

Profitability Analysis on Mobile Banking Practices of State Bank of India

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Technological changes have impacted entire financial sector worldwide and enabled banks to use new channels for rendering their services to the customers. Mobile Banking has become the most predominant practice of banks due to its increasing admiration, and India is no exception. This paper attempts to examine the “Profitability Analysis of Mobile Banking Practices of State Bank of India”. The paper further attempts to study the influence of cost of mobile banking compared to conventional banking on financial performance of State Bank of India(SBI) by calculating Return on Investment and Net Present Value(NPV). The data of last 10 years i.e., from 2010 to 2022 has been taken for study. The variables, Volume of Mobile Banking transactions, Cost per Transaction are taken for study. Statistical Tools such as t-test, Regression and Correlation are applied. The study resulted that adoption of Mobile Banking practices has resulted an increase in overall banking transactions, reduction in Operational cost and increase in revenue of banks.

Keywords: Banks, Mobile Banking, SBI, Profitability, Revenue.

1. Introduction

Technological changes have influenced entire financial sector worldwide and enabled banks to use new channels for rendering their services to the customers. Introduction of mobile banking has drawn a fruitful wedding between two unrelated areas ie; Mobile and Bank. Mobile Banking has become the most predominant practice of banks due to its increasing admiration, and India is no exception. Mobile banking has become the state of art of

technology for various financial transactions in the bank by the customers. It is the most user-friendly mode of operation which can be done through the app of the bank concerned. It is a facility that enables customers to initiate and perform banking tasks on their smart phones. Customers can use mobile banking to view their account balance, make instant fund transfer and bills payment etc. It has created a completely digitalized environment. It reduces paper work and waiting time in long queues. Mobile banking is very user-friendly and convenient to use.

Mobile Banking services were first initiated in the year 1999 by Industrial Credit and Investment Corporation of India (ICICI) Bank later followed by Housing Development Corporation of India (HDFC) and Industrial Development Bank of India IDBI [1]. State Bank of India (SBI) launched Mobile Banking in 2002 offering services like Balance Enquiry, Mini Statement, Funds Transfer, Bill Payments and others. Multiple Mobile Banking apps developed by various banks and private websites are cost effective when compared to branch banking, which was 43 times more[2]

2. Theoretical Studies

M.S.Sahiya and T.Wadhe[3] in their study using Multiple Regression Analysis have examined that E-Banking has a beneficial impact on the profitability of both nationalized and traditional private banks. Asfour and Haddad[4] in their study observed that Mobile Banking has been opted as a way of reducing overhead costs of Jordan banks.. Ogotin and Fatoki[5] in their study concluded that there exists a strong positive relationship between various e-banking services and financial performance of commercial banks and further added that m-banking and financial performance are more strongly correlated. Sai Sudha and Venkata.

3. Objectives of the Study

- To assess the cost of Mobile banking practices on financial performance of SBI.
- To Evaluate the Transactions Cost of Mobile Banking Practices compared to Conventional Banking.
- To provide suggestions for betterment.

4. Sources of Data:

The data for the study is collected from secondary sources such as National Payments Corporation of India (NPCI), Banks website and related National and International Journals.

5. Research Methodology:

The study adopted an exploratory and quantitative research approach to examine the framed objectives. The main focus of the study was to investigate the financial benefits of Mobile Banking Practices in the context of State Bank of India. The quantitative research approach

was employed to gather and analyze numerical data related to operational costs, financial performance, and transaction costs.

6. Tools of Analysis:

The study adopted the descriptive and quantitative research approach for the examination of framed objectives. The study applied the following statistical tools.

- Variables used for the Study

Volume of transactions and Cost per Transaction

- Tools Used:

Regression & Correlation

7. Result and Discussion

Regression

Descriptive Statistics

	Mean	Std. Deviation	N
Roi_Mobile_Banking	13.8845	1.63351	11
years	6.0000	3.31662	11

Correlations

		Roi_Mobile_Banking	years
Pearson Correlation	Roi_Mobile_Banking	1.000	-.094
	years	-.094	1.000
Sig. (1-tailed)	Roi_Mobile_Banking	.	.392
	years	.392	.
N	Roi_Mobile_Banking	11	11
	years	11	11

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	years ^b	.	Enter

a. Dependent Variable: Roi_Mobile_Banking

b. All requested variables entered.

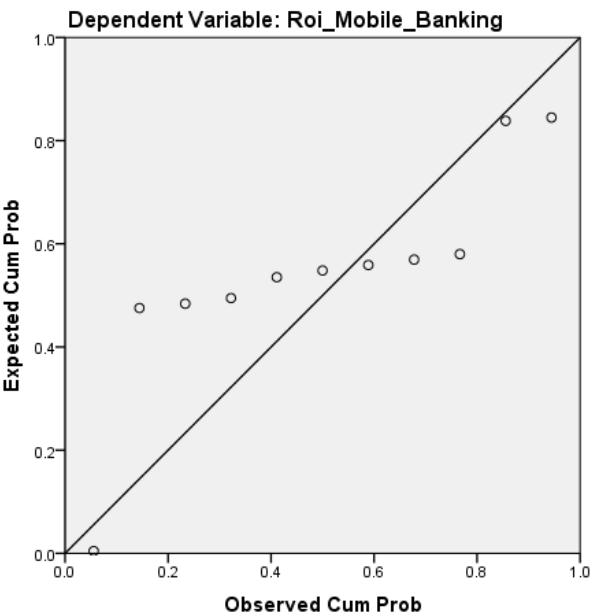
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.094 ^a	.009	-.101	1.71431	2.397

a. Predictors: (Constant), years

b. Dependent Variable: Roi_Mobile_Banking

Normal P-P Plot of Regression Standardized Residual



Calculation of NPV of Mobile Banking

Regression

Descriptive Statistics

	Mean	Std. Deviation	N
NPV_Mobile_Banking	24326.7127	42140.85328	11
years	6.0000	3.31662	11

Correlations

		NPV_Mobile_Banking	years
Pearson Correlation	NPV_Mobile_Banking	1.000	.783
	years	.783	1.000
Sig. (1-tailed)	NPV_Mobile_Banking	.	.002
	years	.002	.

N	NPV_Mobile_Banking	11	11
	years	11	11

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	years ^b	.	Enter

a. Dependent Variable: NPV_Mobile_Banking

b. All requested variables entered.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.783 ^a	.613	.570	27647.60705	.534

a. Predictors: (Constant), years

b. Dependent Variable: NPV_Mobile_Banking

8. Findings

1. It is observed that the ROI on Mobile banking of SBI is very impressive as the significance level is less than 0.005, indicating that the revenue or benefits generated through Mobile transactions have increased after the pandemic effect, resulting in a significant increase in the banks overall profitability

2. It observed that NPV of Mobile Banking is 1.0000 which is highly satisfactory indicating that the cash inflows on Mobile banking will fetch higher compared to cash outflows.

3. It is evident from output of ROI and NPV that SBI overall returns from Mobile Banking practices is higher as compared to conventional practices.

9. Suggestions

1. Banks should focus on further enhancing their Mobile Banking services, investing in user-friendly interfaces, robust security measures, and innovative features to maximize the benefits derived from Mobile transactions and provide a seamless Banking experience for customers.

2. SBI should evaluate the areas to identify opportunities for reducing costs, improving efficiency, and streamlining operations. This can involve exploring automation solutions, renegotiating rental agreements, and implementing sustainable practices within the organization to reduce unnecessary expenses.

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