

# Usage Pattern Of Financial Services & Banking Products By The Residents Of Ghaziabad

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“I dream of a digital India where mobile & e-banking ensures Financial Inclusion”-**Shri Narendra Modi**

In India, the RBI is the central bank whose primary function is to emanate our country's currency and execute financial strategies, approaches, and determining policies. Simultaneously, all the activities related to foreign exchange are looked over by the central bank. Banks are an important part of the economy, they provide vital services to both consumers and businesses, and the system is maturing fast. The 'bank' is a kind of financial institution, licensed to receive deposits and make loans, and they also provide several other services such as wealth management services, currency exchange, mobile banking, insurance, safe deposit boxes (bank locker), etc. There are different types of banks in India, commercial banks including (public sector banks, private sector banks foreign banks) investment banks, co-operative banks, regional rural banks, development banks, land mortgage banks, exchange banks, Exim banks, etc.

## **Financial services and banking products**

Financial services are very crucial to the functioning of an economy. Without them, individuals with money to save might have trouble finding those who need to borrow, and vice versa. Financial services assist a country to better its economic situation, resulting in increased production in all sectors, resulting in economic growth. People benefit from economic expansion in the form of economic prosperity, which means a higher quality of living for each individual. It is here that financial services enable a person to acquire or receive numerous consumer goods via hire purchase. These financial institutions encourage investment, manufacturing, and saving, among other things. In this study, we can see

## **Definition of financial service**

**As per section 65(10) of the Finance Act, 1994 (GOI)**, “Financial services can be defined as the products and services offered by institutions like banks of various kinds for the facilitation of various financial transactions and other related activities in the world of finance like loans, insurance, credit cards,

investment opportunities and money management as well as providing information on the stock market and other issues like market trends. The finance industry encompasses a broad range of organizations that deal with the management of money. Among these organizations are banks, credit card companies, insurance companies, consumer finance companies, stock brokerages, investment funds and some government-sponsored enterprises”.(India, 1994)



Figure 1 Financial Services

The financial services include Insurance, Transaction Services, Credit Services, Capital market, Retail Banking, etc.

#### Definition of banking products

A banking product would be tangible or intangible in nature Eg: In banking, a loan would be a product in banking services: it is part of a product, (maybe sold for some consideration or may not) that is intangible. Eg: Technical support.

**Definition of financial inclusion :** Financial inclusion is the delivery of financial services at an affordable cost to vast sections of disadvantaged & low-income groups.

**RBI defines Financial Inclusion,** “as a process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low-income groups in particular, at an affordable cost in a fair and transparent manner by regulated mainstream institutional players”.

Availing of banking services in rural & urban areas

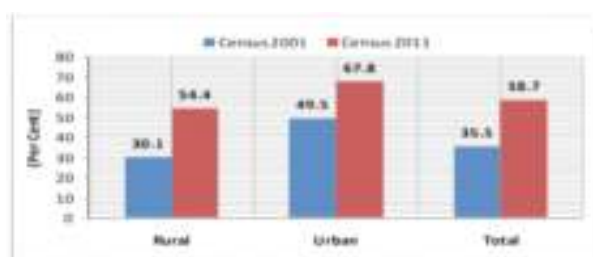


Figure 2: Availing of banking services in India census 2001 & 2011<sup>3</sup>

As per the census, 2001 in rural areas 30.1% of households availed banking services however in urban areas 49.5% of households availed of banking services, & as per census 2011 in rural areas 54.4% of households availing banking services however in urban area increase from 49.5% to 67.8 household availing banking services. There is an increase significantly in availing of banking services. As per the census 2011 total, only 58.7% of households are availing of banking services in the country, however, in the year 2001, only 35.5% availed of banking services in the country. If we compared both censuses (2001,2011) there is an increase significantly largely on account of the increase in banking services in rural areas.

**The Problem :** The financial services allow for hire purchase of various consumer products. Consumers can use financial services to receive a variety of products and services that will help them enhance their standard of living. Hire purchase, leasing, and housing finance organisations make it possible to buy a car, a house, and other necessities as well as pleasurable products. As a result, the client is driven to save while enjoying the benefits of assets gained through financial services.

The biggest problem in front of the financial system today in India, and infrastructural bottlenecks are worsening with each passing day. Hence the researcher intends to conduct a study of the extent to which the people having different demographic profiles residing in rural & Urban areas are conversant with usage patterns & banking habits the study is titled “Usage Pattern Of Financial Services & Banking Products By The Residents Of Ghaziabad”.

**Objectives of the Study :** The main objective of this study is to measure the intensity of financial habits among the Rural & Urban Population of the Ghaziabad Region (Uttar Pradesh), Keeping this in view, the following specific objectives have been set for the study.

1. To examine the usage pattern of different financial services & banking products among the rural & urban populations of Ghaziabad Region (Uttar Pradesh).
2. To examine the awareness level of people about financial products and services.

**Scope of the Study :** The study explores the intensity of using patterns of different financial services & banking products among people in Rural & Urban populations of the Ghaziabad Region (Uttar Pradesh). The target group include unemployed/housewife, agriculturalists, Government employees, non-Government employees and people engaged in business. The target group are people residing in Ghaziabad Region (Uttar Pradesh).

**Studies on financial awareness :** Financial services, Poverty, Inequality, and Migration are foundational to addressing some of these pressing global issues and achieving a wide array of development goals, as evidenced by an expanding body of research. Numerous studies have demonstrated that access to bank accounts and payment services has a measurable impact on poverty they Make day-to-day

transactions possible, including sending and receiving money. Safeguard savings, which can help households manage cash flow spikes, smooth consumption and build working capital. Help finance small businesses or microenterprises, helping owners invest in assets and grow their businesses. Support planning and paying for recurring expenses, such as school fees, electricity and water access. Mitigate shocks and manage expenses related to unexpected events such as medical emergencies, death in the family, theft, or natural disasters; and improve poor families' overall welfare.

Dev in his study "Financial Inclusion: Issues and Challenges" expressed that financial consideration is significant for improving the living states of poor ranchers, provincial non-ranch endeavours and other powerless gatherings. Money related avoidance, as far as the absence of access to credit from formal organizations, is high for little and negligible ranchers and some social gatherings. Aside from formal financial establishments, which should take a gander at incorporation both as a business opportunity and social obligation, the job of the self-improvement gathering development and miniaturized scale account organizations is critical to improving money related consideration. This requires new administrative strategies and depoliticization of the monetary framework (Dev, Mahendra S 2006)

Basu conducted a study "Improving Access to Finance for India's Rural Poor" looks at the present dimension and example of access, assesses different ways to deal with conveying money related administrations (including formal, informal, and micro-finance), examines the present absence of sufficient budgetary access, and recognizes answers for the issue of monetary avoidance. Utilizing the examination of an expansive scale country family overview in the mix with an assessment of the job of budgetary markets and organizations, the report makes proposals for gathering the assorted money related requirements, (for example, reserve funds, credit, and protection) of India's provincial poor in a monetarily reasonable way (Basu, Priya 2006)

The Emerging economies enhanced interest towards economic growth with specific interest on the factors that lead to higher savings and investments, which have been viewed as important determinants of economic growth (Anita Gardeva and Elisabeth Rhyne., 2011)

Although India has made improvement in financial inclusion in the past few years, but IMF Financial survey shows that "India lags behind with other emerging nations in financial inclusion by a significant margin" (Nair, 2012)

**Methodology :** The present research work is to attempt to examine the usage pattern of different financial services & banking products among the rural & urban populations of Ghaziabad Region (Uttar Pradesh). is a distractive study conducted by the reached to understand the usage pattern of financial services & products. The methodology is employed in this study has duly considered opted as per the demand of objectives.

**Sample :** The present study has adopted the mixed method (Qualitative and quantitative method) research methodology. Sampling has been done by using Random Sampling Method. The researcher shortlisted the area for study based on the convenient methodology later its Random sampling method was adopted to select the villages and an urban total of six places were chosen (Three rural areas and Three urban areas) from Ghaziabad District. A Sample of 100 respondents (50 from rural and 50 from the urban area) was taken for the study.

**Method and Procedure :** The methodology is the most important component of the research study it is a guiding principle of any research study. Research methodology is broadly divided into two parts i.e. Qualitative research methodology as well as a quantitative research methodology. This research study is based on both the methodology; its observation method has also been used to validate the data collection. The data for the present study focused on Qualitative and Quantitative Aspects. Qualitative data is collected through interviewing and observation of Students and focus group discussion on the original site. On the other hand, Quantitative data has been obtained through a questionnaire. Both primary and secondary methods of data collection are wont to collect the data for the treatise work.

Indicate the frequency of using the financial services & banking products in rural & urban sectors.

In urban area out of the 50 respondents, 49 have a bank account and hence the data shows the response of 49 people. The credit card service is mostly used once a week followed by once a month. Mobile banking is mostly used once a week and once a month. Insurance and Fixed Deposit is used once a 6 month and once in 3 months. The bank locker facility is used once in 3 months followed by once in 6 months and almost 33% of the population uses it once a month and once a week. Online banking service is majorly used once a week and then sometimes once a month. The atm service is also used once a week majorly and this accounts for more than 85% of the total frequency and the remaining times it is used for once a month. The money transfer facility is used more than 68% times once a week and the remaining times it is used once a month. Withdrawal and payment services are used 83% of the time on a once-a-week basis and the remaining times it is used once a month. The loan facility is used almost 70% of the time on a once-a-year basis and the remaining 30% is for 6 months. The deposit facility is a frequently used service with 83% of the respondents using it once every week and the remaining respondents use it once a month.

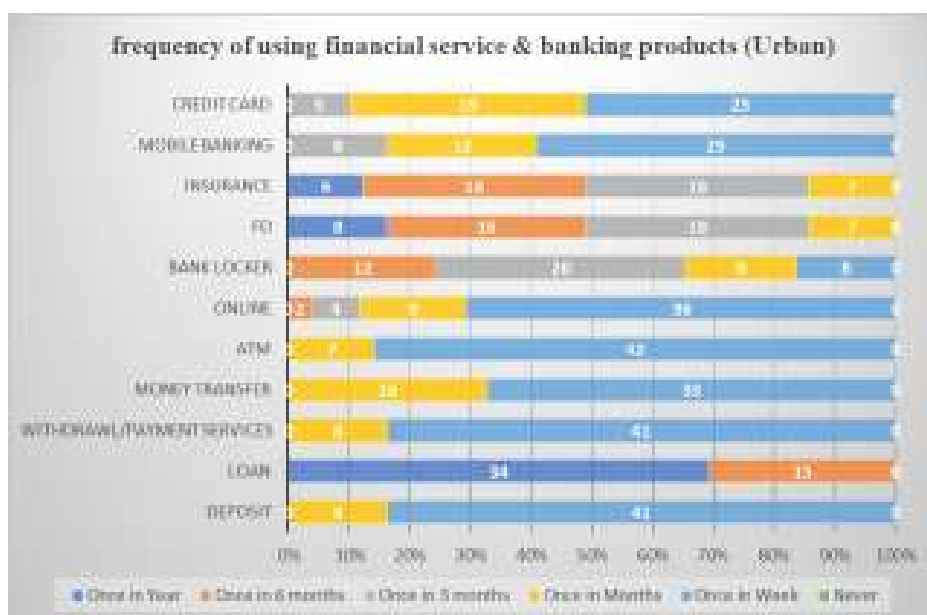


Figure 3 frequency of using financial services & banking products Urban

**The frequency to use the banking service is represented in the following figure 3 (rural)**

In rural areas as compared to the urban area, the credit card service is used once a month for 45% of the time and for the remaining 55% of the time it is never used. Mobile banking service is also like credit card service in terms of the percentage of respondents who never uses it. But 33% of the respondents use it at least once a month and 15% of them use it at least once a week. Insurance service is never used for 52% of the respondents, 23% of them use it once a year and the remaining once 6 months. Fixed deposit is also very similar to the insurance service, just that the once a year and once 6 months share of the respondents is 17% and 32% respectively. Bank locker service is never used by 51% of the respondents, almost 12% of them use it once a month, and the remaining of them uses it once 3 months and once a year. Similarly, 51% of them also never use it for online services, 20% use it once in 3 months, 15% use it once a month and 15% once a week. ATM is more popular than the services that we discussed till now, 42% of the respondents use it once a month, 37% of the time it is used once a week, and the remaining respondents don't use it at all. Money transfer is used 37% of the time for once a month, 22% of the time it is used for once a week and the remaining respondents

don't use it at all. Cash withdrawal is one of the only two services which are used by all the respondents, 60% of the respondents use it for once a month and the remaining 40% use it once a week. Loan service is not much frequently used and 75% of the respondents use it for once a year only, 18% of the respondents don't use it at all and the remaining 7% of the respondents use it for once 6 months. The deposit service is the most frequently used service 33% of the respondents use it once a month and the remaining 67% of the respondents use it once a week.

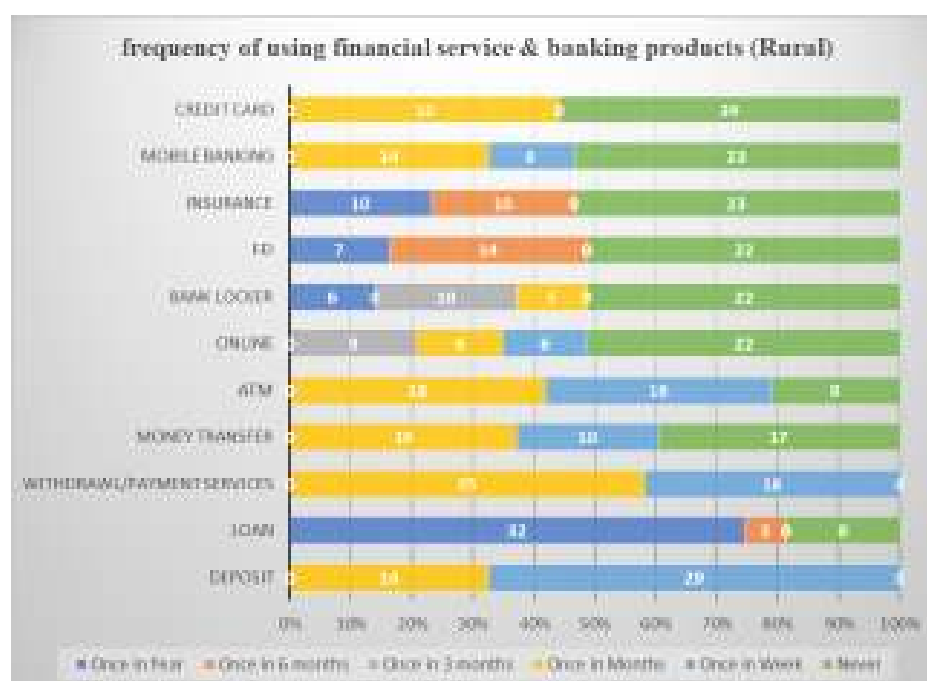


Figure 4 frequency of using financial services & banking products in rural

## Findings

1. In the urban area respondent, the credit card service is mostly used once a week. Mobile banking is mostly used once a week. Insurance and Fixed Deposit is used once every 6 months. The bank locker facility is used once in 3 months. Online banking service is majorly used once a week. The ATM service is also used once a week majorly. The money transfer facility is used once a week. Withdrawal and payment services are used 83% of the time once a week. A loan facility is used almost 70% of the time on a once-a-year basis. The deposit facility

is a frequently used service with 83% of the respondents using it once every week.

2. In the rural area respondent, the credit card service is mostly used once a month. Mobile banking is mostly used once a month. Insurance and Fixed deposits are never used. Bank locker facility is half of the respondents is never used. Online banking service is half of them also never used. **ATM** service is also half of the respondents used once a month. A money transfer facility is used by one-third of the population once a month. Withdrawal and payment services are used 60% of the time once a month. The loan facility is used almost 75% of the time on a once-a-year basis. The deposit facility is a frequently used service with 33% of the respondents using it once a month.

**Conclusion:** In financial inclusion everyone in our society to be involved and participate in financial management judiciously. In India, many poor households do not have any access to financial services in the country, and many poor people are not aware of the bank & its function. The development of all segments is critical for the economy's progress, financial services ensure that funds are equally distributed across all three sectors, namely primary, secondary, and tertiary, such that activities are spread effectively throughout all three sectors. It is the presence of financial services that enables a country to improve its economic condition whereby there is more production in all the sectors leading to economic growth. The benefit of economic growth is reflected in the people in the form of economic prosperity.

A strong financial services sector can lead to economic growth, while a failing system can drag down a nation's economy. Financial inclusion is providing greater access to financial services for poor & low-income individuals as well as businesses with limited resources. India has taken several steps toward financial inclusion for achieving faster inclusive growth in recent years.

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Source: Department of financial services, government of India