

Employee Cost Effect on Operating Profit with relation to Digital Transaction of Select Banks : Connectivity Approach¹

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Abstract

The banking sector always adopt latest technologies to improve the service quality and reduction of operating cost. The modern banking expanding their operations with the digital services. The present study examined the public and private sector banks comparison with adoption of digital services. The study applied the bi-variate correlation methodology and the study reveals that employee cost and operating profitability are having the positive relation with the digitalization of public and private sector banks. The panel least square method stated that public sector banks profitability increasing slightly higher than the private sector banks. The mediation effect analysis result reveals that public sector banks employee cost is getting to reduced, which is increasing the profitability of the banks.

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Keywords : Digital Transaction; Cost; Banks; Profit; India

I. Introduction

IN THE 21ST CENTURY, digital banking services are the most talked-about topic in the financial world. Chikoko and Munongo (2015) define the use of the internet, mobile devices, and any other electronic mediums as a delivery channel for banking services. This includes all the traditional services like checking balances, printing statements, transferring money to other accounts, and paying bills. It also includes new banking services like introducing and paying bills electronically without having to go to a bank. Steven (2002) says that online banking, which is also called vital banking, digital banking, or electronic banking, is the use of telecommunication

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of the mediation effect showed that the adoption of digital increased profitability by lowering employee costs in both sectors of banks. According to the study, banks should use cutting-edge technology to provide affordable and effective services to their underbanked and unbanked customers. According to the study, operating profitability at public sector banks had risen, but in order to meet customer expectations, service efficiency must rise.

6.1 Suggestions of the Study

Based on the findings and observations the following suggestions have been given by the study.

- i. The study advises the public sector banks need to improve the efficiency with the utilization of digital services compared to private sector banks, so that with the reduction of employee cost will have significant improvement on the profitability of PSU banks.
- ii. The study suggests the banks should use the cutting-edge technologies to render the quality services to customers at affordable cost.
- iii. The study recommends to banks to spend on the digital infrastructure and security vulnerabilities, which are emerging in day-to-day operations.

6.2 Further Scope

The study suggested the following areas need to be covered in future.

- i. The present study suggested focus on the digital investments growth comparison with the operating profitability of the banks.
- ii. The study recommends examine the digital divide impact on the service quality of the banks in India.
- iii. The study advises to examine the role of digitalization of banking to arrest the under banking and un-banking in India.

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