
An Analysis of the Impact of Information Technology on the Productivity of Indian Banks

- *M Chandrasekhar / Rajendra M Sonar*

The impact of Information Technology (IT) on business performance has remained an enigma for Indian banks. Metrics that are in vogue reflect the efficiency of the IT departments of banks and not of IT per se. Accounting ratios such as IT expenses as percentage of operating expenses, IT investment per employee, etc. too have not found acceptance with the decision makers. While there are research studies carried out abroad that deal with the effect of IT inputs on the business outputs of banks, such studies are rare in India. Drawing upon the extant literature and using panel data, this paper attempts an analysis of the effect of IT resources on the productivity of Indian banks. Data of 29 banks from government and private sectors is analyzed. Results for the study period of 2001-02 to 2005-06 indicate that IT has a beneficial impact on bank productivity. Such studies carried out at a more granular level for groups of banks differentiated by ownership, size, geographical region, etc. or at the individual institutional level could provide further insights into the effects of IT.

Dynamic Effects of Interest Rate and Exchange Rate Changes on Stock Market Returns in Bangladesh

- *Prashanta K Banerjee / Bishnu K Adhikary*

His paper studies the dynamic effects of interest rate and Taka-US Dollar exchange rate changes on Bangladesh stock market (Dhaka Stock Exchange) returns. The well-known cointegration methodology is applied using monthly data from January, 1983 through December, 2006. A long-run equilibrium and causal relationship exists between the dependent variable and two independent variables under consideration. However, the short-run effects of interest rate and exchange rate changes on Bangladesh stock market are virtually non-existent.

Brief Articles, Notes and Comments**Foreign Exchange Market Behaviour and its Management in the Post-Reform Period : The Indian Experiences**

- *Arabi U*

The Indian foreign exchange market has operated in a liberalized environment through a cautious and well-calibrated approach; the focus was on gradually dismantling controls and providing an enabling environment to all entities engaged in external transactions. In view of the high volumes of Foreign Exchange Reserve (FER) and their currency composition, the need for its efficient management has emerged as an extensive issue of debate in India and the issues are mainly centered on the desirability, form and content of capital control, risk containment strategies in external debt management and the desirable sequence of capital account liberalization. The pull and push factors are largely responsible for the flow of reserves to the emerging economies, including India. But the movements in the behaviour of the exchange rate policies which has witnessed in most of the emerging economies have influenced to greater degree the Indian system. On the other hand, the volatilities in the exchange rate regimes since 1992, certainly awakened the monetary authorities to take up appropriate policy initiatives to ensure stability and confidence among the participants in the exchange market world over.

Against these backdrops, this paper addresses Foreign Exchange Market Behaviour in the Indian context during the post-liberalization period and few issues related to its management in the light of the initiatives towards fuller capital account convertibility approach by RBI recently in India.

Book Reviews

Stock Market Capitalization and Corporate Governance

- *Lalita Som*

(New delhi, Oxford University Press, 2006, xxvii+247 pp, Rs. 595.00)

Reviewed by Dr M Manickaraj, Assistant Professor, National Institute of Bank Management, Pune.

Introduction to Globalization and Business

- *Barbara Parker*

(Response Books, A Division of Sage Publications, 2005, xii+523 pp, Rs. 680.00)

Reviewed by Dr K Ramesha, Professor, National Institute of Bank Management, Pune.

Telegraphic Reviews