wide range of ranking has been provided by others that show that the respondents have different views regarding this expertise in the required line of activity. The service provider should have experience working with other banks and should have delivered their services satisfactorily to client banks. They should have professional expertise to deal with the assignment of bank operations as per the specific requirements of client banks.
### TABLE 3.13

**REFERENCES PROVIDED**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>15</td>
<td>4.8</td>
</tr>
<tr>
<td>2</td>
<td>55</td>
<td>17.7</td>
</tr>
<tr>
<td>3</td>
<td>29</td>
<td>9.4</td>
</tr>
<tr>
<td>4</td>
<td>20</td>
<td>6.5</td>
</tr>
<tr>
<td>5</td>
<td>12</td>
<td>3.9</td>
</tr>
<tr>
<td>6</td>
<td>41</td>
<td>13.2</td>
</tr>
<tr>
<td>7</td>
<td>28</td>
<td>9.0</td>
</tr>
<tr>
<td>8</td>
<td>32</td>
<td>10.3</td>
</tr>
<tr>
<td>9</td>
<td>78</td>
<td>25.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>310</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Although, most ranked this variable as relevant to some extent, the greatest number, over 25% ranked it only 9. This suggests that banks do not rely very much on other organizations’ recommendation when choosing vendors. Checking with the references and scrutiny of their credibility, help the client banks to understand the service provider’s capabilities properly. This is an important decision making process, which requires careful appraisal of all the service providers.
TABLE 3.14

VENDOR REQUIREMENT TO DO A PROOF OF CONCEPT (POC)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>11</td>
<td>3.5</td>
</tr>
<tr>
<td>2</td>
<td>8</td>
<td>2.6</td>
</tr>
<tr>
<td>3</td>
<td>24</td>
<td>7.7</td>
</tr>
<tr>
<td>4</td>
<td>27</td>
<td>8.7</td>
</tr>
<tr>
<td>5</td>
<td>36</td>
<td>11.6</td>
</tr>
<tr>
<td>6</td>
<td>28</td>
<td>9.1</td>
</tr>
<tr>
<td>7</td>
<td>58</td>
<td>18.7</td>
</tr>
<tr>
<td>8</td>
<td>65</td>
<td>21.0</td>
</tr>
<tr>
<td>9</td>
<td>53</td>
<td>17.1</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100.0</td>
</tr>
</tbody>
</table>

It can be inferred from the above data that not much importance is given by bank executives to the factor, “proof of concept”. Over 75% of the respondents gave this factor rank of 5 or less. The maximum number, namely 21 percent of the respondents have given only rank 8. Test projects let banks experience the benefits of outsourcing before agreeing to a long-term relationship with the service provider. Often, banks conduct a "proof of concept" (POC) with a couple of vendors to compare results and after evaluation, choose the best one suitable for their purpose of outsourcing.
TABLE 3.15
COST COMPETITIVENESS

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>96</td>
<td>31.0</td>
</tr>
<tr>
<td>2</td>
<td>59</td>
<td>19.0</td>
</tr>
<tr>
<td>3</td>
<td>51</td>
<td>16.5</td>
</tr>
<tr>
<td>4</td>
<td>26</td>
<td>8.4</td>
</tr>
<tr>
<td>5</td>
<td>5</td>
<td>1.6</td>
</tr>
<tr>
<td>6</td>
<td>32</td>
<td>10.3</td>
</tr>
<tr>
<td>7</td>
<td>18</td>
<td>5.8</td>
</tr>
<tr>
<td>8</td>
<td>7</td>
<td>2.2</td>
</tr>
<tr>
<td>9</td>
<td>16</td>
<td>5.2</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100.0</td>
</tr>
</tbody>
</table>

In contrast to the previous two variables, “cost competitiveness” was a significant factor in outsourcing decisions by banks. Over 30% of the respondents listed it as the most important factor in their decision, while more than half scored it within the top three ranks. Cost management should be a tool to push business development and overall growth. The respondents perceive that cost reduction alone should not be the main criteria in outsourcing. Cost management will lead to better cost competitiveness as seen by the importance given to this factor by 30% of them.
TABLE 3.16
ACCESS AND ABILITY TO ADAPT TO LATEST TECHNOLOGY

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>24</td>
<td>7.7</td>
</tr>
<tr>
<td>2</td>
<td>61</td>
<td>19.7</td>
</tr>
<tr>
<td>3</td>
<td>66</td>
<td>21.3</td>
</tr>
<tr>
<td>4</td>
<td>43</td>
<td>13.9</td>
</tr>
<tr>
<td>5</td>
<td>44</td>
<td>14.2</td>
</tr>
<tr>
<td>6</td>
<td>15</td>
<td>4.8</td>
</tr>
<tr>
<td>7</td>
<td>32</td>
<td>10.3</td>
</tr>
<tr>
<td>8</td>
<td>12</td>
<td>3.9</td>
</tr>
<tr>
<td>9</td>
<td>13</td>
<td>4.2</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100.0</td>
</tr>
</tbody>
</table>

One of the main reasons for outsourcing in modern times is to gain access and adapt to latest technology that may not be available within banks. The current survey was consistent with this fact to some extent. More than 75% of the respondents ranked this variable within the top 5 factors affecting outsourcing. The above analysis reveals that, latest technology is given importance by the respondents in banking as in other financial sectors.
Maintaining secrecy about client’s information is of paramount importance and service providers are expected to strictly follow this practice. The respondent in this survey reflected this view to some extent. The majority of respondents rated this variable in the middle range of 3 - 7. Personal enquiry with the bank executives suggests that, they did not have adequate knowledge in the area, except of their day to day routine work. Since more than 50% of the respondents were well educated, they, perhaps, have the knowledge that they have to maintain utmost secrecy of their customers’ accounts and transactions.
Banks, in order to survive in this competitive world, have to follow a set of standard policies and procedures, which is applicable to service provider also. Respondents reflected this fact by valuing service providers’ standard practices to some extent, although this dimension was not clearly highlighted compared to other factors.
### TABLE 3.19
RESPONSIBILITY TOWARDS DISASTER RECOVERY PLAN

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>12</td>
<td>3.9</td>
</tr>
<tr>
<td>2</td>
<td>16</td>
<td>5.2</td>
</tr>
<tr>
<td>3</td>
<td>8</td>
<td>2.6</td>
</tr>
<tr>
<td>4</td>
<td>38</td>
<td>12.3</td>
</tr>
<tr>
<td>5</td>
<td>15</td>
<td>4.8</td>
</tr>
<tr>
<td>6</td>
<td>47</td>
<td>15.2</td>
</tr>
<tr>
<td>7</td>
<td>55</td>
<td>17.6</td>
</tr>
<tr>
<td>8</td>
<td>67</td>
<td>21.6</td>
</tr>
<tr>
<td>9</td>
<td>52</td>
<td>16.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>310</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Service providers are expected to take up the responsibility of disaster recovery in case of need. Respondents’ rankings, although reflecting this fact to some extent, mostly valued this factor quite lowly. A wide range of ranking showed that the respondents have different views regarding this “responsibility towards disaster recovery plan”. The respondents themselves may not be technically qualified to understand the crisis when important data are lost due to some technical snag in the banks.
## TABLE 3.20

**OVERALL RANKING FOR FACTORS CONSIDERED BEFORE SELECTING OUTSOURCING VENDORS**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation of expertise of the outsourcing vendors</td>
<td>1</td>
<td>118</td>
<td>38.1</td>
</tr>
<tr>
<td>Cost competitiveness</td>
<td>2</td>
<td>96</td>
<td>31.0</td>
</tr>
<tr>
<td>Financial Viability</td>
<td>3</td>
<td>26</td>
<td>8.4</td>
</tr>
<tr>
<td>Access and ability to adapt to latest technology</td>
<td>4</td>
<td>24</td>
<td>7.7</td>
</tr>
<tr>
<td>References provided</td>
<td>5</td>
<td>15</td>
<td>4.8</td>
</tr>
<tr>
<td>Practices of standard policies and procedures</td>
<td>6.5</td>
<td>12</td>
<td>3.9</td>
</tr>
<tr>
<td>Responsibility towards disaster recovery plan</td>
<td>6.5</td>
<td>12</td>
<td>3.9</td>
</tr>
<tr>
<td>Requiring the vendor to do a proof of concept</td>
<td>8</td>
<td>11</td>
<td>3.5</td>
</tr>
<tr>
<td>Practices of security</td>
<td>9</td>
<td>8</td>
<td>2.6</td>
</tr>
</tbody>
</table>
A bank has to be careful before selecting an outsourcing vendor. It has to take into consideration number of factors before signing an agreement with the vendor. Two factors, prior expertise and cost competitiveness, dominated the factors relevant to vendor choice. More than two-thirds of the respondents ranked these factors as number 1 or 2 during the survey. According to Zaw Zaw Aung if outsourcing arrangements fail, it will lead to substantial losses to the banks. Not only the financial loss, but there are many forms of losses including losses in – capability, process knowledge, human resource, reputation – which may not be recovered. Companies that outsource should continue to monitor the service providers’ activities and establish constant communication (Guterl 1996). Therefore, appropriate selection procedure in identifying efficient outsourcing service providers is a key decisional area for commercial in India.

3.5 MANAGEMENT OF OUTSOURCING ACTIVITIES

The following tables give information regarding the management of the outsourcing activities.

**TABLE 3.21**

**SERVICE LEVEL AGREEMENTS WITH ALL THE VENDORS**

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>242</td>
<td>78.1</td>
</tr>
<tr>
<td>No</td>
<td>68</td>
<td>21.9</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>
Of the 310 respondents in the sample survey, 78.1 percent of the total respondents have said that they have service level agreements (SLAs) with outsourcing vendors while the rest of 21.9 percent have said that no SLAs are there. This show large majority of the respondents indicated that they have Service Level Agreements with outside vendors.

**TABLE 3.22**

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>39</td>
<td>12.6</td>
</tr>
<tr>
<td>No</td>
<td>271</td>
<td>87.4</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>

Most branch personnel do not have the authority to appoint service providers. 87.4 percent of the respondents have said that there has been no power vested with the bank branches to appoint service providers while 12.6 percent of the respondents only have said that to some extent bank branches can appoint service providers. For instance, decision to outsource will be taken at higher most level in the management whereas certain non core activities like cleaning, security, buying stationary, verification of documents, legal opinion on loan processing and valuation of
properties etc., may be outsourced at branch level. This is in line with the following of
the regulations laid by The Reserve Bank of India in this behalf, which explains that
banks in India cannot act on their own and before taking decisions on outsourcing,
they have to follow the rules laid down by the RBI in this regard.

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>259</td>
<td>83.5</td>
</tr>
<tr>
<td>No</td>
<td>51</td>
<td>16.5</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>

The above table shows that 83.5 percent of the respondents are of the view that there
is a separate management structure to manage and monitor the outsourcing processes
and operations in their banks. Banks generally seem to have a management structure
in place to monitor and supervise outsourcing activities. As outsourcing expands into
more areas, its dimensionality is changing as well. At first, outsourcing activity
focused on the data center, followed by networks, the telecommunications
infrastructure, help desks and workstation support. The latest area of heightened
activity appears to be in the area of applications development and support. But, in
many such areas, bank personnel do not have any affirmative knowledge of evaluation
procedures at branch level.
TABLE 3.24

MANAGEMENT STRUCTURE TO REVIEW THE EFFECTIVENESS OF OUTSOURCING PROCESS

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>278</td>
<td>89.7</td>
</tr>
<tr>
<td>No</td>
<td>32</td>
<td>10.3</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>

The overwhelming majority of respondents believe that there is a monitoring structure to review outsourcing effectiveness. 89.7 percent of the respondents have said that there is a management structure to review the effectiveness of outsourcing process, while 10.3 percent have said that there is no such facility. When activities in a bank are outsourced to a third party who may not take up hundred percent responsibility of the outsourced work, it is but natural that it should be monitored by a separate management structure in banks.

TABLE 3.25

SERVICE LEVEL MONITORING

<table>
<thead>
<tr>
<th>Factors</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clauses in SLAs</td>
<td>138</td>
<td>44.5</td>
</tr>
<tr>
<td>Periodic audits of Service Provider</td>
<td>172</td>
<td>55.5</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>
The manner of monitoring varied with slightly more than half of the respondents indicating that periodic audits are used to monitor service. As the above table reveals, 44.6 percent of the respondents have said that service level are monitored by clauses in their agreements with the service vendors while 55.5 percent of the respondents have said that it is monitored through periodic audits of the outcome of the outsourced work rendered by the service provider. It is important for banks to note that a continuous monitoring and regular performance audit is required in this area.

**TABLE 3.26**

**INvolvement of Internal Audit at Branch Level**

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>132</td>
<td>42.6</td>
</tr>
<tr>
<td>No</td>
<td>178</td>
<td>57.4</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>

Less than half of the respondents reported a system of internal audits of outsourcing activities at the branch level. The reason as per the bank executives may be that employing a separate set of staff members for this purpose may amount to more expenditure on the part of banks. Generally, branch personnel of the banks are not empowered to do regular monitoring in this respect, as core activities of service providing are the domain of regional heads.
As with internal audits, less than half of the respondents indicated the prevalence of external audits for outsourcing activities in their branches, with reference to the outsourcing activities. It is because, functional executives at branch level are not officially authorized to appoint auditors without prior approval from higher authorities.

**TABLE 3.27**

IN INVOLVEMENT OF EXTERNAL AUDIT AT BRANCH LEVEL

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>145</td>
<td>46.8</td>
</tr>
<tr>
<td>No</td>
<td>165</td>
<td>53.2</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>

**TABLE 3.28**

REVIEW OF OUTSOURCING CONTRACTS

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once every year</td>
<td>146</td>
<td>47.1</td>
</tr>
<tr>
<td>1 to 3 years</td>
<td>141</td>
<td>45.5</td>
</tr>
<tr>
<td>3 to 5 years</td>
<td>23</td>
<td>7.4</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>
Outsourcing contracts are normally renewed based on their performance and how best the banks have benefitted from the contract. Banks generally are very cautious about outsourcing arrangements as reflected in the fact that more than 90% of them review the contract within 3 years. According to the above table, 47.1 percent of the respondents have said that outsourcing contracts are reviewed once every year.

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>197</td>
<td>63.5</td>
</tr>
<tr>
<td>No</td>
<td>113</td>
<td>36.5</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>

Banking business depends on customer satisfaction and they should strive to minimize the complaints received from them. About 2/3rd of the respondents report receiving complaints from customers. The banks’ activities are customer oriented and they should satisfy them with good quality services. The sample respondents perceive that customers are dissatisfied with the work outsourced to service providers even without knowing that the work of the bank is outsourced. When majority of complaints are related to outsourced activities, many bank officers are apprehensive of this practice of outsourcing.
3.6 RISK EVALUATION AND MANAGEMENT

3.6.1 Ranking of the Risks Relating to Outsourcing

Risk is inherent in an outsourcing contract and banks have to have different checks in the form of internal and external audits. Audit of outsourced work must be undertaken in order to have a check on the service provider as well as to find out the performance level of the functions outsourced. The responses from bank executives are presented as under:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>88</td>
<td>28.4</td>
</tr>
<tr>
<td>2</td>
<td>44</td>
<td>14.2</td>
</tr>
<tr>
<td>3</td>
<td>67</td>
<td>21.6</td>
</tr>
<tr>
<td>4</td>
<td>43</td>
<td>13.9</td>
</tr>
<tr>
<td>5</td>
<td>31</td>
<td>10.0</td>
</tr>
<tr>
<td>6</td>
<td>37</td>
<td>11.9</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>
Due to outsourcing of certain operations, banks face the loss of internal expertise and in course of time, they may have to depend entirely only on external sources for doing their work. Nearly a third of the respondents viewed this factor as the most significant concern with outsourcing. They perhaps think, that, banks should make it more preferable for them to improve the efficiency of the internal IT department, rather than outsource.

**TABLE 3.31**

**INABILITY TO “IN SOURCE” AN ACTIVITY ONCE OUTSOURCED**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>32</td>
<td>10.3</td>
</tr>
<tr>
<td>2</td>
<td>87</td>
<td>28.1</td>
</tr>
<tr>
<td>3</td>
<td>35</td>
<td>11.3</td>
</tr>
<tr>
<td>4</td>
<td>60</td>
<td>19.4</td>
</tr>
<tr>
<td>5</td>
<td>41</td>
<td>13.2</td>
</tr>
<tr>
<td>6</td>
<td>55</td>
<td>17.7</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>

Sometimes, it may so happen that, once activities of the banks are outsourced, it will become very difficult later on to revive the same activity to be conducted in house.
With this in view perhaps, over $\frac{1}{3}$ of the respondents ranked this concern as no. 1 or no.2. It explains that, employees have to be recruited, trained and then absorbed within the banking system which may amount to expenses. And also to terminate the contract of outsourcing, banks may have to undertake time consuming legal proceedings in India.

**TABLE 3.32**

**RISK OF THIRD PARTY FAILURE**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>51</td>
<td>16.5</td>
</tr>
<tr>
<td>2</td>
<td>55</td>
<td>17.7</td>
</tr>
<tr>
<td>3</td>
<td>81</td>
<td>26.2</td>
</tr>
<tr>
<td>4</td>
<td>55</td>
<td>17.7</td>
</tr>
<tr>
<td>5</td>
<td>24</td>
<td>7.7</td>
</tr>
<tr>
<td>6</td>
<td>44</td>
<td>14.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>310</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

There is a risk of failure on the part of a third party, namely the service provider. The banker customer relationship may be strained due to the failure on the part of the service provider. This was not a dominant concern for the respondents, although over half of them ranked this, quite highly (ranks 1-3). One view of bank personnel is that they did not have any effective feedback procedures to be referred to higher authorities.
Risk of loss of credibility due to inefficiencies of the service provider is a major risk a bank faces when outsourcing is adopted. This risk was ranked quite highly by the respondent bank executives, with over 60% ranking this factor 1-3. It is inferred that number of people feel that loss of credibility due to inefficiencies of the service provider is an important risk that banks face while outsourcing.
TABLE 3.34

RISK OF LOSS OF CONFIDENTIALITY OF DATA SHARED WITH SERVICE PROVIDER

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>55</td>
<td>17.7</td>
</tr>
<tr>
<td>2</td>
<td>31</td>
<td>10.0</td>
</tr>
<tr>
<td>3</td>
<td>36</td>
<td>11.6</td>
</tr>
<tr>
<td>4</td>
<td>56</td>
<td>18.1</td>
</tr>
<tr>
<td>5</td>
<td>76</td>
<td>24.5</td>
</tr>
<tr>
<td>6</td>
<td>56</td>
<td>18.1</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Banks deal with public money and are supposed to be very careful in maintaining confidentiality of data of the bank as well as that of the customers. When entering into an agreement with the service providers bank face the risk of losing confidentiality. According to the above table, 24.5 percent of the respondents have given 5th place in ranking, which shows that not much importance is given to this risk. It may be due to the fact that, at branch level, operating officers feel that they are handicapped by customers’ complaints, as they have to rely on the policy makers to take appropriate decisions.
TABLE 3.35
CONFLICT OF INTEREST IF VENDOR PROVIDES SIMILAR SERVICES TO OTHER BANKS

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>12</td>
<td>3.9</td>
</tr>
<tr>
<td>2</td>
<td>13</td>
<td>4.2</td>
</tr>
<tr>
<td>3</td>
<td>35</td>
<td>11.3</td>
</tr>
<tr>
<td>4</td>
<td>41</td>
<td>13.2</td>
</tr>
<tr>
<td>5</td>
<td>95</td>
<td>30.6</td>
</tr>
<tr>
<td>6</td>
<td>114</td>
<td>36.8</td>
</tr>
<tr>
<td>Total</td>
<td>310</td>
<td>100</td>
</tr>
</tbody>
</table>

The potential risk “conflict of interest” has been given the least importance and 36.8 percent of the respondents have given the last rank to this factor. This shows that compared to other risks, the respondents have felt that this risk will not hinder the relationship between the bank and the service provider. The service provider and the
banks together function according to the agreement between them and so there may not be conflict of interest according to bank executives’ response.

**TABLE 3.36**

OVERALL RANKING OF RISKS RELATED TO OUTSOURCING

<table>
<thead>
<tr>
<th>Factors</th>
<th>Rank</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss of internal expertise</td>
<td>1</td>
<td>88</td>
<td>28.4</td>
</tr>
<tr>
<td>Risk of loss of credibility due to inefficiencies of the service provider</td>
<td>2</td>
<td>64</td>
<td>20.6</td>
</tr>
<tr>
<td>Risk of loss of confidentiality of data shared with service provider</td>
<td>3</td>
<td>55</td>
<td>17.7</td>
</tr>
<tr>
<td>Risk of third party failure</td>
<td>4</td>
<td>51</td>
<td>16.5</td>
</tr>
<tr>
<td>Inability to source an activity once outsourced</td>
<td>5</td>
<td>32</td>
<td>10.3</td>
</tr>
<tr>
<td>Conflict of interest if vendor provides similar services to other banks</td>
<td>6</td>
<td>12</td>
<td>3.9</td>
</tr>
</tbody>
</table>
Various types of risks such as perceived risks, financial risks, performance risks etc., are involved, when banks outsource their activities to an outside third party. Potential loss of internal expertise and loss of credibility were the highest ranked concerns about outsourcing. This trend may result from perceptions regarding the different goals and attitudes of internal and external staff towards service, profits, and operational efficiency.

3.7 ANALYSIS OF VARIANCES:

Personal characteristics are likely to influence the perceptions of the respondents about the different variables influencing outsourcing. Hence ANOVA (F test) has been applied to understand the significant differences if any, in the perceptions of the sample respondents, regarding the significance of their demographic characteristics on risk analysis, importance of outsourcing, actual quality of performance and the satisfaction levels. These are tested on the basis of selected demographic variables.

The results and their significance are explained below:

3.7.1 Demographic Profile and Risks in Outsourcing:

| TABLE 3.37 |
| GENDER AND OUTSOURCING RISK |

<table>
<thead>
<tr>
<th>Sex</th>
<th>Mean Value</th>
<th>T Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>66.2900</td>
<td>.756</td>
<td>.385</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Female</td>
<td>68.6890</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

**Highly Significant at 1% Level   * Significant at 5% level
The mean scores indicate that females perceive outsourcing as more risky than males. However, statistically there is no evidence to suggest a difference between the genders in the perception of risk. The sample respondents generally perceive that there is risk in outsourcing the banking activities to a third party irrespective of their genders. Cutter et al. found that women tended to perceive greater risks from technology than did men. Although the results for gender and perceived risk are not significantly varied in this study, the findings do show that over all, women perceived a greater level of risk than men.

### TABLE 3.38

**AGE AND OUTSOURCING RISK**

<table>
<thead>
<tr>
<th>Age</th>
<th>Mean Value</th>
<th>F Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>26-35</td>
<td>71.6475</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36-45</td>
<td>65.3414</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>46-55</td>
<td>69.4265</td>
<td>6.895</td>
<td>.000**</td>
<td>Significant</td>
</tr>
<tr>
<td>Over 55</td>
<td>60.2128</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Mean</td>
<td>67.5591</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data

**Highly Significant at 1% Level**  
**Significant at 5% level**

Age might affect the perception of risk associated with outsourcing. Although there was not a linear relationship between age and risk perceptions, the youngest age group exhibited the greatest apprehension about outsourcing, while the respondents above
the age of 55 revealed the least degree of concern. The older among the respondents perhaps feel that banks should switch over to modern thinking and fall in line with other banks in outsourcing its non core functions. Statistically, age differences were significant.

**TABLE 3.39**

LEVEL OF EDUCATION AND OUTSOURCING RISK

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Mean Value</th>
<th>F Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduation</td>
<td>66.6882</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post Graduation</td>
<td>67.7101</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional</td>
<td>68.3333</td>
<td>6.561</td>
<td>.000**</td>
<td>Significant</td>
</tr>
<tr>
<td>Others</td>
<td>90.0000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Mean</td>
<td>67.5591</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

** Highly Significant at 1% Level * Significant at 5% level

Table 3.39 shows that risk in outsourcing, when analysed on the basis of educational qualification reveals a significant difference among bankers possessing different educational qualifications. Those who fall under the category “others,” like diploma holders, have the highest level of concerns with outsourcing. As such, risk aversion plays an important role in determining the decision to outsource.
3.7.2 Demographic Profile and Importance of Outsourcing

<table>
<thead>
<tr>
<th>Gender</th>
<th>Mean</th>
<th>T Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>79.0095</td>
<td>.000</td>
<td>.996</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Female</td>
<td>77.4859</td>
<td>.000</td>
<td>.996</td>
<td>Not Significant</td>
</tr>
</tbody>
</table>

Source: Primary Data

** Highly Significant at 1% Level  * Significant at 5% level

The mean scores indicate that males perceive outsourcing as more important than females. However, statistically there is no evidence to suggest a difference between the genders in the perception of importance of outsourcing. The bank executives, whether male or female have the same opinion regarding the importance of outsourcing. This may be due to the fact that whoever may be the bank executive, they fall under the rules and regulations of the Reserve Bank of India. Both genders are more or less neutral with regards to their perception of importance of outsourcing and therefore the average mean scores above imply that gender does not influence perception of the importance and therefore the need for outsourcing.
### TABLE 3.41

**AGE AND IMPORTANCE OF OUTSOURCING**

<table>
<thead>
<tr>
<th>Age</th>
<th>Mean</th>
<th>F Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>26-35</td>
<td>80.4244</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36-45</td>
<td>76.5153</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45-55</td>
<td>78.9082</td>
<td>6.895</td>
<td>.000**</td>
<td>Significant</td>
</tr>
<tr>
<td>55 and above</td>
<td>75.6792</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Mean</td>
<td>78.2035</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

** Highly Significant at 1% Level  * Significant at 5% level

Age might affect the perception of importance associated with outsourcing. Although there was not a linear relationship between age and perception of importance, the youngest respondents between the age of 26 and 35 revealed that outsourcing is more important. Respondents between the age of 26 and 35 though felt it was risky to outsource, perhaps feel that it is important, because of their relative advantages. Statistically, age differences were significant. As such present day youngsters are more knowledgeable in modern technology and they are able to understand the importance of outsourcing, than others of different age group.
### TABLE 3.42

**LEVEL OF EDUCATION AND IMPORTANCE OF OUTSOURCING**

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Mean</th>
<th>F Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduation</td>
<td>78.3424</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post Graduation</td>
<td>77.4983</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional</td>
<td>78.1197</td>
<td>6.561</td>
<td>.000**</td>
<td>Significant</td>
</tr>
<tr>
<td>Others</td>
<td>93.8462</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Mean</td>
<td>78.2035</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

** Highly Significant at 1% Level      * Significant at 5% level

The above table 3.42 shows that the mean value of those respondents who fall under the category of “others,” is very much high when compared to other categories of respondents. Their perceptions of outsourcing being important are more. Other respondents have more or less the same opinion about the importance of outsourcing. Statistically, the level of education is highly significant at 1% level. In modern days where technology plays a major role, bank executives know that outsourcing has to be undertaken in order to concentrate themselves more on core competencies.
3.7.3 Demographic Profile and Quality of Outsourcing

TABLE 3.43
GENDER AND ACTUAL QUALITY OF OUTSOURCING

<table>
<thead>
<tr>
<th>Gender</th>
<th>Mean</th>
<th>T Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>72.8662</td>
<td>7.567</td>
<td>.006**</td>
<td>Significant</td>
</tr>
<tr>
<td>Female</td>
<td>68.9024</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

** Highly Significant at 1% Level  
* Significant at 5% level

The mean score of male respondents is more than female respondents. They are of the view that in practice, the actual quality of outsourcing is good. Comparatively female respondents have a little apprehension about the actual quality of banking services when outsourcing is undertaken, which indicates their cautious approach toward outsourcing. Statistically, the p value is significant as far as gender of the respondents is concerned. Male executives are more optimistic about the quality of outsourced activities.
TABLE 3.44

AGE AND ACTUAL QUALITY OF OUTSOURCING

<table>
<thead>
<tr>
<th>Age</th>
<th>Mean</th>
<th>F Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>26-35</td>
<td>65.9063</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36-45</td>
<td>71.4551</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45-55</td>
<td>73.8958</td>
<td>6.937</td>
<td>.000**</td>
<td>Significant</td>
</tr>
<tr>
<td>55 and above</td>
<td>72.3732</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Mean</td>
<td>70.7692</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data
** Highly Significant at 1% Level
* Significant at 5% level

The above table shows the mean scores of respondents between the age group of 45-55 to be highest when compared to others. They are of the view that actual quality of outsourced activities is good in their banks. Comparatively those in the age group of 26-35 have a lesser mean score that show that their perceptions of the quality of outsourcing are not satisfactory to the level of other respondents. Statistically the age difference is highly significant at 1% level.
## TABLE 3.45

LEVEL OF EDUCATION AND ACTUAL QUALITY OF OUTSOURCING

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Mean</th>
<th>F Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduation</td>
<td>71.5335</td>
<td>70.0602</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post Graduation</td>
<td>68.0342</td>
<td>86.1538</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional</td>
<td>68.0342</td>
<td>86.1538</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>70.7692</td>
<td>70.7692</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Mean</td>
<td>71.5335</td>
<td>70.0602</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data
** Highly Significant at 1% Level  * Significant at 5% level

The mean scores differ widely among respondents of different educational levels. This leads to the conclusion that depending upon their educational qualification the perception about the quality of outsourcing differs. The level of education is highly significant as far as this dimension is concerned. Respondents who hold different educational qualifications vary in their perceptions of the quality outcome of the outsourced activities. This may be due to the fact that people with different educational background are appointed in banks depending upon their requirements and they perceive differently about the quality of outsourced work.
3.7.4 Demographic Profile and Gap (Important—Actual)

Researchers such as Dahlberg & Nyrhinen (2006), Whitten (2004), Han et al. (2006) and Goles (2001) clearly demonstrate that satisfaction and service quality are important factors in outsourcing. Hence this study adopted their concepts to follow their presence in order to statistically interpret the following:

**TABLE 3.46**

GENDER AND GAP (IMPORTANT-ACTUAL)

<table>
<thead>
<tr>
<th>Gender</th>
<th>Mean</th>
<th>T Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>6.1433</td>
<td>4.125</td>
<td>.043*</td>
<td>Significant</td>
</tr>
<tr>
<td>Female</td>
<td>8.5835</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data
** Highly Significant at 1% Level    * Significant at 5% level

In the above table, the mean score of the female respondents is more compared to the male respondents. The female executives feel there is a significant gap between the variables, on importance of outsourcing and the actual quality of performance by the service providers. Women executives perhaps, have the opinion that there is difference between the actual performances by the service provider than expected. Women value emotions and social contact and their perceptions about the importance of different dimensions of outsourcing are more than that of male respondents. Gender plays a significant role in the perceptions of gap between importance and quality.
TABLE 3.47

AGE AND GAP (IMPORTANT-ACTUAL)

<table>
<thead>
<tr>
<th>Age</th>
<th>Mean</th>
<th>F Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>26-35</td>
<td>14.5181</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36-45</td>
<td>5.0602</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45-55</td>
<td>5.0124</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55 and above</td>
<td>3.3061</td>
<td>10.763</td>
<td>.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Overall Mean</td>
<td>7.4342</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

** Highly Significant at 1% Level  * Significant at 5% level

The above table shows that the mean score of respondents who are between 26 to 35 years of age is very much high, when compared to other age groups which shows that young executives feel there is much gap between the importance of outsourcing and their perception of actual quality of performance by service providers.

The expectations of the younger executives is perhaps more in the modern technology driven banking system and that may be the reason for their high expectations of the quality of the work achieved. Age plays a very significant role in perceiving the gap between importance and actual quality of performance.
### TABLE 3.48

EDUCATIONAL LEVEL AND GAP (IMPORTANT–ACTUAL)

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Mean</th>
<th>F Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduation</td>
<td>6.8089</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post Graduation</td>
<td>7.4381</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional</td>
<td>10.0855</td>
<td>13.099</td>
<td>.000**</td>
<td>Significant</td>
</tr>
<tr>
<td>Others</td>
<td>7.6923</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Mean</td>
<td>7.4342</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

** Highly Significant at 1% Level  
* Significant at 5% level

The mean score of the professional respondents is higher as depicted in the above table. More the educational level more is the maturity level that shows that more educated executives feel there is gap between importance and quality of work. Statistically, educational level is highly significant in determining the gap between importance and actual results of work provided by the service providers. The highly professionally qualified respondents expect more qualitative work and perhaps they perceive more of a gap between expected results and actual quality of the outsourced work.
3.7.5 Demographic Profile and Satisfaction on Performance of Outsourced Work

Satisfaction with outsourcing is defined by researchers Beaumont & Sohal (2004) to be a function of the outsourcer’s customer service quality, the quality of the information provided and the processes implemented.

**TABLE 3.49**

**GENDER AND SATISFACTION ON PERFORMANCE OF OUTSOURCED WORK**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Mean</th>
<th>T Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>74.0525</td>
<td>.188</td>
<td>.665</td>
<td>Not Significant</td>
</tr>
<tr>
<td>Female</td>
<td>70.8841</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

** Highly Significant at 1% Level
* Significant at 5% level

The above table shows mean score of male and female respondents regarding their level of satisfaction of the actual working of outsourcing agreement in their banks. Between the two, male respondents show a higher level of satisfaction. Statistically, there is no significant difference on the perception of importance of outsourcing between male and female respondents. This may be due to the fact that male members are always easily satisfied than their female counterparts.
### TABLE 3.50

**AGE AND SATISFACTION ON PERFORMANCE OF OUTSOURCED WORK**

<table>
<thead>
<tr>
<th>Age</th>
<th>Mean</th>
<th>F Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>26-35</td>
<td>69.0421</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36-45</td>
<td>71.9478</td>
<td>8.375</td>
<td>.000**</td>
<td>Significant</td>
</tr>
<tr>
<td>45-55</td>
<td>74.4982</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55 and above</td>
<td>75.1064</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Mean</td>
<td>72.3763</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

** Highly Significant at 1% Level  
* Significant at 5% level

Respondents above the age of 55 perceive the highest level of satisfaction which shows that age influences the perceptions of level of satisfaction. The level of satisfaction among the different age groups of respondents differs significantly at 1% level. This may be due to the low level of involvement of the respondents who have less experience in outsourcing. With the advancement of age, individual’s perception about the level of satisfaction moderately increases. Due their age and wisdom they are matured enough to accept that outsourcing has come to stay in this present banking system and they are highly satisfied with the good quality of the outsourced work.
Table 3.51

EDUCATIONAL LEVEL AND SATISFACTION ON PERFORMANCE OF OUTSOURCED WORK

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Mean</th>
<th>F Value</th>
<th>P Value</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduation</td>
<td>72.3656</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post Graduation</td>
<td>72.6377</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional</td>
<td>70.1852</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>85.0000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Mean</td>
<td>72.3763</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

** Highly Significant at 1% Level  * Significant at 5% level

Level of education plays an important part in the perception of satisfaction of outsourced activities. The mean scores do not vary between graduates and post graduates whereas there is a slight reduction in the mean score among professionals working in the banks. Respondents in the “others” category are highly satisfied with the outsourced activities in their banks with the highest mean score of 85. They are not much aware of the risks involved in outsourcing because of their less education background.
3.8 CHAPTER SUMMARY

The number of respondents for this survey was positively balanced in terms of gender. Nearly 53% of the respondents were female members and the rest represented male members. Most of the sample respondents had 21 to 30 years of service in the banking sector which shows that there was sufficient experience in the sample respondents of the survey to answer the questionnaire. 72% of the respondents were above the age of 35 which increased the reliability of the findings. It was also reflected from the survey that respondents were highly educated with the vast majority of them having at least a college degree.

From the survey it was found that most branch personnel do not have the authority to appoint service providers. 87.4 percent of the respondents have said that there has been no power vested with the bank branches to appoint service providers while 12.6 percent of the respondents only have said that to some extent bank branches can appoint service providers. Less than half of the respondents reported a system of internal and external audits for outsourcing activities in their banks.

From the statistical analysis presented in this chapter, an attempt is made to find out whether bank executives agree that there exists relationship between factors such as age, gender, and educational qualification and perception of risks, gap in performance and satisfaction levels of performance of outsourced activities of banks.
The respondents in the sample survey opted for “cost reduction” as the foremost reason for outsourcing their banking operations. More than twice as many respondents ranked this factor as number 1 reason for outsourcing compared to the next highest ranked reason for outsourcing, namely “competitive advantage.”

A bank has to be careful before selecting an outsourcing vendor. It has to take into consideration number of factors before signing an agreement with the vendor. Two factors, prior expertise and cost competitiveness, dominated the factors relevant to vendor choice. More than two-thirds of the respondents ranked these factors as number 1 or 2 during the survey.

Various types of risks are involved when banks outsource their activities to an outside third party such as risk due to inefficiencies of the service provider, loss of non maintenance of secrecy etc. Potential loss of internal expertise and loss of credibility were the highest ranked concerns about outsourcing.

The results further show that gender of the respondents does not significantly influence their perception of risks in outsourcing. Age and educational level of bank executives have a significant influence on their perception regarding risks in outsourcing.

Both male and female respondents accept that it is important to outsource banking activities to move in line with the present day trend. There is no significant difference in their perception of the importance of outsourcing. But there is significant difference
between the age and educational qualification of the respondents and their perception on the importance of outsourcing by banks.

The perception of the actual quality of the work performed by service providers varies across the demographic profile of the respondents namely gender, age and their educational qualification. They all differ in their opinion about the actual result of the outsourced work as reflected in their scores.

The opinion of the respondents regarding the gap and the actual quality of the work performed by the service providers differ as reflected by their mean scores. The respondent’s perception, based on their age has a significant impact on the quality of outsourced work. Women and male respondents are of the opinion that there is definitely gap in performance but male respondents’ mean scores is on the higher scale. Also, age and educational qualifications of the respondents have an impact on the perceptions of gap in performance as shown in their mean scores.

Gender of the respondents does not have an impact on the perception of satisfaction and from the survey one can find that they are satisfied with outsourcing by the banks. But age and educational qualification of the respondents have an impact on the perception of satisfaction level due to outsourcing. The overall results show that respondents have perceived satisfaction about the performance of the outsourced activities of the service providers.
3.9 CONCLUSION

In this chapter various issues regarding outsourcing by banks as perceived by the sample respondents have been discussed. The influence of demographic profiles of bank executives has been analysed with applying various tools like percentage analysis, mean scores, rank analysis for different dimensions of outsourcing and analysis of variances were undertaken.

The next chapter deals with further analysis using statistical tools like chi square test, correlation, regression, factor and cluster analysis of the relationship among different variables like risk perception, gap between importance and actual performance and satisfaction of the bank executives regarding outsourcing by banks.
CHAPTER III - END NOTES


