UNRAVELING THE NEXUS BETWEEN DIGITAL BANKING TRANSACTIONS AND BANK PROFITABILITY: INSIGHTS FROM TURKEY'S DEPOSIT BANKS

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Abstract
This study estimates the relationship between digital banking transactions and bank net profit through regression analysis using the data of deposit banks in Turkey between 2011 and 2021. The data from 11 Turkish banks are analyzed with the least squares method (OLS) in the Stata package program. For this purpose, the relationship between digital banking transactions and bank net profit is estimated by constructing three models. In the first model, online banking transactions have a positive effect on bank profitability. The number of internet banking customers, the number of Automated Teller Machine (ATM), and the number of Point of Sale (POS) are found to have a negative effect on net profit, but these coefficients are not statistically significant. In the second model, mobile banking transactions have a positive effect on bank net profit. ATM has a positive and statistically significant effect on bank net profit, while the number of POS has a negative coefficient on bank net profit, but this coefficient is not statistically significant. In the third and last model, the digital banking transactions have a positive effect on the net profit of the bank. ATM and POS numbers have a negative effect on bank net profit, but these coefficients are not statistically significant. In conclusion, both internet and mobile banking transactions have a positive effect on bank profits in Turkey. Digital banking transaction, which is a combination of internet and mobile banking transactions, is also found to have a positive effect on bank profits. Additionally, it has been revealed that internet banking services contribute more to bank profits than both mobile and digital banking services.

Keywords
Digital banking, Internet Banking, Mobile Banking, Net Profit.

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