"IMPACT OF E-BANKING SYSTEM ON PERFORMANCE OF PUBLIC AND PRIVATE SECTOR"

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Abstract

Information Technology (IT) plays a significant role in every business sector as it smoothens the operation and improves efficiency in every department. This study's main objective is to compare. IT effect on banks' profitability with marketing expenses. Using data of Public & Private Indian banks. The study finds that IT expenses affect a bank's profitability and performance better than marketing expenses. Findings suggest that investment in IT can result in higher profitability for the banks than marketing expenses. Therefore, Banks in India need to pay more attention to building their IT infrastructure to ensure greater efficiency and improved performance. The technological advancement of the banking sector increased the penetration, productivity, and efficiency of banking activities. Banks in India invested in technologies like net banking, mobile banking, internet banking, ATMs, smart card, credit card, debit cards, and electronic payment systems.

Keywords—*IT, Profitability, Banking sector, ATM, Net Banking.*

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1. INTRODUCTION

An efficient banking system is essential for any economy's economic development. Banks mobilize the savings of the community into productive channels. India's banking system is featured by a large network of bank branches and gives society many kinds of financial services. In the last 30 years, India's banking sector has achieved several awards to its name. The most striking aspect has been its ability to reach remote parts of the country. Banking today has become easy and instant, with the account holder not having to wait for a long time at the bank counter to get various services offered by banks.

1.1 RESERVE BANK OF INDIA (RBI):

The Reserve Bank of India is the apex bank and the monetary authority which regulates the country's banking system. It is the banker's bank; it governs all the country's banks, like a cooperative, commercial, and development banks. Commercial bank includes public sector banks, private sector bank, foreign bank, regional rural bank, local area banks, etc. Before 1969, except for eight banks (SBI and seven associate banks), all the banks in India were private sector banks, after which 14 commercial banks got nationalized in July 1969 and 6 in 1980.

1.2 PUBLIC SECTOR BANKS:

Public Sector Banks are the banks whose more than 50% shareholding lies with the central or state government. These banks are listed on the stock exchange. In the Indian Banking System, PSBs are the largest category of banks and emanated before independence. The public sector banks dominate over 70% of the market share in the Indian Banking sector. These banks are broadly classified into two groups, i.e., Nationalized Bank and State Bank and its associates. Almost all PSBs share the same business model, organizational structure, and human resource policies.

Hence, competition can be seen among these banks in their market segment. Leading public sector banks in India like SBI, Canara bank, Corporation bank, PNB, etc.

1.3 PRIVATE SECTOR BANKS:

Banks whose more significant part of the equity is held by private shareholders and entities rather than the government is known as private sector banks. After most of the banks had been nationalized in the two tranches, those non-nationalized banks carried on their operations, known as Old Generation Private Sector Banks. Further, when the liberalization policy was coined in India, the banks that got a license like HDFC bank, ICICI bank, Axis bank, etc., were considered New Generation Private Sector Banks. Post liberalization, the banking sector in India has taken a drastic change due to the emergence of private sector banks, as their presence has constantly been increasing, offering a diverse range of products and services to their customers. They posed stiff competition in the economy. The leading private sector banks in India Like Karnataka bank, ICICI, HDFC Bank, Axis bank, etc.

2. OBJECTIVE OF STUDY:

1. To study the role of technology in Public and Private Sector banks in India
2. To determine the technology in banks used by the customers
3. To analyze the impact of various technology on public and private sector banks in India.

3. LITERATURE REVIEWS:

Ibha Rani (2015) stated in his article that the banking industry is the backbone of the Indian financial system, and many challenging forces afflict it. This research paper focuses on the impact of technology on the Indian banking sector. Without information technology and communication, we cannot think about the success of the banking industry; it has enlarged the role of the banking sector in the Indian economy. Information technology refers to the acquisition, processing, storage, and communication of all types of information using computer technology and telecommunication systems. Information technology is an integrated framework for acquiring and evolving IT to achieve certain strategic goals. Banks operating in India have invested heavily in technology such as Telebanking, mobile banking, net banking, ATMs, credit cards, debit cards, smart cards, CRM software, electronic payment systems, and data warehousing and data mining solutions to bring improvements in quality of customer services and the fast processing of banking operation.

In their research paper, r Shrikanth and Dr. Kankipathi Srinivas Rao (2016) stated that information technology has revolutionized various aspects of our life. The growth and expansion of Internet and Information Technology in banking services have facilitated to use by customers ATMs, web-based Internet banking (E-Banking, Online Banking), Mobile Banking and Electronic Fund Transfers at Point of Sale, Anywhere Branch Banking, cash direct deposit in ATM centers, and branch networking are the facilities that are highly used and offered by all the banks.

Dhanalakshmi C (2017) opined in their article that Information communication and technology are the milestones for today's globalization, and the success of globalization rests on continuous support from the banking sector. This conceptual study attempt to identify the challenges of the Indian banking sector in adopting new technology, problems in maintaining data and providing security, and suggestions for the practical adaptation of technology. In her study, five significant performers in the banking sector have been considered: Axis, SBI, HDFC, Induslnd Bank, and IDBI.

Reeshma K J and Dr. Dundstan Rajkumar (2017) stated in their article that the banking system plays a vital role in the Indian economy. It is like a central nerve to a nation's economy as it caters to the financial needs of credit in all the domains of society. The growth and technological advancements have led to a paradigm shift in banking operations and systems. Further, the development of e-banking created a massive change in fulfilling customers' divergent needs. The two-fold objectives of the current budget, namely, demonetization and GST, purely depend on digital banking. The present study explores the influence of technology in the banking sector among customers by reviewing the literature from earlier studies. An in-depth study on the impact of technology in banking reveals the factors such as the effectiveness of data management, value-added services, level of knowledge and awareness, security, safety, service quality, productivity, and profitability

Dr. V Vimala (2015) stated in her paper that banking is becoming increasingly complex, and banks that fail to use technology to bring their services to the commoner and tap the potential of the rural sector will stand to lose. Ultimately, technology would be the key enabler and differentiator in accomplishing this objective. Recent years have witnessed phenomenal transformations in the operations of many businesses due to the immense advances in Information Communication Technology (ICT). Banks have accordingly introduced web-based services, appropriately called Internet Banking. Many studies have looked at different aspects of this phenomenon and their impact on the banking sector. In this context, an attempt is made to examine the impact of Information Technology (IT) adoption on the selected bank customers of Bank of India, Bangalore Urban.

4. IMPACTS:

4.1. Blockchain Technology

Blockchain technology is set to transform banking and financial services fundamentally. It decentralizes financial management from a central authority to a widespread network of computers. Financial transactions are broken down into encrypted packets, or "blocks," which are then added to the "chain" of computer code and encrypted for enhanced cybersecurity — it has been compared to "email for money" by blockchain startup CEO Blythe Masters. Because the technology has the potential to improve numerous facets of banking — and is the basis for other banking technology trends like bitcoin — it is no longer a question of if blockchain will change the banking industry, but when, according to the Wharton School of the University of Pennsylvania.

4.2. Upgraded ATMs

ATMs transformed the bank tech system when they were first introduced in 1967. The next revolution in ATMs is likely to involve contactless payments. Much like Apple Pay or Google Wallet, soon, you will be able to conduct contactless ATM transactions using a smartphone. Some ATM innovations are already available overseas. For example, biometric authentication is already used in India, and iris recognition is in place at Qatar National Bank ATMs. These technologies can help overall bank security by protecting against ATM hacks. It might take some time to see ATM upgrades in the U.S. financial system because of the strict regulations governing North American banks, according to Bayometric, which is a leading global provider of biometric security systems.

4.3 . Proliferation of Non-Banks

Banks hope technology will allow them to deliver consumers a faster, more transparent experience. However, a large portion of their resources is necessarily dedicated to security, compliance, and other industry-specific requirements, which has allowed non-banks — or financial service providers that are not regulated by the banking industry — to flourish, according to a 2016 report from the market intelligence firm Greenwich Associates. Since these companies can devote a more significant percentage of their assets to cutting-edge financial technology, they might be able to innovate more rapidly than traditional banks, attracting tech-savvy customers in the process.

4.4 Store-Style Experience

The in-bank experience of the future might be more like shopping at an Apple store. Because so many people can now download user-friendly banking apps or quickly find an ATM to handle basic banking transactions, the typical in-bank customer seeks personal interaction help. Banks hoping to increase sales in the future are considering this transformation as a way for customers to engage more directly with the bank and its products, just like in an Apple store, directing customers to interact with tech kiosks for some transactions and reserving person-to-person interaction for answering questions or addressing needs unique to the individual consumer.

4.5. Automated Financial Services Employees

Vikram Pandit, who ran Citigroup Inc. during the financial crisis, said that up to 30 percent of banking jobs could disappear within the next five years due to technological developments in a 2017 interview with Bloomberg television. According to Bloomberg, many employees of Wall Street's largest firms are already having to adapt or look for other positions due to the use of technologies such as machine learning and cloud computing, which automate their operations.

4.6. Mobile and Digital Banking

The mobile and digital transformation in the banking system has only just begun, and growth is already explosive. Banks are investing heavily in digital banking technology, in which customers use mobile, web, or digital platforms to use banking services. Artificial intelligence solutions, such as chatbots, often assist customers in simple tasks such as making payments. In a Forbes survey on banking customer engagement from late 2016, 86 percent of banks indicated that these services represent their top technology investments.

4.7. Partnerships

Although banks can pour lots of money into technology, the fastest way to deliver financial innovation in the future will likely involve strategic partnerships. Fast-growing companies with new-wave fintech or social media platforms could make excellent partners for traditional banks seeking to enhance customer experience. Card-linked marketing company Cardlytics, which engages in data analytics, is partnering with several financial institutions like Bank of America to leverage secure purchase data in order to tailor marketing based on consumers' card use.

4.8. Wearables

Wearables — such as smartwatches — are poised to become the future of the retail banking experience, according to Samsung Insights. One example is that banks could use Bluetooth beacons to push personal greetings to customers' smartwatches when they enter a banking location.

Another type of wearable might be smart glasses for bank tellers, according to a report from Deloitte, which could process customer banking information for the employee as the employee is simultaneously doing other customer service tasks.

Overall, consumer behavior and smart device trends steer banking technology advances toward convenience. An increasing number of remote technologies will allow you to interact with your bank right from the palm of your hand. Moreover, from your email inbox to visiting an actual branch, you can expect a whole new customer experience, perhaps even sooner than you think.

5. CONCLUSION:

Technology is one of the essential elements for the development of mankind. Information technology and communication are the most significant volumes in the technology field; the phone is for processing, storing, and disseminating information electronically. Banking is proliferating with the use of technology in ATMs, online bank banking, mobile banking, etc.; the plastic card is a banking product that provides for the needs of the retail segment and has seen its numbers grow in geometric progression in recent years. Developments have strongly influenced this growth in technology, without which this would have been possible; of course, it will change our way of life in the coming years.

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