

## **E-Banking Service and Profitability of Indian Scheduled Commercial Banks**

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### **Introduction**

Information and communication technology (ICT) plays very important and significant role in banking sector in every economy. ICT refers to use wide range of computerized technology that enables to collecting, processing and transmit of information from one section to another section immediately so that role of ICT is increasing in banking sector in day to day transaction. Efficiency and productivity of banking sector is depending upon employee and use of technology, but productivity and efficiency of employee is depending upon education, technical knowledge and information so that use of information and communication technology (ICT) is increasing in every field. Banking sector is not except for it. ICT based banking services are nothing but all the services are based ICT. Information and communication based banking services consist of Automated Teller Machine (ATM), Cash Deposit Machine (CDM), E-banking Services, Mobile Banking Services (MB), Real Time Gross settlement (RTGS), National Electronic Fund Transfer (NEFT), Point Of Sale Machine etc. All the ICT based banking services help to save the time, money, energy and efforts so that at present, Indian banking sector pays more attention on adoption and implementation of advance technology in banking sector. Modern banking sector adopt and implement advanced technology for their best and qualitative services. Banking sector can reduce their manual documentation, increases the efficiency and productivity of workers and meet the growing demand of customers so that all these factors help to increases the profitability of banks.

### **Review Of Literature:**

ICT based banking services help to extend the market, reducing the cost, save the time, improving customers' service delivery (Wenniges.J (2000)). E-banking services were cutting the costs, enhancing the customers' trusts, improving service quality and offer convenient services and competition in Zimbabwe (Nblova,I and Singola, M (2013)). There were positive relationship between innovation and productivity of the Nigerian banking sector (Omotos, K., Data,A., Adelowo, C and Siyanbolo, W (2012)). There is positive relationship between use of ICT and banks' performance (Aliyu, A and Tasmin,R (2012)).

### **Statement Of Problem:**

The role of information and communication technology is increasing in banking sector in day to day transaction. In past research study was given a more focus on impact of ICT on bank's performance, customer satisfaction and customer service delivery. Most of the researchers were focused on hurdle and problems in adoption and implementation of ICT based banking services so that proposed research work entitled "**ICT Based Banking Services And Profitability In Indian Scheduled Commercial Banks**".

### **Objectives:**

1. To examine the impact of ICT based banking services on profitability of Indian scheduled commercial banks.
2. To find out the growth of ICT based banking products in Indian scheduled commercial banks.
3. To study the relationship between the ICT based banking services and profitability.

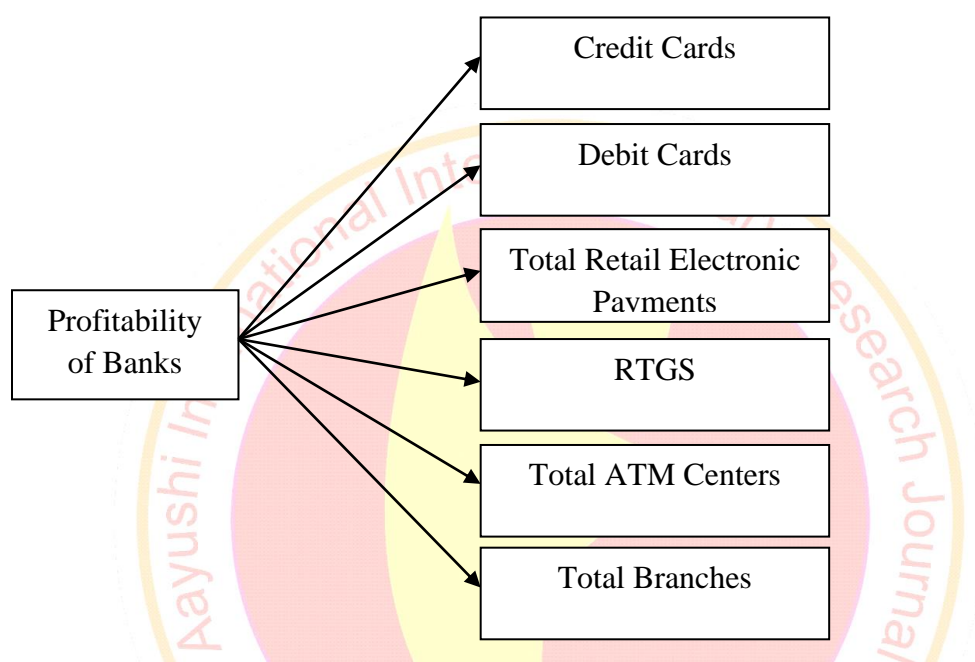
### **Scope Of Study:**

This study is about the role of ICT in profitability in Indian scheduled commercial banks. It is mainly dealt with the ICT based banking services and their impact on efficiency and productivity of banking sector.

**Methodology:**

Present research study purely based on secondary data. Information related to present research study was collected from various RBI reports such as Report on Trend and Progress of Banking, RBI Bulletin, A Profile of Banks and Report on Payment and Settlement and Information Technology. Research study is based on various ICT products such as credit cards, debit cards, total retail electronic payments, RTGS and ATMs centres. This research article based on minimum five year and maximum eight year data. Present research study used Compound Annual Growth Rate and correlation analysis statistical methods. Research based on all scheduled commercial banks. Scheduled commercial banks consists of public sector, private sector and foreign sector banks.

**Chart-1.1: Ict Products And Variables For Measurement Of Profitability:**



**Table No-1.1: Growth Of Employee, Business Per Employee And Profit Per Employee**

<b>Scheduled Commercial Banks In India. ( Amount in Millions)</b>			
<b>Year</b>	<b>No Of Employee</b>	<b>Business Per Employee</b>	<b>Profit Per Employment</b>
<b>2008-09</b>	954684	73.98	0.55
<b>2009-10</b>	955990	86.23	0.60
<b>2010-11</b>	1001096	99.03	0.70
<b>2011-12</b>	1048520	109.95	0.78
<b>2012-13</b>	1096984	121.33	0.83
<b>CAGR</b>	<b>3.53</b>	<b>13.17</b>	<b>10.84</b>
<b>Public Sector Banks In India. ( Amount in Millions)</b>			
<b>Year</b>	<b>No Of Employee</b>	<b>Business Per Employee</b>	<b>Profit Per Employment</b>
<b>2008-09</b>	731524	73.44	0.47
<b>2009-10</b>	739646	86.43	0.53
<b>2010-11</b>	755102	101.67	0.59
<b>2011-12</b>	774329	114.68	0.64
<b>2012-13</b>	801659	127.47	0.63
<b>CAGR</b>	<b>2.32</b>	<b>14.78</b>	<b>7.60</b>

<b>Private Sector Banks In India. ( Amount in Millions)</b>			
<b>Year</b>	<b>No Of Employee</b>	<b>Business Per Employee</b>	<b>Profit Per Employment</b>
<b>2008-09</b>	193578	67.76	0.56
<b>2009-10</b>	188332	77027	0.70
<b>2010-11</b>	217953	82.60	0.81
<b>2011-12</b>	248284	86.23	0.92
<b>2012-13</b>	269941	94.06	1.07
<b>CAGR</b>	<b>8.67</b>	<b>8.54</b>	<b>17.57</b>

*Source: RBI report on a profile of bank (2008-09 to 2012-13)*

Above table 1.1 shows that rate of growth of employee (8.67%) and rate of growth of profit per employee (17.57) in private sector banks is higher than rate of growth of employee (2.32%) and rate of growth of profit per employee (7.60) in public sector banks during the period of 2008-09 to 2012-13. In public sector banks rate of growth of business per employee ( 14.78%) is higher than rate of growth of private sector banks (8.54%) but rate of growth of profit per employee (7.60%) in public sector banks is less than rate of growth of profit per employee (17.57%) in private sector banks because of public sector banks having a lack of fresh capital injection, non-proactive assessment, ageing workforce and public sector banks are not grabbing every opportunities to innovate by leveraging technology.

**Table-1.2:**  
**Growth Of Roe And Roa In Public And Private Sector Banks In India.**  
(Amount in Millions)

<b>Year</b>	<b>All Scheduled Commercial Banks</b>		<b>Public Sector Banks</b>		<b>Private Sector Banks</b>	
	<b>ROE</b>	<b>ROA</b>	<b>ROE</b>	<b>ROA</b>	<b>ROE</b>	<b>ROA</b>
<b>2008-09</b>	15.44	1.13	17.94	1.03	11.38	1.13
<b>2009-10</b>	14.31	1.05	17.47	0.97	11.94	1.28
<b>2010-11</b>	14.96	1.10	16.90	0.96	13.70	1.43
<b>2011-12</b>	14.60	1.08	15.33	0.88	15.25	1.53
<b>2012-13</b>	13.84	1.03	13.24	0.78	16.47	1.63
<b>CAGR</b>	-2.70	-2.29	-7.31	-6.71	9.68	9.59

*Source: RBI report on a profile of banks (2008-09 to 2012-13)*

Above table 1.2 shows that rate of growth of ROE and ROA in public and private sector banks in India during the period of 2008-09 to 2012-13. this table shows that rate of growth of ROE (9.68%) and ROA (9.59%) of private sector banks is greater than rate of growth of ROE ( -7.31) and ROA (-6.71) of public sector banks in India during the period of 2008-09 to 2012-13 because of lack of fresh capital injection, non-proactive assessment, ageing workforce, increasing NPA, lengthy decision making process, negative attitude of banks employee towards the new technology, lack of skill and knowledge and job security makes them passive. Public sector banks are not grabbing every opportunity to innovate by leveraging technology. In conclusion, above data shows that performance of public sector banks are poor than private sector banks in India during the period of 2008-09 to 2012-13.



**Table-1.3: Growth Of Ict Based Banking Services In Scheduled Commercial Banks In India.**

*(Volume in Million and Volume in Billion)*

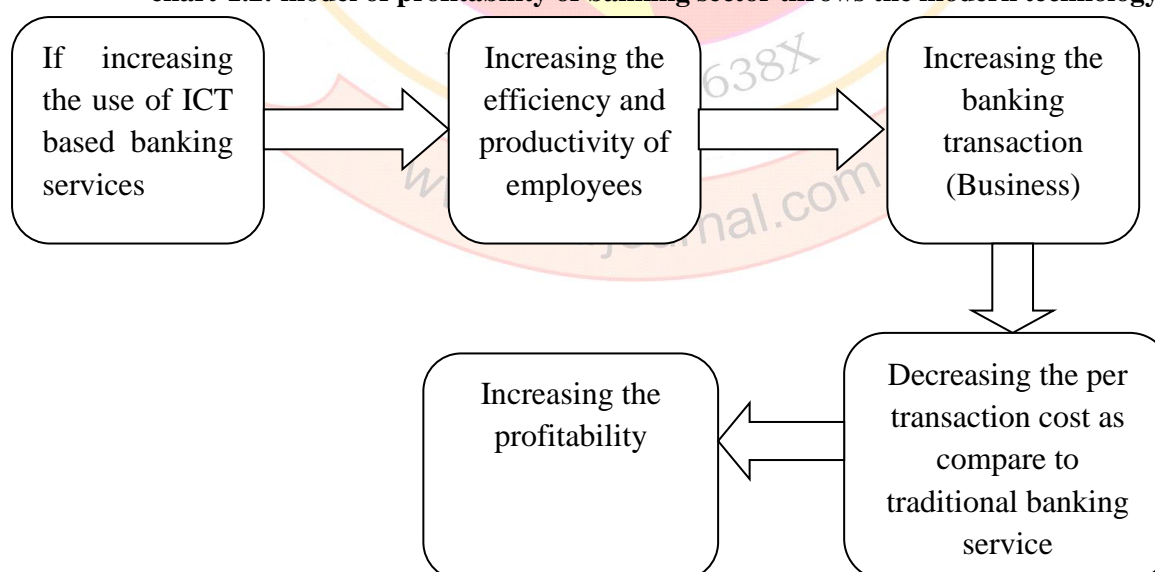
YEAR	Credit Cards		Debit Cards		Total Retail Electronic Payment		RTGS	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
<b>2010-11</b>	265.1	755.2	237.1	386.9	406.3	11944.9	49.3	484872.5
<b>2011-12</b>	320.0	966.1	327.5	534.3	512.3	20574.9	55.0	539307.5
<b>2012-13</b>	396.6	1229.5	469.1	743.4	692.8	31876.8	68.5	676841.0
<b>2013-14</b>	506.1	1540	619.1	955	1108.3	47856.3	81.1	734252.4
<b>2014-15</b>	615.1	1899	808.1	1213	1687.4	65366	92.8	754032
<b>2015-16</b>	785.7	2407	1173.5	1589	3141.5	91408	98.3	824578
<b>2016-17</b>	1087.1	3284	2399.3	3299	4205.0	132255	107.8	981904
<b>CAGR</b>	<b>26.52</b>	<b>27.76</b>	<b>47.07</b>	<b>42.93</b>	<b>47.62</b>	<b>49.29</b>	<b>13.93</b>	<b>12.48</b>
<b>CORREL</b>	<b>0.99</b>		<b>0.99</b>		<b>0.98</b>		<b>0.97</b>	

*Source: RBI report on trend and progress of Indian scheduled commercial banks (2011-12 to 2016-17)*

Above table 1.3 shows that rate of growth of use of Debit Cards (47.07 %) and Total Retail Electronic Payment (47.62%) is higher than rate of growth of credit cards(26.52%) and RTGS (13.93%) in Indian scheduled commercial banks during the period of 2010-11 to 2016-17. This research study found that there is positive relationship between volume of ICT products and amount transactions throw the ICT products in Indian scheduled commercial banks in India during the same period. Majority of people prefer to use debit cards and credit cards as compare to other ICT based banking services.

In conclusion, if increasing the use of ICT products, increasing the efficiency and productivity of employees, save the time, money, energy and efforts, reduce the manual documentation, decreasing the per transaction cost, improve the banks performance, increasing the profitability as a result of modern technology used in banking sector.

**chart-1.2: model of profitability of banking sector throws the modern technology:**



Above model shows that profitability of bank (ROA and ROE) is depending upon ICT based banking services such as credit cards, debit cards, mobile banking, cash deposit machine, RTGS, NEFT, POS and E-banking services etc.

In conclusion, there are positive relation relationship between use of ICT and profitability of banks. If increasing the use of ICT in banking sector, there would be increasing the profitability.

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