
A study on the role of bank in the growth of indian economy

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Abstract: Banking sector in India witnessed a tremendous growth because of innovation technology and product. The research paper titled the role of banks in the growth of Indian economy. This paper studies factors influencing the role of the Bank in the growth of Indian economy. Descriptive research is applied using a convenience method of sampling 109 respondents. The tools used for the study are mean analysis, frequency analysis, t-test, ANOVA and factor analysis. It is found that Modern business, business facilitator, employment opportunity, banking services, finance assistance, agricultural sector, trade, loans are the factors influencing the role of the Bank in growth of Indian economy and there is no significant difference between the customers and perception towards Indian economy.

Keywords: Indian banking system, Growth of banking sector, Indian economic development, Innovation.

INTRODUCTION

The general banking scenario in India has become very dynamic now-a-days. Before the pre-liberation era, the picture of Indian Banking was completely different as the Government of India initiated measures to play an active role in the economic life of the nation, and the Industrial Policy Resolution adopted by the government in a mixed economy. Modern plays bank important role in the economic development of the country. The term finance in our simple understanding is perceived as equivalent to 'Money'. The word "system", in the term "financial system", implies a set of complex and closely connected or interlined institutions, agents, practices, markets, transactions, claims, and liabilities in the economy. The banking system in India is significantly different from that of other Asian nations because of the country's unique geographic, social, and economic characteristics.

The global COVID-19 pandemic has emerged as the "black swan event which is going to require extraordinary measures from governments across the globe to help resume economic stability. Based on when the pandemic is likely to come under control, several economic scenarios indicate global recession of varying magnitudes. The situation has hit the Indian economy at a time when growth has slowed to the lowest in a decade. In the recent past, there were signs of green shoots of recovery in the Indian economy. However, the impending outbreak of the virus is likely to severely impact the recovery process. India's GDP was on a downward slope much before the COVID-19 pandemic hit the country, largely due to the demonetization exercise, and the botched-up implementation of the Goods and Services Tax (GST) that paralyzed the cash-dominated informal sector and small businesses. The central bank is likely to announce a one-time restructuring facility for loans affected by the Covid-19 lockdown. Our research idea is based on the rich knowledge acquired by our peer teams across the university.(A.C.Gomathi, S.R.Xavier Rajarathinam, A.Mohammed Sadiq, Rajeshkumar, 2020; Danda et al., 2009; Danda and Ravi, 2011; Dua et al., 2019; Ezhilarasan et al., 2019; Krishnan and Chary, 2015; Manivannan, I., Ranganathan, S., Gopalakannan, S. et al., 2018; Narayanan et al., 2012, 2009; Neelakantan et al., 2013, 2011; Neelakantan and Sharma, 2015; Panchal et al., 2019; Prasanna et al., 2011; Priya S et al., 2009; Rajeshkumar et al., 2019; Ramadurai et al., 2019; Ramakrishnan et al., 2019; Ramesh et al., 2016; Venugopalan et al., 2014) Currently we are working on role of bank in Indian Economy. This paper attempts to study the factors influencing the role of the Bank in the growth of Indian Economy.

LITERATURE REVIEW

(Batra, 1996)examined the impact of policy Constraints on the profitability of Indian scheduled commercial banks for the period 1955-87. Previous bank profitability studies have been, in several ways, limited and confined in their scope of inquiry to questions of either 'operational' or 'technical' efficiency; the study provides a comparative view on pre- and post-nationalization periods of Indian banking.

(Scholtens and Others, 2000) stated that, 'Competition, Growth and Performance in the Banking Industry' examined the profit performance of the banking industry in the international context, using a sample of 100 international banks over the year 1981-97.

(Sastry et al., 2003) the linkage of growth among the agriculture, industry and services sectors of the economy, using both an input-output (I-O) and a simultaneous equation framework. Despite the substantial increase in the share of the services sector in GDP over the years, the I-O tables suggest that the agricultural sector still plays an important role in determining the overall growth rate of the economy through demand linkages with other sectors of the economy.

(Narayan and Narayan, 2013)found evidence that neither the financial sector nor the banking sector contributes to economic growth for the Middle Eastern countries.

(Pole, 2013)The economic reforms implemented from 1990 must be linked with the structural financial institution where private sector banks have to play a very important role. Thus in the developing economy like ours the private sector banks will help the country grow and prosper. The cost reduction techniques and application of modern technology will help the growth of the private banking sector.

(Chandraiah and Vani, 2014)were tried to analyse the definition, performance and role of Micro Small and Medium enterprise in growth of Gross Domestic Product and Indian Economy, they addressed the problems of MSME and government policies towards MSME in the research studies.

(Dey, 2014)carried out MSME performance analysis and prospects in future. He evaluated the Performance based on MSME yearly comparative growth Versus India's GDP growth.

(JishaJoseph and Varghese, 2014) Mobilization and circulation of finance is the primary requirement of development of an economy. Achieving inclusive growth makes financial inclusion a key policy concern for a developing nation like India. The basic objective of the study is to analyse the effect of financial inclusion in the growth of Indian economy and the initiatives taken by the banking institution in India to attain inclusive growth.

(Muthukrishnan, n.d.)were carried out an analysis of MSME performance and its growth with respect to Human Resource Operations through secondary data published by the Ministry of Micro Small Medium Enterprises.

(Tripathy and Indian Institute of Management Shillong, Mayurbhanj Complex, Nongthymmai Shillong, 793014, Meghalaya, India, 2019)The link between economic and financial development has been a topic of interest for academicians, researchers, and policymakers for the last three decades. Financial progress is essential to economic growth, and economic progress necessitates an efficient sound financial system. A developed financial system is critical for the country to exploit resources efficiently.

(Dahiya and Kumar, 2020)Inclusive financial system is a key to sustainable development and growth of a nation wherein all segments of the society have timely access to financial services at an affordable cost. It facilitates safe custody of savings, availability of loans for multiple purposes, diversification of risk through investment in different avenues, coverage of risk through various insurance products, etc., which make the life of people easier and comfortable.

METHODOLOGY AND ANALYSIS

The study will be conducted with reference to the data related to the role of banks in the growth of Indian economy. The primary data is collected based on Self-structured Questionnaires. Questionnaire has various sections such as demographic profile and perception about the role of banks in the growth of Indian economy which is collected from 109 customers. Collected data was analysed using frequency, Mean analysis, T-test, Anova and Factor analysis.

The sample profile of the study is represented through the following charts.

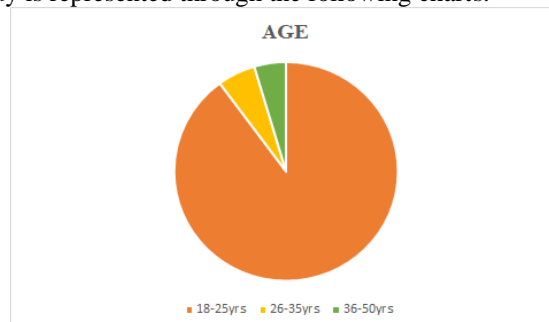


Fig.1: The pie chart describes the age of the public respondents. The majority of respondents are above the age of 18-25 years(28.3%)followed by the age which lies between 26-35 years (5.5%), followed by the age group between 36-50 years (4.6%). It is inferred from the majority of respondents are above the age of 18-25 years.

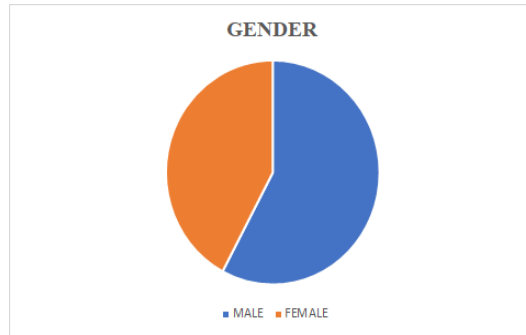


Fig.2: The pie chart depicts the percentage of gender in the sample. The majority of the respondents are Male (57.8%) and female respondents are (42.2 %).

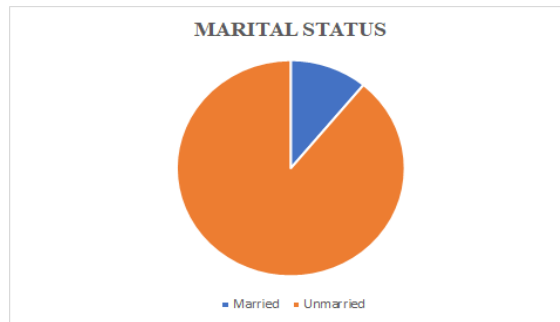


Fig.3: The pie chart depicts the percentage of marital status in the sample respondents. Among those respondents, most of them were Unmarried (89.0%) and Married respondents are (11.0%).

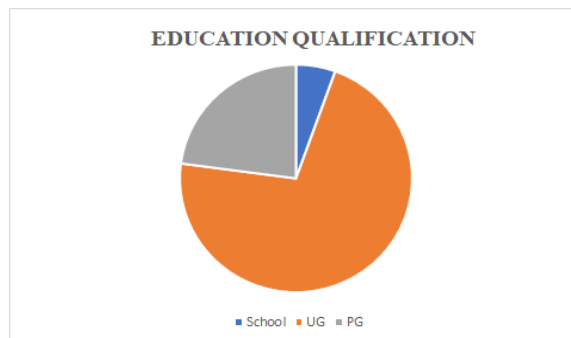


Fig.4: The pie chart depicts the Education qualification of sample respondents. Most of the respondents were Under Graduates (71.6%) followed by PG (22.9%), school (5.5%). It is inferred from the majority of the respondents are under graduates.

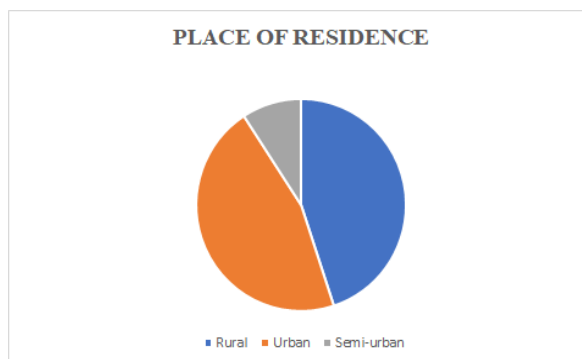


Fig.5: The pie chart describes the place of residence of sample respondents. The majority of respondents are Urban (45.9%) followed by Rural (45.0%), Semi-urban (9.2%). It is inferred from the majority of the respondents resides in urban.

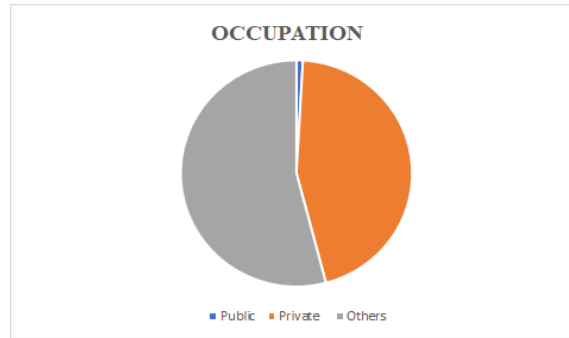


Fig.6: The pie chart depicts the occupation of sample respondents. The majority of respondents are others (54.1%) followed by private (45.0%), public (0.9%). It is inferred from the majority of the respondent's occupation are others.

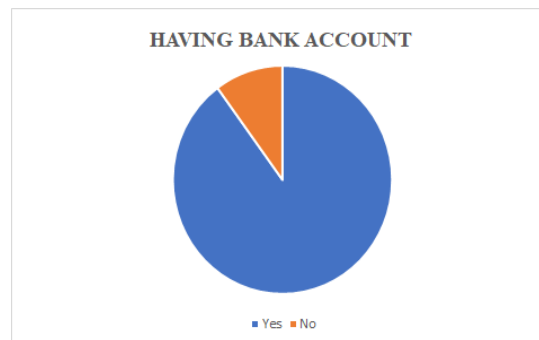


Fig.7: The pie chart describes having a bank account of sample respondents. The majority of respondents have a bank account (89.9%) followed by not having a bank account (10.1%). It is inferred from the majority of the respondents having a bank account.

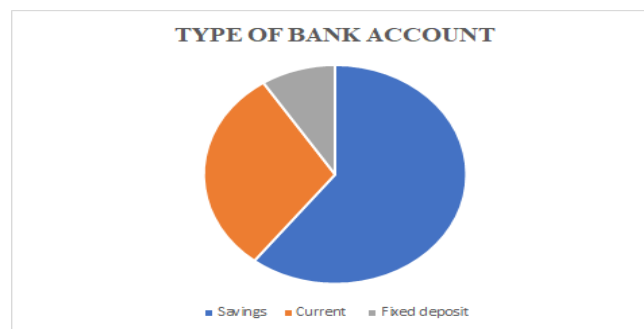


Fig.8: The pie chart depicts the type of bank of sample respondents. Greater part of the respondents have savings accounts (60.6%) followed by current accounts (30.3%), followed by fixed deposits (9.2%). It is inferred from the majority of the respondents having savings accounts.

Table 1: Perception about Role of bank in the growth of Indian economy

S.NO	THE ROLE OF BANK IN THE GROWTH OF INDIAN ECONOMY	MEAN	RANK
1	Modern business	3.04	22
2	Credit flow	3.58	5
3	Tax revenue shortfall	3.28	14
4	Health setup	3.70	2
5	ICT model	3.26	16
6	Business facilitator	3.63	4
7	Provided residents	3.15	21
8	UIDAI	3.30	13
9	Mobile banking	3.32	12
10	Fintech	3.03	23
11	Data analytics	2.63	26

12	Economic development	3.53	6
13	Terms and conditions	3.25	17
14	Financial inclusion	3.27	15
15	Removing the deficiency of capital formation	3.50	7
16	Employment opportunity	3.33	11
17	Financial assistance to Industries	3.76	1
18	Promote saving Habits of the people	2.90	25
19	Financial assistance to Consumer Activities	2.94	24
20	Helps in implementing Monetary Policy	3.50	7
21	Promotion of New Entrepreneurs	3.17	20
22	Foreign Currency Loans	3.22	19
23	Financial facilities for Trade	3.45	9
24	Balanced Development	3.68	3
25	Financial assistance to agriculture sector	3.23	18
26	Government Spending	3.39	10

The mean score and rank are displayed in table no. 2. It shows variable “Financial assistance to industries” includes highest mean score of 3.76 followed by health setup (3.70), Balanced Development (3.68), business facilitator (3.63), credit flow (3.58), economic development (3.53), Helps in implementing Monetary Policy and Removing the deficiency of capital formation (3.50), Financial facilities for Trade (3.45), Government Spending (3.39), employment opportunity (3.33), Mobile banking (3.32), UIDAI (3.30), tax revenue shortfall (3.28), Financial inclusion (3.27), ICT model (3.26), terms and conditions (3.25), Financial assistance to agriculture sector (3.23), Foreign Currency Loans (3.22), Promotion of New Entrepreneurs (3.17), provided residents (3.15), modern business (3.04), fintech (3.03), Financial assistance to Consumer Activities (2.94), Promote saving Habits of the people (2.90 and data analytics (2.63). All the mean scores are lies between 2 to 3. It concludes that clients are agreeing towards all the mentioned factors.

Table 2: Data Sufficiency and Variance

S.NO	KMO	Factors	Total	% of Variance	Cumulative %
1	0.580	Component 1	3.523	13.551	13.551
2		Component 2	2.445	9.403	22.954
3		Component 3	2.403	9.241	32.195
4		Component 4	2.380	9.155	41.350
5		Component 5	2.246	8.639	49.989
6		Component 6	1.798	6.914	56.903
7		Component 7	1.591	6.120	63.023
8		Component 8	1.534	5.901	68.924

The kmo value should be greater than 0.5 in this case it is 0.580. There are a total eight components with cumulative percent of 68.924. Moreover, 26 parameters are clubbed into eight factors. The above data is sufficient to factor analysis.

Table 3: Factor Analysis

	Components							
	1	2	3	4	5	6	7	8
Modern business	.792							
Savings habits	.742							
Data analytics	.700							
Fintech	.674							
Government spending	.608							
Mobile banking	.586							
Tax revenue shortfall		-.805						
Business facilitator		.805						
Balanced development		.545						
UIDAI			.820					
Employment opportunity			.757					
Provided residents			.656					
Terms and conditions				.786				

New entrepreneur				.722				
Monetary policy				.542				
Consumer activities				.448				
Financial assistance to industries					.718			
Credit flow					.708			
Economic development					.554			
Deficiency of capital					.486			
Agriculture sector						.726		
Financial inclusion						.715		
Foreign currency loan							.842	
Trade							.645	
Health setup								.771
ICT model								.559

Parameters of Modern business, Savings habits, Data analytics, Fintech, Government spending, Mobile banking form factor 1 which is named as modern business. Factor 2 contains Tax revenue shortfall, Business facilitator, balanced development and it is named as business facilitators. Factor 3 contains UIDAI, Employment opportunity, provided residents and named as employment opportunities. Factor 4 takes Terms and conditions, new entrepreneur, monetary policy, Consumer activities which is named as banking services. Factor 5 contains financial assistance to industries, Credit flow, Economic development, Deficiency of capital which is named as financial assistance. Agriculture sector and Financial inclusion listed in factor 6 named as agriculture sector. Foreign currency loan and trade listed in factor 6 named as trade. Health setup and ICT model listed in factor 6 named as loans.

Table 4: Demographic profile and Perception of Role of bank in the growth of Indian economy

PERCEPTION OF ROLE OF BANK IN THE GROWTH OF INDIAN ECONOMY							
S.NO	PERCEPTION	GENDER T-value	MARITAL STATUS T-value	AGE F-value	EDUCATION F-value	Place of residence F value	Type of account F value
1	Modern business	1.1234	1.294	.832	3.940	2.97	6.404
2	Savings habit	1.040	.369	.659	.830	2.853	2.906
3	Data analysis	.306	.592	1.507	3.261	3.210	1.181
4	Fintech	.755	.522	3.683	1.734	.464	3.738
5	Government spending	1.407	1.406	.903	1.402	.003**	1.778
6	Mobile banking	.055	.704	.414	4.393	1.998	1.879
BUSINESS FACILITATORS							
7	Tax revenue	2.064	.232	3.325	4.627	.816	2.253
8	Business facilitator	1.390	1.341	2.897	3.117	1.857	2.270
9	Balanced development	2.307	2.289	4.663	5.518	.533	1.943
EMPLOYMENT OPPORTUNITY							
10	UIDAI	1.167	.590	.126	1.575	1.337	.000
11	Employment opportunity	.898	2.723	2.291	.705	1.720	3.165
12	Provided residents	.497	1.959	2.730	.344	.806	1.950
BANKING SERVICES							
13	Term and conditions	1.028	.378	.112	1.774	1.543	2.371
14	New entrepreneur	.956	.715	.335	1.443	1.170	1.107
15	Monetary policy	2.114	1.548	1.556	.256	1.173	1.367
16	Consumer activities	1.046	.395	.365	5.705	1.147	1.688
FINANCE ASSISTANCE							

17	Financial assistance	1.506	.036	6.608	.612	1.286	1.825
18	Credit flow	1.721	.381	.716	.857	2.348	1.417
19	Economic development	1.318	1.329	1.299	.096	.068	1.816
20	Capital	1.179	.021	.893	.559	.018**	1.477
AGRICULTURAL SECTOR							
21	Agricultural sector	.971	.258	1.293	.191	.124	.457
22	Financial inclusion	.709	.733	.549	3.133	2.268	.481
TRADE							
23	Foreign inclusion	.032	.249	.210	2.437	1.293	.533
24	Trade	.514	2.411	1.720	.327	.271	.629
LOANS							
25	Health setup	2.728	1.977	2.695	.767	2.542	1.343
26	ICT model	.053	.037	.165	.049	.681	.393

** 5 % level of significance

*** 1 % level of significance

Table 4 .It Shows that almost all the T-values and F-values are in significance. The majority of variables are greater than 0.05. Hence there is no significant difference between the demographic profile with respect Perception of Role of bank in the growth of Indian economy.

DISCUSSION & RESULTS

Although customers are the king in the present day market, their opinion is more important compared to profitability of the banks. They regard the objectives of retail banking achievable on the service quality dimensions. There are 8 factors influencing the Modern business, business facilitator, employment opportunity, banking services, finance assistance, agricultural sector, trade, loans. Indian Bank's Association (IBA) (2018), conducted an all India survey, The aim of this study is to ensure the quality of service as perceived by the customers of public sector banks and identify areas where the banks need to improve for achieving higher levels of customer satisfaction.

CONCLUSION

Banking sector in India has given positive and encouraging responses to the financial sector. It has undergone significant changes during the last 10 years. The commercial banks play a vital role in its economic development. The statistics helps us to understand the commercial bank sector in India. The banks combine comprehensive reorientation, regulations and ownership in anon-distributive and cost-effective manner. Globalization has encouraged multinationals and foreign banks to set up their business unit in a developing country like India. Growth of all the sectors is directly related to the economic development of the country.

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