

AN ANALYSIS OF THE VOLUME OF NEFT AND RTGS TRANSACTIONS IN INDIAN PRIVATE SECOTR BANKS

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INTRODUCTION: NEFT AND RTGS transactions is also known as internet banking, web banking or home banking, is an electronic payment system that facilitates the customers of a bank or other financial institution to conduct a variety of financial transactions through the financial institution's website. This system will typically connect to or be part of the core banking system operated by a bank to provide customers access to banking services in place of traditional branch banking. This system reduces the cost of doing banking business and also reduces the clerical work of the banks. Similarly, it has made very convenient for the customers to do the banking transactions. It has significantly reduced the cost and time of doing banking transactions. There are many online platforms through which the customers and other financial intuitions, including other banks, can do banking transactions. The most important online payment systems are: National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS), Electronic Clearing System (ECS) and Immediate Payment Service (IMPS). In the present study, an attempt is made to analyse the performance of Indian private sector banks in terms of volume of trading of NEFT transactions and RTGS transactions.

National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme. Individuals, firms or corporates maintaining accounts with a bank branch can transfer funds using NEFT. Even such individuals who do not have a bank account (walk-in customers) can also deposit cash at the NEFT-enabled branches with instructions to transfer funds using NEFT. NEFT, thus, facilitates originators or remitters to initiate funds transfer transactions even without having a bank account. NEFT operates 24 x 7. There are 48 half-hourly batches every day. The settlement of first batch commences after 00:30 hours and the last batch will end at 00:00 hours. The system will be available on all days of the year, including holidays.

Real Time Gross Settlement (RTGS) is defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting). 'Real Time' means the processing of instructions at the time they are received rather than at some later time; 'Gross Settlement' means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis). Considering that the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable. The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is 2 lakh. There is no upper ceiling for RTGS transactions. The RTGS service for customer's transactions is available 24 x 7 on all days.

OBJECTIVES OF THE STUDY

The primary objective of the study is analyse the performance of private sector banks in online banking transactions. The specific objectives are:

- To compare the volume of inward and outward volume of NEFT transactions.
- To compare the volume of inward and outward volume of Interbank RTGS transactions.
- To compare the volume of inward and outward volume of Customer RTGS transactions.

HYPOTHESES

H₁: There is no significant difference in the volume of NEFT transactions of the private sector banks.

H₂: There is no significant difference in the volume of RTGS transactions of the private sector banks.

SCOPE OF THE STUDY

The study is limited to volume of RTGS and NEFT transactions of the selected private sector banks of India. The study period is one year; from February 2021 to January 2022.

RESEARCH METHODOLOGY

The present study is an exploratory research based purely on secondary data collected mainly from RBI website and other websites and books. Top ten companies based on the net sales have been considered as the sample of the study. Descriptive statistics: mean and coefficient of variance have been used for the analysis and One Way ANOVA test was used for testing the hypotheses.

LIMITATION OF THE STUDY

- Scope of the study is limited to NEFT and RTGS transactions only.

RESULTS AND DISCUSSION

Table 1: Mean and Coefficient of Variance (C.V) of NEFT transactions of the private sector banks from February 2021 to January 2022

Name of the bank	Outward Transactions		Inward transactions	
	Mean	C.V (%)	Mean	C.V (%)
Axis Bank	26524312	14	1259832	12
Bandhan Bank Limited	767228	8	52282	13
Federal Bank Ltd.	3392705	11	152031	16
HDFC Bank Ltd.	39785827	11	3118882	12
ICICI Bank Ltd.	30097024	11	1728539	14
IDBI Bank Ltd.	8607231	13	376788	11
IDFC First Bank Limited	1744572	18	125416	17
Indusind Bank Ltd.	4482811	13	276893	13
Kotak Mahindra Bank Ltd.	7354556	48	786474	13
Yes Bank Ltd	39002853	28	372919	17

Source: Compiled from <https://www.rbi.org.in/Scripts/NEFTView.aspx>

It could be observed from the Table 1 that HDFC Bank (39785827) has highest volume of outward NEFT transactions followed by Yes Bank (39002853), ICICI Bank (30097024), Axis Bank (26524312) and IDBI Bank. Bhandan Bank Ltd. has the lowest volume of outward transactions with lowest monthly variation in the volume of transactions. Even with the inward transactions, HDFC Bank Ltd (3118882) has highest volume of transactions and followed by; ICICI Bank (1728539), Axis Bank (1259832), Kotak Mahindra Bank Ltd. (786474) and IDBI bank (376788). IDBI bank shows lowest variation in its monthly inward transactions.

Table 2: Mean and Coefficient of Variance (C.V) of RTGS transactions of the private sector banks from February 2021 to January 2022

Name of the bank	Volume of Inward Transactions				Volume of Outward Transactions			
	Interbank transactions		Customer transactions		Interbank transactions		Customer transactions	
	Mean	C.V (%)	Mean	C.V (%)	Mean (C.V (%)	Mean	C.V (%)
Axis Bank	5759	8	1259832	12	2924	49	845107	49
Bandhan Bank Limited	153	27	52282	13	99	48	75721	49
Federal Bank Ltd.	3737	22	152031	16	1141	49	151160	50
HDFC Bank Ltd.	7575	7	3118882	12	3899	51	2167215	48
ICICI Bank Ltd.	8334	10	1728539	14	2551	47	1386707	49
IDBI Bank Ltd.	5250	10	376788	11	2302	48	250704	49
IDFC First Bank Limited	290	10	125416	17	556	48	126480	49
Indusind Bank Ltd.	880	10	276893	13	748	48	204522	50
Kotak Mahindra Bank Ltd.	3185	6	786474	13	997	48	642684	48
Yes Bank Ltd	1173	8	372919	17	881	49	307132	49

Source: Compiled from <https://www.rbi.org.in/Scripts/NEFTView.aspx>

Table 2 shows the inward and outward RTGS transactions; both interbank transactions and transactions of the customers. ICICI bank (8334) is ranked number one in terms of volume of inward interbank transactions and it is followed by HDFC Bank (7575), Axis Bank (5750), IDBI Bank Ltd. (5250) and Federal Bank Ltd (3737).

In terms of volume of inward customer transactions, HDFC Bank (3118882) is ranked top and it is followed by ICICI Bank (1728539), Axis Bank (1259832), Karnataka Bank Ltd. (786474) and IDBI Bank Ltd (376788).

With regard to volume of outward interbank transactions, the top five banks are: HDFC (3899), Axis Bank (2924), ICICI Bank (2551), IDBI Bank Ltd. (2302) and Federal Bank Ltd. (1141). As per the volume of outward customer transactions, HDFC Bank with 2167215 transactions ranked top and the other top four banks are: ICICI Bank (1386707), Axis Bank (845107), Kotak Mahindra Bank (642684) and Yes Bank Ltd. (307132).

Testing of hypothesis

In this part of the study, the two hypotheses framed in the study are being tested by using One Way ANOVA. The test is conducted at 5% level of significance. Following are the hypotheses:

H₁: There is no significant difference in the volume of NEFT transactions of the private sector banks.

H₂: There is no significant difference in the volume of RTGS transactions of the private sector banks.

Table 3: One Way ANOVA for NEFT transactions

Source of Variation	SS	Df	MS	F	P-value	F crit
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Outward transactions						
Between Groups	6.09E+14	11	5.53E+13	0.210268	0.996635	1.878388
Within Groups	2.84E+16	108	2.63E+14			
Total	2.9E+16	119				
Inward Transactions						
Between Groups	1.4968E+14	11	1.36E+13	0.141119	0.99947	1.878388
Within Groups	1.0414E+16	108	9.64E+13			
Total	1.0564E+16	119				

Source: Authors' Compilation

The result of H_1 tested is presented in Table 3. It is clear from the table that the calculated F values for the outward (0.210268) and inward (0.141119) transactions for 11 and 108 degree of freedom is lesser than the critical value (1.878388). Therefore, we have accepted the hypothesis and concluded that there is no significant difference in the monthly volume of NEFT transactions of the private banks under study.

Table 4: One Way ANOVA for RTGS interbank transactions

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Outward transactions						
Between Groups	1.33E+12	11	1.21E+11	0.124877	0.999708	1.878388
Within Groups	1.04E+14	108	9.65E+11			
Total	2.9E+16	119				
Inward transactions						
Between Groups	5941257	11	540114.3	0.223188	0.995615	1.878388
Within Groups	2.61E+08	108	2420002			
Total	2.67E+08	119				

Source: Authors' Compilation

Table 5: One Way ANOVA for RTGS transactions of Customers.

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Outward transactions						
Between Groups	16279067	11	1479915	0.15499	0.999175	1.878388
Within Groups	2.9E+16	119	9548485			
Total						
Inward transactions						
Between Groups	1.15E+12	11	1.05E+11	0.145311	0.999393	1.878388
Within Groups	7.8E+13	108	7.22E+11			
Total	7.92E+13	119				

Source: Authors' Compilation

H_2 is tested and the results are shown in Table 4 and 5. Table 4 presents the ANOVA results of interbank RTGS outward and inward transactions and Table 5 represent the result of outward and inward RTGS customer transactions. Since all the four calculated F values are lesser than the critical value (1.878388), the researchers have accepted the hypothesis and concluded that there is no significant difference in the monthly volume of RTGS transactions among the units under study.

FINDINGS AND CONCLUSION

Online banking offers customers almost every service traditionally available through a local branch including deposits, transfers, and online bill payments. Virtually every banking institution has some form of online banking, available on desktop versions and through mobile apps. The various benefits like; securities assured, easy accessibility, time efficiency etc., offered by the internet banking/online banking system has made it easy for the customers to depend upon online banking system in the present world. Online banking system is one of the very effective green marketing strategies of the commercial banks in India. NEFT and RTGS are the very popular online payment platforms used by the individual/institutional customers of the banks. Compared to Indian public sector banks, private sector banks are leading in encouraging their customers to use these digital platforms to deal with the banks. In the current study, the researchers have studied the performance of private sector banks in volume of NEFT and RTGS transactions. The study reveals the fact that HDFC, ICICI, Axis Bank, Federal Bank and Yes Bank are considered as the best five banks in terms of volume of NEFT and RTGS transactions. It could be concluded that HDFC Bank is leading all the private sector banks in terms of Online Banking Business.

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