

# A Study to Understand Retailer's Behaviors Towards Bank to Open Current Account in Rural India

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**Abstract:** Banking sector is the very important and growing sector in India. This study based on the retailer's behavior towards bank for opening current account which is useful for their daily transactions. Most of the retailers open current account for deposited money and lending money for business purpose. Current account is facilitating for businessman for doing transactions easily and without any notice they can withdrawal their deposits. The study said that the various factors affecting on retailers while opening current account in rural India. Also the study of awareness about benefit of opening current account to retailer, and also the study the type of information source retailer for opening current account. This research is based on the primary information and data collected from Chandrapur district of Maharashtra.

**Keywords:** Bank, Current Account, Retail, Retailer, B2C.

## 1. Introduction

### 1.1 About Bank

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. Bank is a financial institution which accepting deposits and providing loan with earn certain money. Banks create new money for make a loan and banking system generates new deposits. The money supply is increased about lending, and reduced when loans are repaid faster. Usually the definition of the business of banking for the purposes of regulation is extended to include acceptance of deposits, even if they are not repayable to the customer's order—although money lending, by itself, is generally not included in the definition. Most of the regulated industries participate in the market and publicly or privately governed central bank. Central banks have monopoly of issuing banknotes. Banking law is contractual relationship between bank and the customer.

The banking system in India consists of commercial banks and co-operative banks. Commercial banks, which also include foreign banks and private banks, are the predominant segment. Cooperative banks, which are organized on the 'unit' banking principle, are mainly rural based although there are urban cooperative banks also operating in urban areas. A financial institution is a business whose primary activity is buying, selling or holding financial assets.

Financial institutions provide various types of financial services. Financial intermediaries are a special group of financial institutions that obtain funds by issuing claims to market participants and use these funds to purchase financial assets. [1]

### 1.2 Current Account

Current Account as a part of Balance of Payment includes all the transactions (other than those in financial items) involving exchange of economic value which takes place between resident and non-resident entities. Current account records all flows of goods, services and transfers. [2]. Current bank account is opened by businessmen who have a higher number of regular transactions with the bank. It includes deposits, withdrawals, and contra transactions. Current account opened in co-operative bank and commercial bank. In current account, amount can be deposited and withdrawn at any time without giving any notice. There is no limit for doing transactions in a day. It is suitable for making payments to creditors and cheque received from customers can deposit in this account for the collection. Current account is primary components of the balance of payments, it is the sum of the balance of trade (i.e., net revenue on exports minus payments investors) and cash transfers. In this current account doing transaction will be easily and there is not earn any interest of this deposit but in the recent year some banks are given interest on the current account deposits.

### 1.3 About Retail

Retail is the sale of goods and services from individuals or businesses to the end-user or final consumer. Retailers are part of supply chain. Retailers are purchases goods or products in large quantities from manufacturers or wholesaler, and sell small quantity to the end user or customer for earn some profits. Retailing done by at fixed location at any store or also door to door delivery to their customer. Fixed location means at specific place like streets and also shopping mall. It is also another parts of online retailing it means electronic commerce this is used in business-to-consumer (B2C) transactions and mail orders, it is the form of non-shopping retailing.

Retail in India's largest industry is accounting for 10% of the country's GDP and around 80% of the employment. Retail industry in India is at the cross roads. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. Indian retail sector is highly fragmented as compared to the developed as well as the other developing countries. This shows the great potential for the organized retail industry to prosper in India. As the market for the final consumption in India is very large, retail trade is largely in the hands of private independent owners and distributor's structure for fast moving goods consisting of multiple layers such as carrying and forwarding agents, distributors, stockiest, wholesalers and retailers. Thus the growth potential for the organized retailer is enormous. [3] India has about 11 shop outlets for every 1000 people. Vast majority of the unorganized retail shops in India employ family members, do not have the scale to procure or transport products at high volume wholesale level, have limited to no quality control or fake-versus-authentic product screening technology and have no training on safe and hygienic storage, packaging or logistics. The Indian retail market is expected to touch US\$ 1.3 trillion by 2020 from its existing level of around US\$ 500 billion, according to Mr. KV Thomas, Union Minister for Food and Consumer Affairs. The foreign direct investment (FDI) inflows in single-brand retail trading during the period April 2000–September 2013 stood at US\$ 97.29 million, as per data released by Department of Industrial Policy and Promotion (DIPP). [4]

## 2. Objectives

- 1) To study the various factor affecting on retailer while opening current account.
- 2) To study the basis for opening current account.
- 3) To study the benefit of current account to retailer.
- 4) To study the awareness about benefit of current account to retailer.
- 5) To study the type of marketing information source retailer use for opening current account.

## 3. Hypothesis

Retailers are satisfied by the facilities provided by the bank regarding the current account.

## 4. Research Methodology

### 4.1 Data Sampling

For the said study the sample size of **50** was decided. The data collected by means of questionnaire and personal interview.

### 4.2 Data Collection Method

Primary and secondary data are used for the present study. Primary data are collected through the questionnaire. Secondary data are collected from annual reports, journals, internet, books and etc.

### 4.3 Testing of Hypothesis

A statistical hypothesis is an assumption about the unknown population. Chi-square, symbolically written as  $\chi^2$ , is a statistical measure used in the context of sampling analysis for comparing a variance to a theoretical variance. [5] For my research I use chi square test because;

- 1) It applicable when sample size is greater than 30 and my sample size is 50.
- 2) It is applicable to one or more categories. For my study I collect data from different categories of retailer's behavior towards bank open current account.
- 3) Chi square test is applicable for independent observation which is clearly I used in my study. Every question in my questionnaire is independent of each other's.
- 4) Chi square test require random sample and I used sample from random population of retailers.

The chi-square formula used on these data is  $\chi^2 = \sum [(f_0 - fe)^2 / fe]$

Where,

$f_0$  = the Observed Frequency in each category

$fe$  = the Expected Frequency in the corresponding category

$\chi^2$  = is Chi Square

### Hypothesis Testing Procedure

i. Set null and alternate hypothesis:

H0:- Retailers are satisfied by the facilities provided by the bank regarding the current account.

H1:- Retailers are not satisfy by the facilities provided by the bank regarding the current account.

ii. Determine the appropriate statistical test (chi square test):

$$\chi^2 = \sum [(f_0 - fe)^2 / fe]$$

iii. Set level of significance - Alpha as 0.05

iv. Set the decision rule

For the given level of significance, rules for acceptance or rejection of null hypothesis are as below:

If  $\chi^2_{cal} < \chi^2_{critical}$

Then accept the null hypothesis otherwise reject the null hypotheses.

The critical value is

$$\chi^2_{0.05,4} = 9.488 -$$

Where the degree of freedom

$$= n - 1$$

$$= 5 - 1$$

$$= 4$$

Analysis of data

SN	Option	Frequency (f <sub>0</sub> )	Expected Frequency (Fe)	[(f <sub>0</sub> - fe) <sup>2</sup> /fe]
1.	Benefit provide by Bank - Minimum balance requirement	48	43.40	0.49
2.	Overdraft borrowing	41	43.40	0.13
3.	Short term borrowing	46	43.40	0.16
4.	Direct payment to your creditors	49	43.40	0.72
5.	Interest on current account	33	43.40	2.49
		=Σ217		Σ=3.99

Expected Frequency = fe = Σ f<sub>0</sub>/n

= 217/5

= 43.40

X<sup>2</sup> = Σ [(f<sub>0</sub> - fe)<sup>2</sup>/fe] = 3.99

v. Statistical conclusion and business implication

The critical value obtained from table is X<sup>2</sup><sub>0.05,4</sub> = 9.488 and x<sup>2</sup> value obtained from calculation is 3.99. The condition for my project to accept null hypothesis is that the chi square critical means value obtained from table should be greater than chi square value obtained from calculations. The critical value obtained from table is X<sup>2</sup><sub>0.05,4</sub> = 9.488 is greater than X<sup>2</sup> critical that is 3.99. Tabular value falls in acceptance region. Hence null hypothesis is accepted (H<sub>0</sub> is accepted) and alternative hypothesis is rejected. It means retailers are satisfied by the facilities provided by the bank regarding the current account.

5. Findings and Discussion

- From this data we find that 46.15% of the retailer have current account in SBI bank, 3.84% of the retailer in Axis bank, 13.46% of the retailer in Maharashtra bank, 0% the retailer not have current account in HDFC & ICICI bank, and 15.38% the retailer in Bank of India, 21.15% of the retailer have current account in Punjab national bank.
- It is found that 54% of the retailers have Single account, 2% have joint account, 0% have Partnership account & 44% of retailers have Proprietorship account.
- It is found that the 72% of the retailers have been maintaining their current account Between 1 to 3 years, 24% of retailers maintaining between 4 to 7 years & 4% of retailers maintaining More than 7 years.
- From the above collection data it is found that the benefits provide by bank regarding current account is Minimum balance requirement, Overdraft facility, ATM/Debit card/Credit card facility & Internet Banking facility.
- It is found that 13.72% of the retailers are satisfied with their bank because of giving the Individualized attention to every customer, 39.21% are Professional & Attractive appearance, 11.76% about Minimum Complaint handling time and 35.29% retailers are No long line ups at counter.
- It is found that 96% of the retailers are getting support from customer care executives and 4% are not getting support from customer care executives. The 4% retailers

are very satisfy for customer support offered by bank, 74% are only satisfy, 2% are neutral, 20% are Average and no one dissatisfied.

- It is found that 28.35% of retailers are choosing bank because of Near to their shop, 1.49% of Less Documentation and Personal relationships, 23.88% of Brand Name of the bank, and 11.94% of Services of the Bank is attractive and 32.83% are about the Service quality.
- It is found that 40% of retailers are known about bank from their Friends & family, 12% from Business Partner, 8% from Bank Executives, 24% from Promotional Activity and 16% from previous experience with bank.
- It is found that 72% of retailers are doing all transaction at branch only and 26% are Sometimes and 2% are never. Also it is found that 82% of the retailers are not using internet banking facility but 18% are using sometimes. The 90% of the retailers are not using mobile banking facility but 10% are using sometimes. Also 82% of the banks charges interest on the overdraft borrowed by retailers 18% are not charge.
- It is found that 90% of retailers are obtaining overdraft (short-term borrowing) facility and 98% of the retailers are getting periodical bank statements. It is found that most of the retailers are says Current account will help them to make direct payment to their creditors by issuing Cheque, demand-drafts or pay orders, etc.
- It is found that 92% of the retailers using bank facility once in a day, 8% are twice in a day, 0% are three in a day and more than 3 in a day. The 72% of retailers says bank pay interest on current account and 28% says not pay interest on current account. It is found that retailers are always suggesting their bank to other retailers for opening the current account.
- From the hypothesis testing it is found that the retailers are satisfied by the facilities provided by the bank regarding the current account.

6. Conclusion and Suggestions

In the above study it has been concluded that, there are various factors due to which retailer took their decision for choosing the bank for opening the current account. The more the retailer's trusts, the better the retailer's perception on the service quality.

The retailers are more satisfy when they received special attention from the bank. If retailers are not receiving Professional & attractive appearance, personal, or individual attention from the bank, then their quality judgment will be negatively affected. Also in my study I have found that awareness about benefit of current account to retailers and the retailers are use the sources for opening current account like friends & family, promotional activity and bank executives. Over all from this study it can be concluded that the retailer's behavior towards bank opening current account is very different.

From the data collected would like to suggest for private bank to concentrate towards marketing strategies in order to create awareness among retailers of the rural area. Bank

should concentrate on overdraft facility most of the retailer are not using the overdraft facility. Bank should increase the number of transaction counter. Bank should increase personal relation with retailer. Bank should create awareness regarding internet banking facility as well as mobile banking facility.

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