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Quality information sharing practice and Operational Performance of Commercial Bank of Ethiopia

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Abstract

The purpose of this paper is to explain the effect of Quality information sharing practice on operational performance of commercial bank of Ethiopia in case of Bahir Dar branch head office by examining the determinant factors of operational performance. The quantitative research approach used through primary data collected from 93 respondents in commercial bank of Ethiopia, Bahir Dar branch head office. Operational performance, an ordered categorical variable, was regressed on Information technology. Cronbach alpha was used to check reliability test. Chi square test statistics were applied for testing the association between dependent and independent variable. The respondents were selected as the whole because it was employed census survey design. Statistical analyses were performed with the data in order to test the five main research hypotheses. An ordered logistic regression model was employed in the research. The main findings from results of the STATA routine indicate that, in Bahir Dar Branch head office Quality information sharing practice has positively determined operational performance. The organization should be more focus and invest Quality information sharing practice. Further research is required to focus on the dynamic nature of organizational performance.

Keywords

Quality information sharing practice, operational performance, STATA, commercial bank of Ethiopia

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1. Introduction

In today's world information has play a vital role for the actualization of their objectives for the organization. Information asymmetry is playing an important role for the achievement of greatest performance of the firm. Information sharing is the driver of economic development and growth (Barth, Lin, Lin, & Song, 2009). Today's greatest organization, new emerged business, known firms, new product development, innovations are the result of information asymmetry (information sharing). Information plays a vital role in the capital formation of a country and people consider it as the life blood of a growing economy (Chantal, Namusonge, & Shukla, 2018). Asymmetric information is confronted with problem of alternative decision making especially knowing that resources are relatively scarce and limited, it is therefore pertinent that good information be made available for proper and accurate decision making, maximization of profitability and optimal utilization of scarce resource (Chantal et al., 2018). A situation in which one party in a transaction has more or superior information compared to another, this often happens in transactions where the seller knows more than the buyer, although the reverse can happen as well (Chantal et al., 2018). The related researches are- the effect of information sharing on the performance of commercial bank of Nigeria (Epie & Ituma, 2014). The findings of the researchers are information sharing has strong effect on the performance of commercial bank of Nigeria. Altering information sharing has effects on the value of the firm.

Operational performance is a relative measure that explains how firms utilize its available resource such as asset both tangible and intangible in generating revenue. Performance measurement is the systematic process of quantifying idea and action in firms (Shepherd & Günter, 2010). Performance measurement is facilitating integration of among supply chain partners aids to achieve long and short-term goals of firm's example to facilitate productivity, reduce cost & wastes related to inventory, reduce waiting time and to increase market (Derrouiche, Neubert, & Bouras, 2008). Organizational Performance is ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results.

Effective nonprofits are mission-driven, adaptable, customer-focused, entrepreneurial, outcomes oriented and sustainable" (Richard & Heinrich, 2009).

1.2. Statement of problem

According to Fayez, Zutshi, & O'Loughlin (2015), In today's world Quality information sharing practice plays a vital role in big business organization. A substantial number of firms realized the strategic role played by Quality information sharing practice in the achievement of the organizations performance within the industry of operation. According to Squire, Burgess, Singh, & Koroglu (2006), Organization both private and public organization are therefore compelled to upgrade their standard performance with a view of creating value for money in the production of goods and services. Other researchers also highlighted the important of supply chain management but noted there is little research done on Quality information sharing practice. According to Ambe (2012), Any challenge experienced by any of supply chain members result on negative effect on performance of the whole chain due to the high cost incurred in the long run. Timely exchange information in supply chain management help to pace of the whole supply chain by lowering the rate of variation and shift in inventories and customer demand.

According to Osorio, Muturi, & Ngugi (2015), despite the fact that many private and government bank sectors have taken account the advantage of implementing Quality information sharing practice, since best practice, method, and technique were initially implemented in the industrial settings, implementation of this practice in the bank sector is still infant stage. Even firms with adequate internal process have failed to facilitate international supply chain management practice. This factor results to minimize partnering and collaboration among supply chain partners. Some players apply traditional method of operation which is expensive, time consuming and rigid. because of high number of customers and competitors in Bahir Dar City, the branch should be offering specialized service for customer by adopting adequate Quality information sharing practice.

As a result, many researches are done both nationally and internationally. For instance, B. Kenya & Mulinge, (2014) studies about the effect of Quality information sharing practice and performance on Kenyan commercial banks and he find that Quality information sharing practice has positive significant effect on the performance of the bank. another researcher was Mwale, (2014) his study was on the effect of Quality information sharing practice on the performance of large firms in manufacturing Kenya, his finding was the Quality information sharing practice has assist and increase their competitive advantage, efficiency and performance of the large manufacturing firms.

According to Kumar& Kushwaha (2018), Quality information sharing practice has positive effect on the operational performance of fair price shop in India.

The following researchers try to touch the points related to the effect of Quality information sharing practice on operational performance. According to Aboneh, (2017) Quality information sharing practice has positive and significant effect on operational performance of pharmaceutical companies in Addis Ababa. and the finding was companies should give great attention for Information technology to gain greater competitive advantage over their competitors. Kindie, (2017) studied on the title effect of Quality information sharing practice on the performance of Ethiopia telecom in Addis Ababa and FIKRU (2014) studied on the title of assessment on supply chain management performance of population service international Ethiopia.

Generally, all the previous study indicates that knowledge gap exists based on the fact that no single research has done on Quality information sharing practice and performance of commercial bank of Ethiopia in Bahir Dar. So, the researcher want study the effect of Quality information sharing practice on operational performance of commercial bank of Ethiopia at Bahir Dar branch.

1.3. Research hypothesis

The primary goal of this research is to show the effect of Quality information sharing practice on the on operational performance of commercial bank of Ethiopia.

Ha: Quality information sharing practice has positive Statistical Effects on the Operational Performance.

Ho: Quality information sharing practice has no positive Statistical Effects on the Operational Performance.

1.4. Objective of the study

The main objective of the study is to show the effect of Quality information sharing practice on the Operational performance of commercial bank of Ethiopia.

2. Literature Review

2.1. Quality information sharing practice

Information technology has been defined as “an arrangement between two companies or organizations to help each other work together to make it easier for each of them to achieve the things they want to achieve”(Abercrombie, 2019). Information technology may be in the form of business to business, private business to public business and it may be government to community development. Information technology is the collaboration of two or more firms together in the market for the purpose of some core value added activity that may include sale and distribution, research& development, marketing and operation (Archer, Maheshwari, Kumar, & Kumar, 2006).

2.2. Empirical Review

Empirically different research has done on related to the effect of supply chain management practice on the performance of banks. Example According to P. O. C. B. I. (KENYA) Empirically different research has done on related to the effect of Quality information sharing practice on the performance of banks. Example Supply Chain Management Practices and Performance of Commercial Banks in Kenya. The researchers take different Quality information sharing practice on the performance of Kenya commercial bank. The researcher was used sample survey design and the data was collected from 43 commercial bank of Kenya. The researchers find that Quality information sharing practice has strong effects on the performance of the bank.

According to Kimechwa et al., are other researcher that was study the Effect of Quality information sharing practices on the performance of banks in Kenya: a case of Postbank. Descriptive statistics design, sample survey; primary data was used by the researcher. The data was collected from 101 samples of the bank and the researcher was analyze the data by using statistics package for social science software as well as the finding of the researcher was Quality information sharing practice has strong and significant effect on the performance of the bank.

Zhao& Lee (2009), were Assessing Analyzing the Effect of Quality information sharing practices on organizational Performance through Competitive Priorities (Case Study: Iran Pumps Company). The researcher takes Information

technology's independent variable and the researchers find that organizations with high level of Quality information sharing practices have high levels of organizational performance.

Effect of Quality information sharing practices on Organizational Performance in Pharmaceutical Companies in Addis Ababa (Aboneh, 2017). Information technology was independent supply chain management practice variable. The researcher was employed descriptive research design, sample survey, primary and secondary data, questioner and was take 78 sample. The finding was quality of Quality information sharing practice must be in the best attention of business organizations to take a proactive role in the management of their supply chain in establishing a strong position over its competitors and achieving their goals compared to the other variables.

Quality information sharing practices and firm performance: Evidence from some selected commercial banks in Ghana (Amoako-Gyampah, Boakye, Adaku, & Famiyeh, 2019) the combination of better-Quality information sharing practice will results best marketing, operational and financial performance of the bank. The researchers also directed that the poor implementation of Information technology leads to low operational, financial and marketing performance of the bank this leads the widespread of customer satisfaction.

Supply chain management practice and performance of private hospital in Indonesia (Dametew, Beshah, & Ebinger, 2019), the researcher takes Quality information sharing practice as independent variables and organizational performance as a dependent variable and the researcher was used descriptive analysis using by SPSS, census method, the population taken was 53 and the data were collected through structured and unstructured questione. The finding was that quality information sharing practice has moderate effect on the performance of the private hospital of Kenya.

3. Research Methodology

3.1. Introduction

Chapter three has included research design, population, data collection, data analysis. Methodology describes the theory of how inquiry should proceed that involves analysis of the principles and procedures in a particular field of inquiry. It involves the researchers 'assumptions about the nature of reality and the nature of knowing and knowledge. In other words, methodology represents a theory and analysis of how research does or should proceed. Methodology encompasses our entire approach to research.

3.2. Research Paradigm

According to Bailey (1997) In research there are different world views towards to the research approach. Levine (2011) define It is "a basic set of beliefs that guide action". "A general orientation about the world and the nature of research that a researcher holds". According to (Clark & Creswell, 2008), there are four different world views. Those are post positivism, constructivism, advocacy/participatory, and pragmatism. For the purpose of this research the positivist world view is appropriate because it is more focused on the quantitative approach because Cause and effect relationships one of the tenets of the positivist paradigm. According to Creswell (2009) Experimental designs seem to provide an umbrella to explain this causal relationship Questions and hypotheses are tested and verified by experiments. The researcher should seek a cause-effect relationship between the independent variable, which is the intervention and cause of any improvement, and the dependent variable, the outcome of the intervention.

3.3. Research Approach

There are three types of research approach: qualitative, quantitative, and mixed methods. Among those research approaches the researcher use quantitative approach because testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures (Clark & Creswell, 2008).

3.4. Research Design

According to De Vaus (2001), design of the study is a comprehensive plan for data collection in an empirical research project. In case of the current research the researcher used cross sectional census survey design because it is quick to conduct, conducted at a given point in time, conducted with different samples, provide information about the current status, participants are needed only once for the study purpose, multiple variables can be studied at a single point in time, take relatively shorter time than longitudinal studies as well as current co relational effect of variables.

3.5. Population

Population is “a theoretical distribution of all elements that could be part of the. But According to this research the whole employee of those branches is the population of the study because of the researcher is employed census survey design. When the number of populations is not massive, just take the whole population as a part of the studding area. Taking the whole population as a sample has increased the reliability of the research. The researcher has taken the whole employee as a sample from commercial bank of Ethiopia at Bahr Dar branch (head office).

3.6. Source of Data

It is obvious that the necessity of source of data to doing the researches. All most the researchers have used these primary and secondary sources of data. In this research the researcher has used primary source of data because of unavailability of secondary sources. Primary sources of data are those in which the researcher needs to conduct a new survey for gathering information at different levels with regard to the inquiry. the primary source of data is included historical and legal documents, eyewitness accounts, results of experiments, statistical data, pieces of creative writing, audio and video recordings, speeches, and art objects.

3.7. Data Collection tools& Instrument development

The data collection tools are decided based on the type of research approach we use (qualitative or quantitative). According to this research questioner is an instrument to collect the primary data from 93 populations in three selected commercial banks of Ethiopia at Bahir Dar branch head office. The format of the questioner was liker scale. Basically, the instruments were developed based on the objectives of the study and research questions. The principles of questionnaires such as, use simple and clear languages, statements should not be too long and use of appropriate punctuations is also considered when developing the instrument.

3.8. Data Analysis

The analysis plan had described in detail each hypothesis. Thus, the hypothesis had been addressed one at a time followed by a description of the type of statistical tests that would be performed to answer. In this research the researcher used inferential statistics based on the nature of data. generalize by using ordinal logistic regression model as well as to test hypothesis.

3.9. Ordinal Logistic Regression Model (Proportional Odds Model)

Logistic regression may be useful when we are trying to model a categorical dependent variable as a function of one or more independent variables being the dependent variable has two outcomes. Ordinal logistic regression (OLR) is a type of logistic regression analysis when the response variable has more than two categorizes with having natural order or rank. In order to meet the objective, set up on this study Ordinal logistic regression model and tests related are employed as a general methodology. It is natural to consider methods for more categorical responses having more than two possible values. Logistic regression model can be classified as multinomial, ordinal and binary. In this investigation Ordinal logistic regression model was used.

The ordinal logistic regression procedure empowers one to select the predictive model for ordered dependent variables. The model of ordinal logistic regression is presented the following formula

$$\ln(\theta_j) = \beta_0 + (\beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \dots \beta_n X_n) \text{ or}$$

$$\ln((\text{prob}(\text{event}))/(\text{1-prob}(\text{events}))) = \beta_0 + \beta_1 X_1 + \dots \beta_n X_n$$

According to my research the symbols is denote as follows

$\ln(\theta_j)$ or $\ln((\text{prob}(\text{event}))/(\text{1-prob}(\text{event})))$ = is called logit. It's the log of the odds that an event occurs.

The odds that an event occurs are the ratio of the number of people who experience the event to the number of people who do not.

β_0 = is threshold values, often isn't of much interest. Its values do not depend on the values of the independent variable for a particular case and constant value or equal to $\ln(\theta_j)$ when β_n .

X₁ = independent variable one -quality information sharing practice & β_1 is its coefficient.

4. Result and Discussion (odds ratio model output of ordinal logistic regression)

Table 4.1. Ordinal logistics Regression Result (odds Ratio)

OP	Odds Ratio	Std. Err.	z	P>z	[95% Conf. Interval]
disagree	7.107202	8.139056	1.71	0.087	0.7532099
neutral	1.428356	2.087949	0.24	0.807	0.0813884
Agree	7.127189	7.993859	1.75	0.08	0.7910614
strongly agree	139.9413	205.6256	3.36	0.001	7.856263

Table 4.2 chi-square value

QIS	Operational performance							
	strongly disagree	disagree	neutral	agree	strongly agree	Total	Chi-square	95CI(P-value)
strongly disagree	0	5	0	2	0	7		
disagree	2	1	5	12	8	28		
neutral	2	1	1	6	0	10	28.2630	0.029
agree	1	2	3	21	7	34		
strongly agree	0	0	1	3	7	11		
Total	5	6	10	47	22	90		

Ha: Quality information sharing practice has Statistical Effects on the Organization Performance.

Ho: Quality information sharing practice has not Statistical Effects on the Organization Performance

First for quality information sharing practice is significant independent variable to the study because among the five categories one is significant (strongly agree) p value is 0.001. This value is much less than the value of 0.05. Its chi square test value is 0.029. If the chi square test value is less than 0.05, indicates there is relationship between the independent and the dependent variable. So, 0.029 is less than 0.05. The hypothesis is rejecting the null hypothesis if p values in chi square test less than 0.05, unless accepting it. 0.029 is less than 0.05. This indicates that the rejection of null hypothesis and conclude that quality information sharing has statistical effect on organizational performance.

The odds ratio value of strongly agree in quality information sharing practice is (139.9413) and its significant value is (p 0.001). The interpretation is, very strong organizational performance is increased by 139.9413 for every strong quality information practice in the organization but all other variables in the model are constant. Or the role of strong quality information sharing practice in the organization is 139.9413 times more than low practice to increase the organization performance, other variables constant in the model. Or an organization which has strong quality information sharing supply chain practice had very strong organization performance. The result was the same to (Chantal et al., 2018).

His finding was quality information asymmetry has significant effect on performance of commercial bank of Rwanda. The other researcher also finds the same result quality information sharing practice has significant effect on performance on the organization (Nimeh, Abdallah, & Sweis, 2018).

5. Conclusion and Recommendation

Based on the statistical result the study concludes that Quality information sharing practice, has positive statistical effect on operational performance of Commercial bank of Ethiopia at Bahir Dar branch. the study recommends that

commercial banks of Ethiopia at Bahir Dar branch should be encouraged to enhance adoption of Quality information sharing practices since it has the potential of improving their operational performance. Generally, the branch should be giving a greater attention for quality information sharing practice in their organization and future researchers should be focus on the other supply chain management practice and also focus on the other branch of commercial bank of Ethiopia as well as used other method of analysis, models and approaches.

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