

Banking Services Penetration: Evidence From State Of Punjab

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Abstract

Aim - This paper aims to study the penetration of banking services of bank customers who covered under FIP branches in Punjab, using six variables viz. Basic Banking Account, Borrowings, Monetary Transfers, Plastic Cards, Insurance and Government schemes availed by respondents. Despite the existing literature on penetration of banking services in Punjab, till now, to the best of the authors' knowledge, no such studies have been found relative to study of penetration of banking services in Punjab with selected six variables. It is further believed that the present study will provide a platform to future research in the same area.

Methodology – A Multistage Sampling method for sample size 800 has been used. After analyzing all returned questionnaires, a total of 722 questionnaires were usable for analysis. In order to study the penetration of banking services of bank customers who covered under FIP branches in Punjab, percentage of all seven variables of financial inclusion viz. Basic Banking Account, Borrowings, Monetary Transfers, Plastic Cards, Insurance and Availing of Government schemes corresponding to their frequency has been calculated.

Findings and Conclusions - The findings revealed that 40% of respondents have one account in bank whereas 60% of respondents have multiple numbers of accounts in bank. Further, 18 % of the respondents had borrowed any money from formal sources like banks or from informal sources like money lenders or zamindars. It was further found that 45% of respondents have been involved in atleast one monetary transfer and 96% of respondents had atleast one plastic card with them. Moreover, 74% respondents availed insurance facility whereas 25% respondents availed various government schemes specifically financial inclusion schemes provided by banks to its customers. Thus, it can be concluded that banking services penetration has significantly improved in Punjab.

Recommendations – As the findings of the study revealed that banking services penetration has significantly improved in Punjab which reveals that government and concerned authorities has made numerous attempts towards supply side factors in banking sector, but in the present scenario government and concerned authorities needs to focus more on demand side factors such as creating awareness specific to FIP products, financial literacy etc. affecting level of financial inclusion in Punjab.

Keywords: Basic Banking Account, Borrowing, Monetary Transfers, Plastic Card, Insurance, Availing Of Government Scheme, Financial Inclusion, Financial Inclusion Plan Branches.

I. INTRODUCTION

Rangarajan Committee defined financial Inclusion as a process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. The Government of India in constant collaboration with RBI is making utmost efforts to set up financial inclusion as a national objective of the country. With this aim various measures that have been taken including nationalization of banks, introduction of priority

sector lending norms, lead bank scheme, setting up of Reserve bank of India, appointment of business agent, formation of self help groups, simplified KYC norms, creation of zero balance basic saving bank deposit accounts, direct benefit transfer scheme, pradhan mantri jan dhan yojna Scheme, pradhan mantri suraksha bima yojana, pradhan mantri jeevan jyoti bima yojana, pradhan mantri mudra yojna, small finance banks, payment banks etc. Demonetization has also created positive effects towards financial inclusion such as operationalising of Jan Dhan Yojna accounts, making India a cashless digital economy,

improving account usage and saving behavior of individuals and contributing to wealth of nation through conversion of dead capital into live capital. Therefore, this paper is an attempt to study the penetration of banking services in Punjab which is one of the major supply side factor in banking sector.

II. NEED OF THE STUDY

Due to the non accessibility of banking services, people face some hindrances to meet their basic necessities. The purpose of the paper is to study whether the services are easily accessible to its users or not .It is further believed that the present study of will provide a platform to future studies in the same area.

RESEARCH OBJECTIVE

The aim of this research paper is to study the penetration of banking services of bank customers who covered under FIP branches in Punjab.

RESEARCH METHODOLOGY

In order to study the penetration of banking services in Punjab , percentage of all six variables of financial inclusion viz. Basic Banking Account ,Borrowings ,Monetary Transfers ,Plastic Cards , Insurance and Availing of Government schemes A Multistage Sampling method for sample size 800 has been used. The data has been collected through administering questionnaire from the account holders of the commercial bank branches opened under financial inclusion programme in Punjab. After analyzing all returned questionnaires , a total of 722 questionnaires were usable for the analysis that has been calculated.

DATA COLLECTION METHODS

To carry out the research, primary sources of data collection were used. Primary data was collected based on the questionnaire. The questionnaire which was administered to the account holders of the branches of the commercial banks opened under financial inclusion programme.

III. DATA ANALYSIS AND INTERPRETATION OF DATA

In order to study the penetration of banking services in Punjab, frequency and percentage of all six variables of financial inclusion viz. Basic Banking Account ,Borrowings ,Monetary Transfers ,Plastic Cards , Insurance and Availing of Government schemes has been calculated.

TABLE 5.1

Penetration of Banking Services in Punjab

		frequency	%
Basic Banking Account	No	0	0%
	Yes	722	100%
Borrowings	No	593	82%
	Yes	129	18%
Monetary Transfers	No	397	55%

	Yes	455	45%
Plastic Cards	No	29	4%
	Yes	693	96%
Insurance	No	187	26%
	Yes	543	74%
Govt. Schemes	No	541	52%
	Yes	180	25%

Source: Survey Results

IV. FINDINGS AND CONCLUSIONS

The findings of the paper revealed that 40% of respondents having one account in bank and 60% of respondents having multiple number of account in bank, majority of respondents i.e. 82 % of the respondents had not borrowed any money from banks or from any other financial institution whereas 45% of respondents involved in monetary transfers from friends or relatives and from government like LPG subsidies, scholarship and MGNREGA. Further, 96% of respondents were found having plastic card that can be of any type such as ATM ,debit card ,credit card and kisan credit card while 74% of respondents were having insurance such as life insurance and motor vechile insurance and 75% of respondents were not availed any government schemes like pradhan mantri jan dhan yojna ,pradhan mantri mudra yojna etc. It concluded that banking penetration has significantly improved in Punjab.

V. RECOMMENDATIONS

Reviewing the state of financial inclusion in Punjab in 2018, we can see improvement in indicators of financial inclusion such as Basic Banking Account ,Borrowings ,Monetary Transfers ,Plastic Cards , Insurance and Availing of Government schemes This shows that banking services penetration has significantly improved in Punjab which reveals that government and concerned authorities has made numerous attempts towards supply side factors in banking sector, but in the present scenario government and concerned authorities needs to focus more on demand side factors such as creating awareness specific to FIP products, financial literacy etc.affecting level of financial inclusion in Punjab.

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