
Identification of any RegTech Issue in any Organization and a Solution for it

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Abstract

In any organization, particularly, in the banking organization, there were several operation activities. Coupled with the magnitude of data and information used in the banking institution, a significant approach to ameliorate the negatives in performance of activities prompted the idea of introducing RegTech into the banking industry. An advanced processed was developed in the name of RegTech. The main purpose of this study was to identify a RegTech issue in the banking organization and provide a solution for it. RegTech was seen as the management of regulatory processes within a financial industry through technology. Banks were expected to benefit most in the application of RegTech. This study identified a RegTech issue in the banking industry. The methodology for this research included the use of a survey research design with primary data, adopting personally, and self-administered interviews with some staff of six banks in Kaduna. The source of data for this study was primary with five-point Likert-scale. The nature of personal self-administered interviews was applied and validated by four very senior academics in the field of information technology. The analytical statistical

tool used for this study was chi-square. In conclusion, it was noticed that RegTech had a promising way of assisting banks in their operations despite the various constraining factors. In conclusion, the application of RegTech in the banking system operations was of great significance if there would be significant performance in business. Findings revealed the issue of the resistance by bank staff to RegTech adoption in their operations of activities in Nigeria. Although we' had seen giant leaps in RegTech adoption in recent years in some countries, not all companies were moving at the same pace, and many factors still stood in the way of widespread adoption. Recommendations were, there should be attitude towards change, legacy systems don't often integrate with new technologies, and when they do, a lot of tweaking is necessary. Therefore the Legacy System which leads to many companies delaying RegTech adoption despite its many advantages should be avoided, there should be confidence in Third Parties, there should be comprehensive change management initiatives and training and retraining of bank staff on the genesis, mission and vision of the importance of RegTech in the banking institutions should be regularly done.

Introduction

In any organization, processes of operations of activities apply and significantly, depending on the forms of operations. These processes can be of significance to the organization. However, where there is an improved system of performing activities and processes, these could add more flavor and attractiveness to the activities of the organization. Here then comes RegTech. RegTech is the management of regulatory processes within a financial industry through technology. It could be said that, the main functions of RegTech include regulatory monitoring, reporting, and compliance of the activities of organization as it applies. It involves the management of regulatory processes within the financial industry in their specific case. RegTech consists of a group of companies that help businesses comply with regulations efficiently and less expensively. The banking sector is one good example of organizations that this RegTech applies. RegTech stands for regulatory technology and involves using technology to streamline

regulatory processes within industries, especially in the financial sector. It encompasses a wide range of applications designed to help businesses comply with regulations efficiently and cost-effectively.

Teichmann, and Sergi (2023) RegTech emphasized the potential benefits and challenges for businesses when RegTech is being used in any organization.

Furthermore, Regtech is said to be a community of tech companies that solve challenges arising from a technology-driven economy through automation. The rise in digital products has increased data breaches, cyber hacks, money laundering, and other fraudulent activities. With the use of big data and machine-learning technology, RegTech reduces the risk to a company's compliance department by offering data on money laundering activities conducted online—activities that a traditional compliance team may not be privy to due to the increase of underground marketplaces online.

More so, RegTech tools seek to monitor transactions that take place online in real-time to identify issues or irregularities in the digital payment sphere. Any outlier is relayed to the financial institution to analyze and determine if fraudulent activity is taking place. Institutions that identify potential threats to financial security early on are able to minimize the risks and costs associated with lost funds and data breaches. Kassai (2017) in his study posited the rise of 'RegTech' and why it's the next big thing in banking, Financial and Monetary Systems, He critically, recommended RegTech to banks.

A bank that receives huge amounts of data may find it too complex, expensive, and time-consuming to comb through. A RegTech firm can combine complex information from a bank with data from previous regulatory failures to predict potential risk areas that the bank should focus on. By creating the analytics tools needed for these banks to successfully comply with the regulatory body, the RegTech firm saves the bank time and money. The bank also has an effective tool to comply with rules set out by financial authorities. Financial institutions and regulators both use RegTech to deal with complicated compliance processes.

STATEMENT OF THE PROBLEM

It is to be noticed that, following the 2008 financial crisis, it ushered in an increase in financial sector regulation. But these financial institutions did not see need too key into the RegTeg performance of activities. It is noticed that there was a rise in the disruptive use of technology within the financial sector. Technology breakthroughs led to an increase in the number of fintech companies that create technology-driven products to enhance the customer experience and engagement

with financial institutions. But some and most of these financial institutions found it difficult to adapt to the involvement

The reliance on consumer data to produce digital products led to concerns among regulatory bodies calling for more laws on data privacy usage and distribution. The coupling of more regulatory measures and laws with a sector more reliant on technology brought about the need for regulatory technology but with significant non acceptance of RegTeg. RegTech operates in various spheres of the financial and regulatory space. A number of projects that RegTech automates include employee surveillance, compliance data management, fraud prevention, and audit trail capabilities.

A RegTech business cannot just collaborate with any financial institution or regulatory authority as it may have different goals and strategies that differ from the other parties. For example, a RegTech that seeks to identify credit card fraud in the digital payments ecosystem may not develop a relationship with an investment firm concerned with its employees' activities online or the Securities and Exchange Commission (SEC) whose current issue may be an increase in insider trading activities.

Many financial organizations are still using old technology, including software written in obsolete or virtually extinct programming languages. Replacing these systems is costly, risky, and often requires an expensive multi-year project. As a result, many companies put off migrating to new systems for as long as they can.

OBJECTIVE OF THE STUDY

To identify a RegTech issue in the banking organization and provide a solution for it

RESEARCH QUESTION

What is the RegTech issue in the banking organization and the solution to this issue?

RESEARCH HYPOTHESIS

Ho-null: there is no RegTech issue in the banking organization hence no need for solution

H₁-alternate: There is RegTech issue in the banking organization hence the need for solution

SIGNIFICANCE OF THE STUDY

The likely beneficiaries of this research include:

Banks Management: The various bank managements that would want to improve their regulatory processes would benefit from this study in consideration of this research and its recommendations. If these recommendations are considered by the bank management, it will go a long way in strengthening their banking processes

Other Banks Staff: These categories of staff in the bank would significantly benefit from this research if appropriately followed. At the issue would be identified and recommendation made, these category of staff will benefit the more.

CONCEPTUAL REVIEWS

The Concept is grouped into: RegTech agility, speed, integration, and analytics.

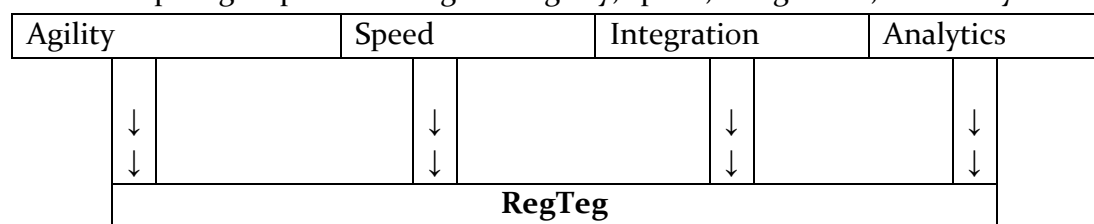


Fig: 1 Concepts in RegTeg in a financial institution (Bank)

RegTech quickly separate and organize cluttered and intertwined data sets through extract and transfer load technologies. It also assists to generate reports quickly. It can also be used for integration purposes to get solutions running in a short amount of time. Finally, RegTech uses analytic tools to mine big data sets and use them for different purposes.

Some example of notable RegTech companies and the tools they have created include: **Identity Mind Global** which provides anti-fraud and risk management services for digital transactions by tracking payment entities; **Trunomi** which securely manages the consent to use customer personal data; **Suade**, helps banks submit required regulatory reports without disruption to their architecture; **Silverfinch** helps connects asset managers and insurers through a fund data utility to meet Solvency II requirements; **PassFort** which automates the collection and storage of customer due diligence data, and **Fund Recs** which oversees how data is managed and processed by the fund industry.

In today's regulatory landscape, businesses across industries are increasingly turning to RegTech solutions to streamline compliance processes and mitigate risks. However, implementing RegTech solutions comes with its own set of challenges. In this blog post, we will explore six common RegTech implementation difficulties and provide practical strategies to overcome them. Estevez (2020)

posited the importance of RegTech and to how the system improves the performance of any organization.

Despite the challenges involved, RegTech offers immense potential to revolutionize regulatory compliance across industries. By addressing common hurdles such as compliance complexity, data integration, and cybersecurity risks, businesses can unlock the full benefits of RegTech solutions. With proactive planning, strategic investment, and effective change management, organizations can navigate the complexities of RegTech implementation and emerge as leaders in regulatory compliance.

METHODOLOGY

For this research, the descriptive survey design approach was used. Reason for the use of this design was that: the information needed was sourced by administering personally, self-administered interviews, open and close ended, formed at structured and unstructured (Samuel & Oka, 2010). Also this is suitable for the study because it involves the attitudes, behaviors, thoughts, opinions, comments of respondents, determined and reported the way things were and appropriate for exploring any issue of accepting to the change to RegTeg and to show how it could assist towards the mission of any organization, like the banks. Adopting the descriptive survey design involves interviewing the respondents on their experience from their views about phenomena which they observed directly as RegTeg was being introduced into the banking system. Also they evoked discussion to give survey respondents opportunity to communicate and discussed important key survey topic, created meaning and new knowledge. More so, the design quantified data for highly objective research with statistical tools to analyze and interpret the results. In support to this study, the following adopted the survey design:

According to Mugenda & Mugenda (2003), the survey design is process that describes the exact situation with the purpose of collecting data to test hypotheses or to answer specific questions concerning the present position of the subject research. It allowed the collection of large sum of required data from the standard population in highly effective and efficient manner using questionnaires (Micheni, 2011). The intent was to establish, confirm or validate the relationship and to develop the generalizations that contribute to theory. There are overall philosophical writing strategies and ethical consideration for research which include: quantitative, qualitative and mixed methods research (Creswell 2017) with ethical issues that arise during studies. Chih-Pei, & Yan-Yi (2017) posited the various contributions of John W. Creswell on research design.

Study Area

This is to identify any RegTech issue in the banking organization and provide a solution for it. The study was carried out in Kaduna because of the number of banks and it gives a direct approach to the understudying of the developmental needs of the objective of the study arising from the number of significant respondents.

Population of the study

For this study, the population is 201 bank staff, randomly selected from six different banks. The whole population of 201 was used. This is made up of staff at different categories in the bank: Marketing 23, Customer Care 75, Internal Control 13, Branch Managers 6, Fund Transfer 13, ATM Managers 21, Cash Manager 24, Cash and Teller 26

Decision Rule

If the P-value is greater than the level of significance of 0.05, accept H_1 and reject H_0 .

Source of data

Here this is from primary data randomly selected from the six different banks made up of Marketing 23, Customer Care 75, Internal Control 13, Branch Managers 6, Fund Transfer 13, ATM Managers 21, Cash Manager 24, Cash and Teller 26

Instrument for data collection

The instrument for the data collection is a self-administered interview of open and close ended, formed at structured and unstructured. The five-point Likert-scale nature of interviews which ranges from “strongly agree” to “strongly disagree” (1 = ‘Strongly Agree’, 2 = ‘Agree’, 3 = ‘Neutral’, 4 = ‘Disagree’ and 5 = ‘Strongly Disagree’) was also used for this study. The instrument was validated by four very senior academics in the field information technology by making available to each all the interviews aspects. The selection of the banks was by the researcher randomly visiting some of the branches. It was randomly done by meeting with them at their places of work after the day’s businesses engaging them with self-administered interviewing. Evening was adapted to self-administered interviews because it was the period where these staff are not under pressure to deliver on their mandate and responsibilities of their job descriptions, with no or very less customers to be engaged with by these staff.. The self-administered interviews were within four working weeks.

Method of data analysis

To analyze the data collected, Chi-square statistical tool to test the hypothesis was applied. The significance of using the Chi-square (X^2), as a method for testing hypothesis, was to measure the reliability and significance of data to see whether deviations of the actual observations (observed frequency) from the expected is significant so that it may lead to the acceptance or rejection of the null hypothesis. This is to see deviations of the actual observations (observed frequency) from the expected that led to the acceptance or rejection of the null hypotheses. Functional reliability test is used to test for the internal consistency of each of the interview questions (variables) stated in the interview. For the appropriateness for the study, the most convenience method for testing the internal consistency is the Cronbach's Alpha.

Decision Rule

If the P-value is greater than the level of significance of 0.05, accept H_1 or otherwise

The chi-square formula is thus:

$$\text{Chi square } \chi^2 = \sum \frac{[(fo - fe)^2]}{fe}$$

Where:

O = Observed value (frequency);

E = Expected value (frequency) and

Σ = Summation sign.

Degree of freedom = (Rows - 1) (Column -1)

Level of significance = 0.05

Ho-null: There is no RegTech issue in the banking organization hence no need for solution

H₁-alternate: There is RegTech issue in the banking organization hence the need for solution

Table 1: Representation of the study population

Marketing	Customer Care	Internal Control	Branch Managers	Fund Transfer	ATM Managers	Cash Managers	Cash and Teller	Grand Total
23	75	13	6	13	21	24	26	201

Source: Researchers Survey

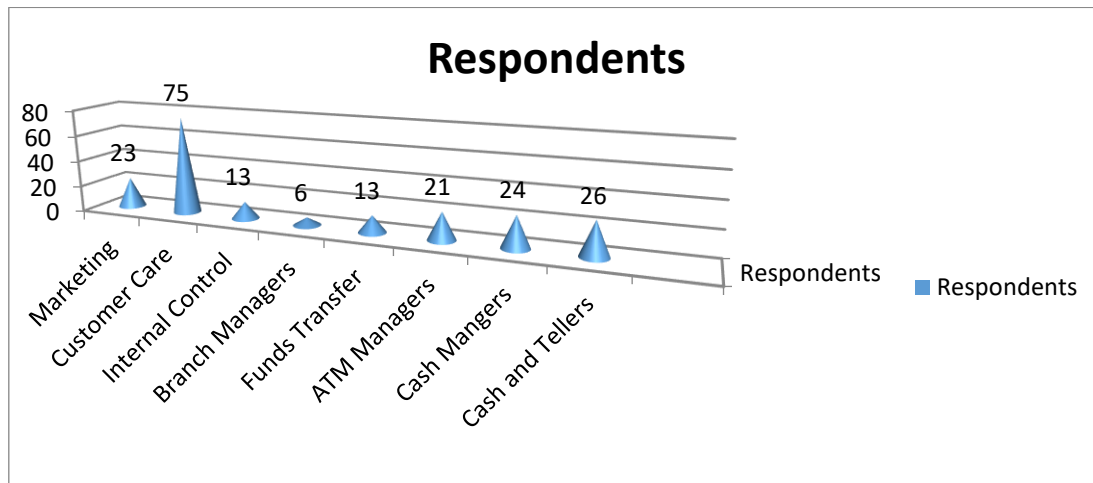


Fig.2 Graphical representation of responses

Source: Researcher's presentation

There is the need to calculate the expected frequencies if we are to test the observed frequencies (Table 1) against what we would expect by chance, since we have eight concerned respondents of Marketing, Customer Care, Internal Control, Branch Managers, Fund Transfer, ATM Managers, Cash Manager, and Cash and Teller. Fig 2 is the graphical representation of the respondents. We would expect one-fifth of the individuals to fall in each of the categories. One-fifth (20%) of 201 is 40. So if the selection of the respondents is largely a chance pattern, we would expect to find 40 respondents in each category.

Table 2: Observed and Expected Frequencies for the Selection of Majors

		O (observed frequency) E (expected frequency)			
Category			$O-E$	$(O-E)^2$	$(O-E)^2/E$
Marketing	23	40	-17	289	7.225
Customer Care	75	40	35	1225	30.625
Internal Control	13	40	-27	729	18.225
Branch Managers	6	40	-34	1156	28.9
Fund Transfer	13	40	-27	729	18.225
ATM Managers	21	40	-19	361	9.025
Cash Managers	24	40	-16	256	6.4
Cash and Teller	26	40	-14	196	4.9
Total	201	320			123.525

Source: Researchers Calculation

Table 2 shows the observed and expected frequencies for each category by computing the difference between them $(O-E)$, $(O-E)^2$, divides the square by the expected frequencies $(O-E)^2/E$, and sums those quantities to give us our χ^2 , which is 123 the P-value.

Recast the Decision Rule

If the P-value is greater than the level of significance of 0.05, accept H_1 or otherwise. Therefore, since the P-value is greater than the level of significance of 0.05, we accept the H_1 which states that:

H_1 -alternate: There is RegTech issue in the banking organization hence the need for solution

DISCUSSION OF FINDINGS

Since the P value of 123 from the chi-square is more than the level of significance 0.05, H_1 will be accepted. That is: **H_1 -alternate:** There is RegTech issue in the banking organization hence the need for solution. Meaning an issue has been identified of RegTech in banks applying RegTech in their activities. Findings revealed that there is an issue of the resistance by bank staff to RegTech adoption in their operations of activities in Nigeria. Although we' had seen giant leaps in RegTech adoption in recent years in some countries, not all companies were moving at the same pace, and many factors still stood in the way of widespread adoption. Kim (2024) said that if appropriate measures are put in place, RegTech will go a long way on its acceptance despite the current neglect of it's application in businesses.

CONCLUSION

The conclusion of this study initiates that, transparent rules and controls were very significant issue to assisting any organization to achieve her mission consideration of observation, it is noticed that transparent rules and controls are very significant issue to assisting any organization to achieve her mission. Despite the angle at which any organization sees it, corporate governance is significant and the issue of transparent rules and controls are of great magnitude of importance to achieving any mission.

RECOMMENDATION

Legacy systems don't often integrate with new technologies, and when they do, a lot of tweaking is necessary. Therefore the Legacy System which leads to many

companies delaying RegTech adoption despite its many advantages should be avoided.

There should be Attitude towards Change. Some companies, or rather their employees, are resistant to change. They might be risk-averse, unconvinced of the return on investment potential, or worried the technology doesn't have longevity. Additionally, adopting new technologies comes with extra costs beyond the solution's price. For example, employees will need to be trained on the software, historical data has to be migrated, etc.

However, while these are legitimate concerns, sticking with them can hinder a company's growth and competitive position. RegTech solutions are now more common than ever and have a proven track record of streamlining compliance tasks, reducing costs, and boosting efficiency. Furthermore, new solutions are typically very user-friendly and require little to no training for users to master.

There should be Confidence in Third Parties. Often, using a RegTech solution means trusting a third party to provide a solution that meets all of their compliance needs. New regulations come into effect all the time, so the chosen vendor must be able to adapt and update their software as required (and if necessary).

There should be comprehensive change management initiatives. As a result, resistance to change, lack of employee buy-in, and inadequate training can impede the successful adoption of RegTech solutions. Businesses should invest in comprehensive change management initiatives to support RegTech implementation.

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