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E-Banking Operations

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Abstract- E-banking, or electronic banking, has revolutionized the traditional banking landscape by offering customers convenient, secure, and 24/7 access to financial services. This study explores the operational aspects of e-banking, focusing on its evolution, key services, benefits, challenges, and impact on customer satisfaction and banking efficiency. E-banking platforms include internet banking, mobile banking, ATM services, electronic fund transfers, and digital wallets. The study analyzes how Indian banks have adopted these technologies and the strategies they employ to ensure secure and user-friendly services. It also examines cybersecurity concerns, regulatory frameworks by the Reserve Bank of India (RBI), and customer adoption trends. The shift towards digital banking has significantly reduced transaction costs, improved transparency, and expanded financial inclusion. However, challenges such as cyber threats, digital illiteracy, and technical disruptions persist. Through case studies and survey analysis, the study provides insights into customer preferences and banks' efforts to build trust in digital platforms. The findings highlight the importance of continuous innovation, robust IT infrastructure, and customer-centric policies in enhancing the efficiency and sustainability of e-banking operations in India.

Indexed Terms- E-banking, internet banking, mobile banking, digital transactions, RBI regulations, cybersecurity, financial inclusion, Indian banking sector, customer satisfaction, digital transformation

I. INTRODUCTION

Banks have traditionally been in the forefront of harnessing technology to improve their products, services and efficiency. They have, over a long time, been using electronic and telecommunication networks for delivering a wide range of value-added products and services. The delivery channels include direct dial – up connections, private networks, public networks etc and the devices include telephone, Personal Computers including the Automated Teller Machines, etc. With the popularity of PCs, easy access to Internet and World Wide Web (WWW), Internet is increasingly used by banks as a channel for receiving instructions and delivering their products and services to their customers.

This form of banking is generally referred to as Internet Banking, although the range of products and services offered by different banks vary widely both in their Content and sophistication.

II. RESEARCH METHODOLOGY

Research Methodology

1. Research Design

The study follows a descriptive research design to analyze the e-banking operations of Kotak Mahindra Bank. It aims to provide a comprehensive understanding of digital banking services, customer adoption, security measures, and challenges faced in implementation.

2. Data Collection Methods

- Primary Data:
  - Surveys and questionnaires conducted with Kotak Mahindra Bank customers to assess their usage, satisfaction, and challenges related to e-banking.
- Secondary Data:
  - Reports, research papers, and articles on e-banking trends and digital transformation in banking.

3. Sampling Method and Size

- A stratified random sampling method will be used

to ensure representation from different customer demographics (age groups, urban and rural users, business and individual customers).
- The sample size will be determined based on the number of active digital banking users and feasibility constraints.

4. Data Analysis Techniques
- Descriptive statistical methods (percentages, mean, and standard deviation) to interpret survey results.
- Comparative analysis of Kotak Mahindra Bank's e-banking services with industry benchmarks.

III. DATA ANALYSIS

3.1 KOTAK MAHINDRA BANK 2023-24 Annual Report Analysis

KOTAK MAHINDRA BANK has announced its results for the year ended March 2024. Let us have a look at the detailed performance review of the bank during the year 2023-24.

KOTAK MAHINDRA BANK Income Statement Analysis
- Interest income during the year rose 33.4% on a year-on-year (YoY) basis.
- Interest expenses were up by 56.6% YoY during the same period.
- Operating expenses increased by 36.3% YoY during the year.
- The bank's net interest income (NII) increased by 21.4% YoY during the fiscal. Consequently, net interest margins (NIM) witnessed a decline and stood at 5.0% in FY24 as against 5.0% in FY23.
- Other income increased by 46.3% YoY during the year.
- Net profit for the year increased by 22.0% YoY.
- Net profit margins during the year declined to 32.4% in FY24 from 35.4% in FY23.

KOTAK MAHINDRA BANK Income Statement – 2023-24

No. of Mths Year Ending		12 Mar-23*	12 Mar-24*	% Change
Interest Income	Rs m	421,511	562,366	33.4%
Other Income	Rs m	259,910	380,373	46.3%
Interest Expense	Rs m	144,111	225,672	56.6%
Net Interest Income	Rs m	277,399	336,694	21.4%
Operating Expense	Rs m	336,450	458,708	36.3%
Pre-provision Operating Profit	Rs m	200,859	258,358	28.6%
Provisions & Contingencies	Rs m	53,054	78,590	48.1%
Profit before tax	Rs m	196,462	238,634	21.5%
Tax	Rs m	48,657	58,866	21.0%
Profit after tax	Rs m	149,250	182,132	22.0%
Minority Interest	Rs m	0	0	0.0%
Net Interest Margin	%	5.0	5.0	
Net profit margin	%	35.4	32.4	

* Results Consolidated
Source: Accord Fintech, Equitymaster

3.2 Access Report: 3 Small Cap Stocks Geared for Growth in 2025
KOTAK MAHINDRA BANK Balance Sheet Analysis
- The bank's deposits during FY24 stood at Rs 4,452.7 bn as compared to Rs 3,612.7 bn in FY23, thereby witnessing an increase of 23.3%.
- Advances for the year stood at Rs 4,303.5 bn as compared to Rs 3,591.1 bn during FY23, a rise of 19.8%.
- Cost of deposits for KOTAK MAHINDRA BANK rose 25.7% and stood at 4.1%, while yield on advances rose to 9.5%.
- The lender's investments rose to Rs 2,464.5 bn during the year from Rs 1,953.4 bn in FY23.
- Borrowing stood at Rs 751.1 bn, a growth of 31.7% as compared to previous year.
- Overall, the total assets and liabilities for FY24 stood at Rs 7,676.7 bn as against Rs 6,204.3 bn during FY23, thereby witnessing a rise of 23.7%.

KOTAK MAHINDRA BANK Balance Sheet – as on March 2024

No. of Mths Year Ending		12 Mar-23*	12 Mar-24*	% Change
Networth	Rs m	1,122,541	1,298,924	15.7%
Advances	Rs m	3,591,075	4,303,516	19.8%
Deposits	Rs m	3,612,726	4,452,688	23.3%
Yield on advances	%	8.6	9.5	
Cost of Deposits	%	3.3	4.1	
Investments	Rs m	1,953,380	2,464,457	26.2%
Borrowings	Rs m	570,339	751,056	31.7%
Total Assets	Rs m	6,204,297	7,676,670	23.7%

* Results Consolidated
Source: Accord Fintech, Equitymaster

Current Valuations for KOTAK MAHINDRA BANK

- The trailing twelve-month earnings per share (EPS) of the bank stands at Rs 91.6, an improvement from the EPS of Rs 75.1 recorded last year.
- The price to earnings (P/E) ratio, at the current price of Rs 1,822.2, stands at 20.4 times its trailing twelve months earnings.
- The price to adjusted book value (P/ABV) ratio at current price levels stands at 2.8 times, while the price to income ratio stands at 6.6 times.

Per Share Data/Valuations

No. of Mths Year Ending		12 Mar-23*	12 Mar-24*
Income per share (Unadj.)	Rs	212.2	282.9
Earnings per share (Unadj.)	Rs	75.1	91.6
Diluted earnings per share	Rs	75.1	91.6
Avg P/E ratio	Rs	24.1	20.4
Avg P/ABV ratio	Rs	3.3	2.8
Avg Market Cap	Rs	3,602,620	3,707,274
Dividends per share (Unadj.)	Rs	1.50	2.00

* Results Consolidated
Source: Accord Fintech, Equitymaster

3.4 Ratio Analysis for KOTAK MAHINDRA BANK

- Efficiency Ratios
  Credit/Deposit Ratio: The bank's credit/deposit ratio deteriorated and stood at 96.6x during FY24, from 99.4x during FY23. The credit/deposit ratio tells us how much money a bank has raised in the form of deposits and has deployed as loans.
  Debt to Equity Ratio: The bank's debt to equity ratio increased and stood at 4.01x during FY24, from 3.73x during FY23. The debt to equity ratio of a bank tells us how much debt a bank uses relative to its equity.

- Liquidity Ratios
  Capital Adequacy Ratio (CAR): KOTAK MAHINDRA BANK's capital adequacy ratio (CAR) was at 0.0% as on 31 March 2024 as compared to 20.8% a year ago. This ratio helps measure the financial strength of the bank or any finance company to meet their obligations using their assets and capital.

  A bank that has a good CAR has enough capital to absorb potential losses. Thus, it has less risk of becoming insolvent and losing depositor's money.
  Provision Coverage Ratio (PCR): Apart from CAR, you also need to take a look at the bank's PCR and LCR ratios. Provisioning coverage ratio (PCR) is the percentage of funds that a bank sets aside for covering losses due to bad debts.

  So a high PCR ratio means asset quality issues are under control and the bank is not vulnerable.
- Liquidity Coverage Ratio (LCR): The LCR is designed to ensure that banks hold a sufficient reserve of high-quality liquid assets to allow them to survive a period of significant liquidity stress lasting 30 calendar days.
- Profitability Ratios
  Return on Equity (ROE): The return on equity (ROE) ratio for the bank improved and stood at

14.0% during FY24, from 13.3% during FY23. The ROE measures the ability of a firm to generate profits from its shareholders capital in the company.
Return on Assets (ROA): The return on asset (ROA) ratio of the bank deteriorated and stood at 2.37% during FY24, from 2.41% during FY23. The ROA measures how efficiently the company uses its assets to generate earnings.
Return on Capital Employed (ROCE): The ROCE for the bank improved and stood at 15.06% during FY24, from 13.86% during FY23. The ROCE measures the ability of a bank to generate profits from its total capital (shareholder capital plus debt capital) employed in the bank.

- NPA Ratios

Gross NPA Ratio: The gross NPA ratio is the ratio of a bank's gross NPAs to gross advances. KOTAK MAHINDRA BANK's gross NPA ratio stood at 0.0% as of 31 March 2024 compared to 1.8% in the same period a year ago.
A high gross NPA ratio is a bad thing as it indicates how much of a bank's loans are in danger of not being repaid.
Net NPA Ratio: In simple language, net NPAs are simply the total non-performing assets minus the provision left aside. It gives you the exact value of NPAs after the bank has made provisions.
The net NPA ratio of KOTAK MAHINDRA BANK was 0.0% in financial year 2024. This compared with 0.4% a year ago.

CONCLUSION

From the research conducted by us we derive several conclusions:
It is observed that AGE plays an important role with respect to the use of ebanking services. It is found that the senior citizens are less comfortable with use of these services. It is observed that only two age groups ranging, from 20 to 40 and 40-60 years out of four are users of E-banking services. From this we can conclude that even the preceding generation is becoming more & more aware of benefits & convenience of E-banking

With respect to the literacy level it is observed that majority of customers have knowledge of limited aspects of information technology.

None of customers were affected with e banking threats, which shows a positive sign towards the development of these services.

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