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Role of E-Banking on Banks Performance: A Quantitative Investigation of Bank Executives

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Abstract

With the broad deployment of e-banking technology, there has been a rising interest in determining how it affects bank performance. The purpose of this research is to investigate the link between e-banking and bank performance from the perspective of bank executives. A quantitative study approach was used. According to the findings, e-banking improves banks' financial performance, operational efficiency, customer satisfaction, and competitive advantage. Additionally, the study discovered that the level of e-banking adoption differs between institutions, which might be attributed to variables such as organisational culture, infrastructure, and regulatory environment. These findings have important consequences for banks' strategic planning and investment decisions, as well as for politicians and regulators driving the banking industry's future.

Keywords: E-banking, Bank performance, financial performance, Operational efficiency, Customer satisfaction

Introduction

The banking business has been transformed by the rapid advancement of technology, and electronic banking (e- banking) has become an essential component of the sector's progress. Customers' usage of e-banking has grown in popularity, and it has revolutionised the way banking is done. To remain competitive and relevant in the market, banks have been compelled to adapt to emerging technology. This adaption has led to higher efficiency, lower costs, and improved customer service. Yet, the influence of e-banking on overall bank performance has received little attention. The goal of this research is to investigate the link between e-banking and bank performance, specifically focusing on how banks' use of e-banking technology affects their financial performance. Additionally, the study aims to identify the variables that influence bank executives' decisions to adopt e-banking technology. A quantitative analysis of bank executives is conducted to achieve these objectives. The banking industry plays a significant role in the globaleconomy.

Banks oversee providing financial services that allow companies and people to deal in money. The traditional banking model, on the other hand, is experiencing several issues. Consumers are progressively seeking more efficient and better-quality services. Via e-banking, technology has enabled banks to satisfy these expectations. Mobile banking, internet banking, and ATM services are all examples of e-banking technology. Customers can use these technologies to make financial transactions without having to visit a real bank location.

E-banking provides various advantages for both banks and clients. It offers banks the potential to decrease operating expenses by automating many activities. E-banking also enables institutions to access a larger consumer base and offer services outside of regular banking hours, and provides clients with convenience, flexibility, and access to financial services. Notwithstanding the benefits of e-banking, there are various obstacles. Its use necessitates substantial investment in technological infrastructure, which can be costly for banks. Customers may also be hesitant to use e-banking owing to security and privacy concerns. These difficulties underscore the necessity for study on the influence of e-banking on overall bank performance.

Banking is a highly competitive sector, and banks must constantly adapt to new technology to remain relevant. The use of e-banking is a significant component of this adaptation process. Understanding the influence of e-banking on bank performance is therefore critical for banks to stay market competitive. The purpose of this research is to add to the literature by giving empirical data on the link between e-banking and bank performance. The study's findings shed light on the elements that impact bank executives' decisions to use e-banking technology. These findings help banks make educated judgments about e-banking adoption and implementation.

Literature Review:

The banking business has seen considerable changes in recent years as a result of the advent of new technologies, notably in the form of electronic banking (e-banking). ATMs, internet banking, mobile banking, and other digital channels are examples of electronic banking. Customers and banks have reaped various benefits from this technology, including enhanced convenience, lower transaction costs, and increased efficiency. Yet, the effect of e-banking on bank performance is still being debated in the banking sector. The purpose of this literature review is to investigate the available studies on the role of e-banking on bank performance.

Much research on the association between e-banking and bank performance has been undertaken. Some studies have discovered that e-banking improves bank performance, while others have seen no meaningful effect. According to a study conducted by Chen and Lu (2017), the use of e-banking technology can improve bank profitability and efficiency by lowering transaction costs and increasing transaction speed. Similarly, Ongori and Migiro (2010) discovered that e-banking usage improves bank performance by lowering transaction costs, increasing transaction speed, and enhancing customer satisfaction.

Some studies, on the other hand, have shown no substantial influence of e-banking on bank performance. For example, Akhtar et al. (2017) discovered no significant association between e-banking use and bank performance. Similarly, Ahmad and Haron (2002) discovered no evidence that e-banking use increases bank profitability. These contradictory findings imply that the link between e-banking and bank performance is likely to be complicated and context-dependent. Many factors that may impact the link between e-banking and bank performance have been discovered inthe research. The extent of e-banking use is one such aspect. According to research, higher levels of e-banking usage are related with improved bank performance (Chen and Lu, 2017). Another consideration is the standard of e-banking services. Banks that provide high-quality e-banking services are more likely to witness a boost in performance (Akhtar et al., 2017).

Moreover, the regulatory environment may influence the link between e-banking and bank performance. According to Alalwan et al. (2017), the regulatory environment may either support or restrict e-banking adoption, which in turn impacts bank performance. According to the study, banks were more likely to implement e-banking technology in nations with a favourable regulatory framework, which resulted in increased performance.

Existing investigation into the connection between e-banking and bank performance is contradictory, with some studies showing a favourable influence and others finding no meaningful effect. The varied findings imply that the link between e-banking and bank performance is nuanced and context-dependent. The literature suggests that the amount of e-banking adoption, the quality of e-banking services, and the regulatory framework are all factors that may impact this connection. Further study is required to better understand the link between e-banking and bank performance, as well as the components that contribute to this relationship. In addition to this the E-Banking with good knowledge of product and other services can contribute to the overall satisfaction of the employees (Paul et al., 2016).

Kwon and Kim (2019) did another study on the influence of e-banking on customer satisfaction and loyalty in the South Korean banking sector. According to the survey, e-banking has a considerable beneficial impact on both consumer happiness and loyalty. To improve consumer happiness and loyalty, the authors recommend that banks invest in e-banking services. Moreover, e-banking can help banks reduce their operational expenses (Lu and Su, 2016; Njenga and Kibaara, 2016). Customers, particularly younger generations that prefer digital means for financial transactions, are increasingly turning to e-banking (Akinci et al., 2016). This shift in consumer behaviour has increased rivalry among banks, necessitating investments in e-banking services in order to remain competitive (Abdulrahman et al., 2020). Customers are more likely to stay with a bank that delivers a convenient and fast digital banking experience, which may lead to improved customer engagement and brand loyalty (Sohail and Shanmugan, 2018).

Notwithstanding the advantages of e-banking, various hurdles must be overcome to assure its success. One key concern is the issue of cybersecurity and client data protection (Li et al., 2020). Because of the increased usage of digital banking channels, there has been an increase in cyberattacks, which can harm a bank's reputation and result in financial losses. As a result, banks must invest in sophisticated cybersecurity measures to secure client data and prevent cyberattacks (Asemah and Onwe, 2019). Another problem is ensuring that e-banking services are available to all clients, including those without access to technology or digital capabilities (Alalwan et al., 2020). Banks must engage in education and training initiatives to guarantee that all clients can efficiently utilise e-banking services.

The literature indicates that e-banking has a substantial influence on bank performance, such as greater efficiency, profitability, customer happiness, and loyalty. However, other problems must be addressed, including cybersecurity concerns, and ensuring that all clients have access to e-banking services. To ensure their success in the digital age, banks must invest in e-banking services and handle these difficulties. Also, e-banking has resulted in lower transaction costs for banks. Banks can minimise the number of employees needed to conduct transactions with e-banking, resulting in lower labour expenses. Furthermore, by encouraging consumers to perform their transactions online, banks may lower the expenses involved with operating physical branches, such as rent and utilities. These cost savings can subsequently be passed on to clients as cheaper fees or better interest rates, resulting in improved customer loyalty and satisfaction.

Additionally, e-banking has simplified the collection and analysis of data on client behaviour and preferences. Banks may get insights into client spending habits, demographics, and preferences, among other things, by using advanced data analytics technologies. This data may be utilised to personalise banking goods and services to specific client categories, boosting customer satisfaction and generating revenue development. Moreover, banks may employ data analytics to detect and prevent fraudulent transactions, therefore increasing the security of the financial system.

Besides the numerous advantages of e-banking, there are several hurdles that banks must overcome to realise its full potential. One of the most significant issues is ensuring the security of internet transactions. With the advent of cybercrime, banks must invest in comprehensive security measures to safeguard the sensitive information of their clients from theft or abuse. Using multi-factor authentication, data encryption, and other security measures to prevent unauthorised access to client accounts falls under this category. Another problem is ensuring that all clients, regardless of their degree of technology proficiency or availability to digital devices, have access to e-banking services. To make e-banking accessible to all users, banks must engage in training programmes and user-friendly interfaces (Srivastav and Mittal, 2016).

E-banking has become a necessary component of modern banking operations. It has transformed the way banks communicate with their consumers, resulting in enhanced efficiency, cheaper costs, and higher revenue growth. As a result, in order to stay competitive in the fast-expanding banking market, banks must continue to invest in e-banking technology and overcome the issues connected with its deployment.

Objective

- To analyze the role of E-Banking on Banks Performance

Methodology

This study is descriptive in nature in which the data were obtained from the 219 respondents involved in business from various industries and experience levels. All the respondents in the study were related to banking industry. A checklist question was used to analyze and interpret the data. In a checklist question respondents choose “Yes” or “No” for all the questions.

Data Analysis and Interpretations

Table 1 Role of E-Banking on Banks Performance

SL No.	Role of E-Banking on Banks Performance	Yes	% Yes	No	% No	Total
1	E-banking has significantly reduced transaction	191	87.21	28	12.79	219

	costs for banks.					
2	With the advancements in e-banking, banks may have the capability to offer a wider range of services to their customers.	171	78.08	48	21.92	219
3	E-banking has increased the speed and efficiency of transactions.	205	93.61	14	6.39	219
4	E-banking has enabled banks to collect valuable customer data.	183	83.56	36	16.44	219
5	E-banking has improved customer experience.	179	81.74	40	18.26	219
6	E-banking has reduced the need for physical branches.	174	79.45	45	20.55	219
7	E-banking has improved the accuracy of financial transactions.	187	85.39	32	14.61	219
8	E-banking has improved the security of financial transactions.	198	90.41	21	9.59	219

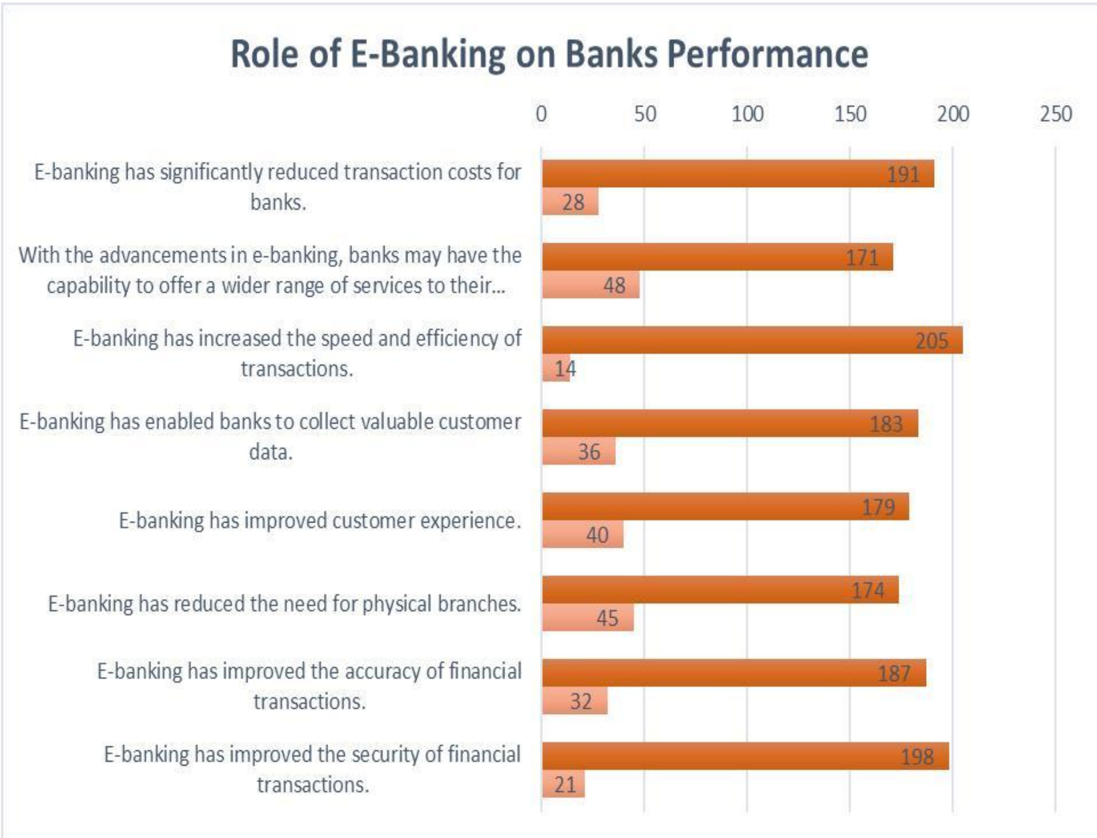

Figure 1 Role of E-Banking on Banks Performance

Table and Figure 1 investigate the role of E-Banking on Banks' Performance. It was found that around 93.6% respondents accept that E-banking has increased the speed and efficiency of transactions , has improved the security of financial transactions (90.4%), has significantly reduced transaction costs for banks (87.2%), has improved the accuracy of financial transactions (85.3%), has improved customer experience (81.7%), has enabled banks to collect valuable customer data (83.5%), has reduced the need for physical branches (79.4%) and with the advancements in e-banking, banks may have the capability to offer a wider range of services to their customers (78.0%).

Conclusion

By a quantitative analysis of bank executives, this literature review investigated the influence of e-banking on bank performance. It discovered that it provides various advantages to banks, including cost reduction, higher efficiency, improved client happiness, and improved access to new markets. Banks must, however, face several issues, including security concerns and the necessity for considerable expenditures. The analysis also found some gaps in the literature that may be filled with future research. Overall, by reviewing the current literature on the issue, the study adds to a better understanding of the role of E-banking in bank performance.

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