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Impact of Online Banking on Firm Perfromance: A Study on Indian Public Sector Bank

Dr.M Sumathy [1], Shaneeb.P [2]

[1] Professor & Head, School of Commerce, Bharathiar University, Coimbatore, India.
[2] Ph.D Research Scholar, School of Commerce, Bharathiar University, Coimbatore, India.

Abstract

Online banking is emerging with great force. Many industries are set up to provide technical assistance to banks so that this facility can be easily accessed to urban and rural areas of the country. In today's dynamic world, large customers prefer to transact through banks, which use money transfers, bill payments, account statements are via "Online Banking". In the current scenario, all banks globally are urging their customers to use e-banking because it saves time, transaction costs and faster returns, and they believe that automated financial transactions have greater benefits and greater benefits. It offers a number of benefits to online banking customers and various banking services. This paper focuses on the results of online banking based on the performance of the top ten public sector banks in India, as reported by RBI, Market Capitalization and Total Assets of Indian Bank Enterprises. To this end, this research paper analyzes the financial ratios of banks and is based on secondary banking data in nature.

Keywords

Online banking, Return on assets, Return on equity.

INTRODUCTION

Introduction of Banking

Banking is one of the most important and essential for everyone "Bank" is derived from the French word "bankus" "The banquet, that is, a bench.

Simply put, banking is defined as any institution that accepts money from the general public and deposits it into an account. Banks offer a variety of facilities such as receiving financial assistance from the customer, lending to different sectors, accepting bills to be paid, and assisting the Legislative Committees in any emergency. At present there are several financial institutions that provide various services of the Bank as per the guidelines laid down by the Bank. It is also known as a subdivision of financial institutions.[1]

Introduction of Online Banking

In the current world economic climate, the applied technologies are at the highest level. On the one hand, moving from one place to another requires large sums of money, sometimes at the request of customers from one account to another. In the past, financial needs could be met without the help of technology.[2] Due to the fierce competition among all the units of the banking enterprise, it is difficult for the banks to provide various services to the customers, business owners, small, medium, large enterprises and other financial units. Online banking is a great help in banking and other financial activities to overcome this situation.

Evolution of Computer Based Banking

Computer based banking was started in 1980 by United American Bank. Headquartered in the United Kingdom, it is connected to a TRS-80 computer with a radio shock to build a secure custom modem that allows the bank customer to securely access information. First year banking services include account balance checks, loan facilities and bill payments. Thousands of customers took advantage of these facilities and paid $ 25-30 per month for the services.

Developers in the United Kingdom failed in 1978 due to operational risks of bank owner Jake Butcher. Stanford's Federal Credit Union was the first financial institution to provide online banking services to all customers in 1994, and in 1996 became the second largest and second largest financial group in the world.[3]

In the 1990s, consumers were reluctant to use line banking and e-banking transactions. About 70-80% of banks in the US offer online banking services. Consumers grew slowly. However, Bank of America was the first bank with more than three million e-banking customers, which accounted for more than 20% of its client base.

Evolution of Online Banking in India

ICICI Bank launched "Internet Banking" in the late 1990s. It was the first bank to introduce e-banking in India. Giving to customers is really beneficial for them. "Internet Banking" was properly established in 1999. [4] Subsequently, other banks such as Housing Development and Finance Corporation Bank, Citibank, IndusInd Bank and Redundant Times Bank began to follow this.

Online banking faced many problems in its infancy but later began to emerge due to huge gains. For example, initially nationalized bank was not very secure about online banking and was reluctant to implement it for the entire customer and large consumer based market. . Many banks like SBI, Canara Bank, Allahabad Bank and Syndicate Bank have started following online banking. In 2001, SBI established online banking and received a good response, so online banking began to rise.

In the current scenario, all banks globally are urging their customers to use e-banking because it saves time, transaction costs and faster returns, and they believe that automated financial transactions have greater benefits and greater benefits. It offers a number of benefits to online banking customers and various banking services.[5]

LITERATURE REVIEW

Kagan et al., 2005 in their research paper "The Intervention Between e-Banking and Banking Operations: The Case of Europe" eBanking enhances the quality of bank assets and directly affects asset performance. Indirectly affects profitability through different costs. [6] E-Banking services reduce the different operating costs across different parts of the bank, while the more advanced electronic infrastructure reduces the cost per transaction of banking and increases the profitability of the banking system. The success of internet banking depends on the level of education of the customers.

Educated consumers have different needs compared to lower level educated consumers. The cost to the bank is very high if the level of education of the customers is very low and these types of customers need different features of internet banking, which increases the cost of the bank and leads to lower profits. According to ALPM and their research activities, the "modernization of the Indian banking sector" began with the development of the banking technology sector with the use of state-of-the-art ledger posting machines, in which case banks use core banking solutions to provide customized services to their customers.[7]

Modernization and computerization are one of the key factors in improving banking efficiency, as various studies have been conducted in the banking sector to find the link between information technology and the profitability of the bank's operations. To improve their efficiency and productivity with efficient information technology and new software.

Schlie in their research paper in year 2008, research paper entitled "The Impact of e-Banking on the Performance of Romanian Banks: Schlie Approaches Two Approaches to DEA and PCA", Schlie examined the Bank's performance in using Internet banking. According to Schlie study of more than 100 banks in 6 European countries (Denmark, France, Finland, Germany and Sweden), banks are not averse to accepting Internet banking services. The issue of this economic reform is much overstated. Ozsoz and Onay (2013) [8] underscore that e-banking services, as a user of a distribution channel, allow banks to switch to a "click and mortar" approach so that customers can conveniently open different accounts, create bank deposits and transfer money. This Make an online payment at a lower cost than the old traditional banking which leads to higher banking efficiency.

According to their 2008 research, e-banking services are critical to improving a bank's profitability and efficiency. In Ali Yachted's 2001 paper on the impact of technology on the banking sector in India, he noted that the banking transaction processing load is taking on new technology and that recent banks are focusing on different marketing approaches and re-engineering their business Model. Yousafzai et al. (2009); Pieters (2010); Avizienis et al. (2004) in their research work entitled "The Impact of Online Threats on the Use of e-Banking" describes how online banking accounts of retail customers are now increasingly being questioned by fraud-detection and authentication systems. In most of such cases, online criminals have obtained the authentic banking log-in credentials of a retail customer through illegal means. Such online threats have prompted government regulators to rethink financial institutions about their security arrangements. Online thefts are mostly caused by consumers failing to adequately protect their banking credentials. Such online thefts have an impact on public relations because banks do not have to pay back the stolen money. Confidence in the banking sector has not yet been fully translated into the online environment as it is difficult to gain trust without face-to-face intervention and it is doubtful whether counterfeit agents are trustworthy and / or trustworthy. Technology-related variables are also essential as traditional factors for predicting consumer behavior in the online environment. The landscape of online threats has changed as online attackers have adopted more sophisticated methods to break online verification techniques.[9]

A study conducted by Ravinder in 2011 predicted the profitability of leading banks in India, with SBI performing well in terms of different market ratios such as EPS and dividend payout ratios, while other banks performed well, and PNB doing well in terms of return on equity and operation profit margin. Statista explains this in the research journal " Changing Face of Online Banking in India:[10] A Technological Transformation Perspective" from 2017 (2015 to 2017), Online Social Networking: According to experts, Indian online networking clients have grown from approximately 145 million to over 200. Millions, or about 28% growth, will reach 380 million by 2022. The total number of mobile web clients in India was around 260 million in 2015 and is expected to grow to 512 million by 2022.[11]

Mingqi Li, Tiananqi Feng, (2015) conducted research on US bank holding based on “The relationship between non-interest income and bank valuation. It studied the impact of non-interest income on the different valuations of banks. Because of this - interest income reduces the volatility of bank income.[12]

The valuation is assumed to be very high with high non-interest income. Focusing on valuation rather than profit avoids some of the barriers to measuring bank performance with profitability. (Maumitha Deb Chaudhary, 2017) In the research paper " Changing Face of Online Banking in India: A Technological Transformation Perspective", on November 8, 2016, the ban on banknotes accelerated digital payments in India, on the other hand, by advancing technologies. Take the banking and financial sector by storm, which has created many opportunities for technical investment in digital payment infrastructure. Digital transactions are growing rapidly and are expected to cover entire sectors, including urban and rural areas.[17]

OBJECTIVES OF THE STUDY

- To measures the financial performance of top public sector banks after online-banking.
- To analyze the impact of online-banking in Indian public sector banks.

RESEARCH METHODOLOGY & RESULTS

This research study is based on the financial performance of the top eleven public sector banks. In 2019 and 2020, fundamental pressure was put on ROA and ROE to properly analyze the data. Both are used to measure the profitability of the firm. Return on asset is measured by dividing operating income to total asset whereas return on equity is measured by dividing net come to net worth of the firm. [15]Retun on equity is used to know how much profit a company earned by using shareholders fund. Data are taken from the 10 largest public sector banks in terms of capitalization and total assets of public sector banks for comparison. Online data on NEFT, RTGS and others is collected through RBI Bulletin and RBI Annual Reports and data published by Indian Banking Associations, based on data from various websites and RBI statistics and oher Economic Survey Reports.[21]

Bank name	Return on asset (ROA)		2020 Return on equity (ROE)	
	2019	2020	2019	2020
Bank Of India	-0.88	-0.45	-13.3	-6.7
Bank Of Maharashtra	-2.90	0.2	-8.34	3.6
Canara Bank	0.05	-0.31	1	-5.7
Central Bank Of India	-1.70	-0.31	-29.8	-5.2
Indian Bank	0.11	0.24	1.7	3.4
Indian Overseas Bank	-1.50	-3.27	-22.8	-52.8
Punjab National Bank	-1.29	0.04	-22.3	0.5
Uco Bank	-1.87	-1.03	-31.3	-12.7
Union Bank Of India	-0.5	-0.5	-11.1	-8.6
Bank Of Baroda	0.06	0.05	0.9	0.8
State Bank Of India	0.02	0.37	0.4	6.2

The study selected ten banks includes Bank Of India, Bank Of Maharashtra, Canara Bank, Central Bank Of India, Indian Bank, Indian Overseas Bank, Punjab National Bank, Uco Bank, Union Bank Of India, Bank Of Baroda, State Bank Of India. SBI has seen an increase in productivity with huge benefits from online banking. It showed a slight decline in 2018 but in 2019 again achieved the target and targets successfully. [22] The influence of online banking has shown tremendous growth in the second largest public sector bank, Baroda, with rising returns on assets as well as returns on equities. Subsequently, there was a sharp rise in the figures for the Industrial Bank of India from 2018 to 2019. In the ensuing investigation, the Punjab National Bank also showed a huge rise, with the decline in negative figures from previous data. In addition, the Central Bank of India has also shown good trends in implementing online banking. In 2019, Canara Bank moved from negative output to positive. Due to the influence of online banking, Bank of India and Indian banks have seen huge increases in their accounts.[18]

While checking the impact, online banking gives good results on the performance of banks. It seems more convenient and convenient for customers to access information while sitting at home and doing chores. Many industries prioritize similar internal action to make it easier and reduce anarchy and confusion. Moreover, branch banking is being transformed into online banking due to its great achievements. But banks need to focus on eliminating the issues related to the security of online banking and maintaining easy-to-use websites. In addition, there is a need to spend more time in the research area of online banking.

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