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An Analysis on Market Projective of Rural Banking among Customers in Delhi

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Abstract

Banking services can be accessible to the rural population at secure surrounding area like a mini branch. The Banks in turn would profit seriously because of the enhanced business adding to the bottom line of the bank. Banks need to attain out the deprived throughout micro-credit, self- help groups. There must be restricted focused interest to the financial insertion of the unbanked areas. We require enlarging rural banking services at the customer's expediency. Also, banks must spread out their reach through different exchange channels. The intention of this paper is to evaluate the level of banking saturation in a sample village and to discover the association between bank accounts and related factors, such as, occupation, income and asset-holding status. The findings afford practical implications for bankers in terms of providing banking services in rural areas. The existing gap in credit facilities offers manifold opportunities to bankers for providing diverse credit facilities. Since the findings designate that common of the respondents show and preference for availing credit for dairy activities, suggestions are obtainable for tapping potential customers.

Keywords: Banking, Rural, Services, Costumers.

1. Introduction

A bank is a financial intermediary that creates credit by lending money to a borrower, thereby creating a corresponding deposit on the bank's balance sheet. Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial system and influence on national economies, banks are highly regulated in most countries. Most nations have institutionalized a system known as fractional reserve banking under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel Accords.

Banking in its modern sense evolved in the 14th century in the rich cities of Renaissance Italy but in many ways was a continuation of ideas and concepts of credit and lending that had their roots in the ancient world. In the history of banking, a number of banking dynasties notably, the Medicis, the Fuggers, the Welsers, the Berenbergs and the Rothschilds have played a central role over many centuries. The oldest existing retail bank is Monte dei Paschi di Siena, while the oldest existing merchant bank is Berenberg Bank.

Banking in India, in the modern sense is originated in the last decades of the 18th century. Among the first banks were the Bank of Hindustan, which was established in 1770 and liquidated in 1829-32; and the General Bank of India, established 1786 but failed in 1791.

The largest bank, and the oldest still in existence, is the State Bank of India. It originated as the Bank of Calcutta in June 1806. In 1809, it was renamed as the Bank of Bengal. This was one of the three banks funded by a presidency government; the other two were the Bank of Bombay and the Bank of Madras. The three banks were merged in 1921 to form the Imperial Bank of India, which upon India's independence, became the State Bank of India in 1955. For many years the presidency banks had acted as quasi-central banks, as did their successors, until the Reserve Bank of India was established in 1935, under the Reserve Bank of India Act, 1934.

In 1960, the State Banks of India was given control of eight state-associated banks under the State Bank of India (Subsidiary Banks) Act, 1959. These are now called its associate banks.

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In 1969 the Indian government nationalized 14 major private banks. In 1980, 6 more private banks were nationalized. These nationalized banks are the majority of lenders in the Indian economy. They dominate the banking sector because of their large size and widespread networks.

The Indian banking sector is broadly classified into scheduled banks and non-scheduled banks. The scheduled banks are those which are included under the 2nd Schedule of the Reserve Bank of India Act, 1934. The scheduled banks are further classified into: nationalized banks; State Bank of India and its associates; Regional Rural Banks (RRBs); foreign banks; and other Indian private sector banks. The term commercial banks refer to both scheduled and non-scheduled commercial banks which are regulated under the Banking Regulation Act, 1949.

Generally banking in India was fairly mature in terms of supply, product range and reach-even though reach in rural India and to the poor still remains a challenge. The government has developed initiatives to address this through the State Bank of India expanding its branch network and through the National Bank for Agriculture and Rural Development with things like microfinance.

All banks which are included in the Second Schedule to the Reserve Bank of India Act, 1934 are Scheduled Banks. These banks comprise Scheduled Commercial Banks and Scheduled Co-operative Banks. Scheduled Commercial Banks in India are categorized into five different groups according to their ownership and/or nature of operation.

In the bank group-wise classification, IDBI Bank Ltd. is included in Nationalized Banks. Scheduled Co-operative Banks consist of Scheduled State Co-operative Banks and Scheduled Urban Cooperative Banks.

By 2010, banking in India was generally fairly mature in terms of supply, product range and reach-even though reach in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region. The Reserve Bank of India is an autonomous body, with minimal pressure from the government.

With the growth in the Indian economy expected to be strong for quite some time-especially in its services sector-the demand for banking services, especially retail banking, mortgages and investment services are expected to be strong. One may also expect M&A's, takeovers, and asset sales.

In March 2006, the Reserve Bank of India allowed Warburg Pincus to increase its stake in Kotak Mahindra Bank (a private sector bank) to 10%. This is the first time an investor has been allowed to hold more than 5% in a private sector bank since the RBI announced norms in 2005 that any stake exceeding 5% in the private sector banks would need to be vetted by them.

In recent years critics have charged that the non-government owned banks are too aggressive in their loan recovery efforts in connection with housing, vehicle and personal loans. There are press reports that the banks' loan recovery efforts have driven defaulting borrowers to suicide.

By 2013 the Indian Banking Industry employed 1,175,149 employees and had a total of 109,811 branches in India and 171 branches abroad and manages an aggregate deposit of 67504.54 billion (US\$1.1 trillion or €1.0 trillion) and bank credit of 52604.59 billion (US\$840 billion or €780 billion). The net profit of the banks operating in India was 1027.51

billion (US\$16 billion or €15 billion) against a turnover of 9148.59 billion (US\$150 billion or €140 billion) for the financial year 2012-13.

On 28 Aug, 2014, Pradhan Mantri Jan Dhan Yojana is a scheme for comprehensive financial inclusion opened, with around 8698 crore (US\$1.4 billion) were deposited under the scheme, which also has an option for opening new bank accounts with zero balance.

Objectives of the Study

- To examine the industry of rural banking
- To examine the consumer attentiveness about various services offered by rural banks
- To know consumer's behavior and thoughts in the rural market
- To examine the market prospective of rural banking
- To know the problems faced in rural banking

Research Methodology

The research study is descriptive, which is worried with telling the characteristics of what is studied or under research study that is, it explains the state of affairs as it is or what is happening as it comprises questionnaire. The period of study is from Sep 1, 2014 till Mar 31, 2015. The area of study is Delhi. The customers who are having account in different banks who both survive as well as new customers are taken into our deliberation. The sampling methodology used is expediency sampling which is one of the non possibility sampling methods. This method does not afford every item in the universe with the known probability of being included in the sample. The total number of respondents is 150, who were given the questionnaire to fill up and data was composed in the places in Delhi. Primary Data was collected through Questionnaire. Secondary Data was collected from various Books, Journals, and reports. The data collected through Questionnaires has been analyzed by Chi-Square analysis. SPSS stands for Statistical Package for the Social Sciences and it is a comprehensive system for analyzing data. It is easy to learn and use. It includes a full range of data management system and data editing tools. It provides in-depth statistical capabilities.

Design and Pre-Testing Questionnaire

Information gathered straight from the respondents through questionnaire, i.e. survey method. The questionnaire was pre-tested among 10% of the associates by demeanor pilot study. There were few inhibitions from the connections during the study regarding the options in the questionnaire which needed be reframed and they were executed during the real study. The findings of pilot study is subjected to thorough examination to appreciate that an individual is not likely to think of all ways in which group might react and that are cannot expect sufficiently the explanation of others. This makes the pilot study all the more significant tools and techniques used for examination.

Data Analysis and Interpretation

Chi-Square test is a statistical method assessing the integrity of fit between a set of observed values and those probable theoretically. Chi-square tests facilitate us to evaluate observed and anticipated frequencies objectively, since it is not always potential to tell just by looking at them whether they are "different enough" to be measured statistically significant. Statistical significance in this case implies that

the differences are not due to chance alone, but instead may be indicative of other processes at work.

Analysis Between various Banks and purpose of availing the rural banking service

Ho - There is no relationship between the type of bank and the reason for availing the rural banking service by the customers.

H₁ - There is relationship between the type of bank and the reason for availing the rural banking service by the customers.

From the analysis, it is clear that the significance level is less than 0.05 and hence null hypothesis is rejected. I.e. there is no relationship between the type of bank and the reason for availing the rural banking service by the customers.

Thus, the customers are not able to differentiate between public sector and private sector banks and the type of service specified by each bank. It is clear that the customers choose their bank based on their need, convenience and easy accessibility.

Chi-Square Test

Variables	Value	df	Aysmp. Sig. (2 Sided)
Pearson Chi-Square	78.676 ^a	74	0.007
Likelihood Ratio	71.048	74	0.031
Linear-By-Linear Association	18.37	2	0.000
No. of Valid Cases	150		

Analysis between Customers Occupation and factors influencing them to avail the service

Ho - There is no relationship between the type of bank and the reason for availing the rural banking service by the customers.

H₁ - There is relationship between the type of bank and the reason for availing the rural banking service by the customers.

Variables	Value	df	Aysmp. Sig. (2 Sided)
Pearson Chi-Square	58.482 ^a	74	0.000
Likelihood Ratio	58.981	74	0.000
Linear-By-Linear Association	12.37	2	0.000
No. of Valid Cases	150		

From the analysis, it is obvious that the significance level is less than 0.05 and therefore null hypothesis is rejected. Thus, there is relationship between the manner of occupation and the purpose of availing the rural banking service by the customers.

The study explains that occupation of the customer plays an essential role in decisive their reason for availing the rural banking services. Due to their earning background, essential to assemble the day to day affairs, the respondents are compulsory to avail rural banking services. They are in an arrangement to fulfill more needs further than their normal works.

Conclusion

Regional Rural Banks (RRBs), which appeared as a significant financial organization in India for meeting the rural credit condition. It is always disputed that the RRBs have not been proficient to earn much turnover in view of

their policy of restricting their process to target groups. In malice of that the RRBs made a remarkable performance.

The Banking sector has played a essential role in developing the rural economy by providing credit and creating financial attentiveness. But as we are alert, despite all the efforts that we have made, a colossal section of the rural population is still out of the banking net. Rural India has huge possible for expansion and it affords incredible business chance for the banks, when the bankers during this platform to put their heart and soul in making a rural India where each and every household has a bank account and is permeated with financial awareness.

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