Study of middle-class banking habits in India

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Article Info	Abstract:
	Banks in India have experienced enormous transformational changes because of growth in the economy, technology availability, and financial inclusions. The middle-class group is the backbone of India's economy and also uses banking services to a vast extent. An attempt is made in this research study to observe banking behavior in India in terms of preference for banking services, savings, investment trends, and usage of online banking facilities. A research-based structured questionnaire has been used for collecting prime data for answering research objectives, and statistical tools used for analyses include percentage analysis, chi-square test, correlation analysis, and ANOVA. It is observed that most middle-class sections have a tendency towards savings accounts, online usage facilities in banks have increased, and there is a growing trend towards investing. These research-focused observations reveal that there is a tremendous need for digital services in banking to be customer-centric. ***Keywords:*** Middle Class, Banking Habits, Digital Banking, Savings, Investments, Indian Banking System.

1. INTRODUCTION

Banks are central to the process of economic development by mobilizing savings and allocating them to productive uses. In India, the fast-growing middle class generates heightened demand for a wide array of banking services pertaining to savings, loans, electronic payments, and investment. Additionally, internet banking, mobile banking, UPI, and fintech apps were introduced to revolutionize banking. With added convenience and accessibility also come concerns over security and trust issues and general awareness. There is, therefore, a felt need to understand the banking habits of the middle class so that banks are able to appropriately design products and services.

2. Review of literature

- **T.A. Nikita1, Dr. Bhavin Bhatt2**

- The government's goal for cash-less economy and growing use of mobile phones have contributed to the exponential growth of Mobile banking transactions in India in recent years. COVID-19 and demonetization have considerably impacted this trend. By investing in new technologies, banks can make their mobile banking apps more convenient, secure, and user-friendly.

- **Dale Kilian AND Salah Kabanda**

- Developing countries in Africa tend to face many challenges when it comes to ICT adoption and use. This is partly due to their low income which makes it difficult to spend on ICTs and related innovations. However, with the proliferation of mobile technology and the newly increase of the middle-class citizens who tend to be younger, better educated, and a keen adopter of new technologies

- **Dr. Bibhu Prasad Sahoo 1, Mr. Amandeep Singh 2, Mr. Neeraj Jain 3**

- Green banking is different from traditional banking, as green banking focus on promoting environment friendly banking. Green banking is also known as ethical banking. This paper attempts to analyse the adoption of green banking products among customers with different age groups. ANOVA and post hoc tests are applied for analysing the objectives.

- **Dr.P. VARALAKSHMI AND SRI T. NARASIMHULU**

- shift from traditional to convenience banking. Throughout the globe, including in India, there have been five distinct industrial revolutions that have helped advance the digital transformation of different sectors

- **Asiya Chaudhary and Sabiha Khatoon**

- Purpose–The paper examines the increase in annual income of the new middle-class (The NMC) of Delhi-NCR and its impact on their investment habits, consumption habits and lifestyle. The paper aims to look into the transformation of the new middle-class into the NMC in emerging economies and its potential to the companies and investors. Design/methodology/approach–Thisstudydrawsinsightfrom558newmiddle-classconsumersinDelhi

- **Mr. Mihir Karekar AND Dr. Harshada Mulay**

- India's banking sector has experienced significant changes in the past few years, influencing investment decisions and strategies. This research paper focuses at the investment implications in the Indian banking sector, emphasizing on the factors that drive investment, the risks and opportunities that exist, and the overall influence on the economy.

- **Dr. J. Rani MBA, M. phil, Ph.D., Subash's**

- The aim of this research was to examine the investment behaviour of the middle-income People in Chennai City. The rationale behind choosing this research topic is the premise that the middle class in India has gained attention of the economists, policy makers & the marketers, as still there remains a considerable untapped potential in this income class of India.

- **Neha Shaw AND Rupa Paul Lodh**

- This study looks closely at how middle-class families in India handle their money, aiming to understand their financial behaviour. Because the middle class is the foundation of India's economy, the research checks out how they make money in use, and how much they earn, save, spend, and invest. It also explores how these families could bring a positive change in India

- **Siddhanth Manusha, S. Malla Reddy**

- In today's competitive world, a lot of investment alternatives in banking are being provided by both public sector and private sector financial institutions. But we have no idea about how much people are aware of these opportunities and able to access those services especially in rural villages

- **Mukesh Kumar Jakhar, Research Scholar**

- The goal of the research is to identify the investment behaviour of the middle-class income family in Ajmer City. The rationale choosing this research matter is the premise that the middle class in India has achieved attentiveness of the economists, policy maker and the marketers, as still there remains a considerable untapped potential in the income class of India

- **Rohan Agnihotri & Snehal Tambe**

- This research studies the investment patterns of Indians from the middle-class income group. Individual financial growth is crucial and middle-class income groups often aren't able to expand beyond certain levels, due to many factors. Key factors among them are – (i) Aversion to exploration of alternative options, (ii) Inadequate levels of financial literacy levels & (iii) Needless high expenditure on non-essential things. Keywords Financial literacy, Middle Income Groups, Investment avenues

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- **Mrs. Mythily R a, Ms. Sandhiya D b**

- In the modern world income plays an important role in every one's life. Investment is one of the major issues of the middle-income families as their small savings of today are meeting the expenses of tomorrow. The person dealing with the planning must know all the various investment choices can be chosen for the purpose of attaining the overall objectives

- **Dr. D. DIVYA AND SANTHOSH N**

- To gain insight into the financial behaviour's, interests, and challenges of middle-class persons, this study examines the wealth management patterns that are common among them. Despite being a sizable portion of the population, the middle class's financial management strategies are still mostly unstudied in scholarly works

- **ShuvenduDey**

- Indian society can be divided into different classes mainly based on income. The upper class consume errs are the main buyers of exclusive stuff and frequently shop at exclusive retailers. The lower class, on the other hand, is usually concerned with necessities

- **Santoshi Agarwal**

- In spite of the fact that individuals have significantly more money than they did decades ago, the level of information on how to manage that money has not kept pace, according to financial experts (Maura Fogarty, 2012). (2012) (Maura Fogarty). Everyone must take responsibility for planning and managing their finances and put these skills into practice

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- **MS.S.KIRUTHIKA and Dr. K.P. BALAKRISHNAN**

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- **Asiya Chaudhary and Sabiha Khatoon**

- NCR.ANOVA, posthoctests, andhierarchicalmultiplelinearregressionmodelareappliedtotesttheproposed hypotheses. Findings–TheNMClivinginIndia'smegacitiesimitates the lifestyle of their counterparts living in the West. To maintain their status and present themselves different from those living in middle or lower-middle-class categories, they spend audaciously

STATEMENT OF THE PROBLEM:

• The middle class in India is a crucial segment in the economy, but their banking behavior differs considerably because of their disparate levels of income, education, awareness, and accessibility to technology-driven banking services. Although there is a rise in better banking and technology-driven banking facilities, many middle-class customers are confronted with issues like a lack of awareness, security, and trust in technology. This research will examine the banking behaviour of middle-class consumers in India and find out what determines their usage patterns of both traditional and technology-driven banking, along with their issues in adopting it effectively

Research Gaps:

• Although there have been many studies on banking practices within the Indian context, comparatively little work has been done on the banking practices of the middle-class segment of society. The current literature tends to address banking customers generally, without segregating the distinct requirements, preferences, and constraints that apply specifically within the middle class. There has been little

empirical work that comparatively examines the use and acceptability of traditional banking channels and online banking platforms by the middle-class segment. Further, the contribution of financial literacy on banking practices and the use of banking services has also not been fully examined. Security and confidentiality issues associated with online banking infrastructure and applications also constitute little-examined terrain. The demographic variables that affect the banking practices of the middle class in society also have been little examined.

3. RESEARCH METHODOLOGY

Research Design

- The research methodology used in this study is based on a descriptive research design because it intends to describe and analyse the present banking practices, usage, and savings as well as investment habits of middle-class citizens in India. A descriptive research design assists in understanding preferences regarding banking practices.

Population of the Study:

- The population targeted in the study comprises the mid-class in India who regularly make use of banking facilities, including the public and private sectors.

Sample Size:

- A sample size of 150 participants was chosen in order to conduct the research. The number is adequate to represent banking habits of the middle class within the context of the research.

Sampling Technique:

- A convenience sampling technique was used in this study whereby respondents were selected based on their convenience and willingness to participate in the study.
- Data Analysis Techniques
- Both frequency and percentage techniques were used to analyze data in this study, where data frequency is presented

Data Collection Method:

- This study has made use of primary as well as secondary data. The primary data has been collected using a structured format for preparing the questionnaire. This was done with the purpose of extracting details pertaining to banking practices, usage patterns, and saving as well as investments.
- **Objectives:**
    - To analyse the banking behaviour of the middle class in India.
    - To determine the categories of banking services that are normally utilized by the middle class.
    - Analysis of the saving and investment activities of banks.
- **Hypothesis**

To understand the banking behaviour of the middle-class people of India.

- H0: There is a significant relationship between demographic variables age, income, education, and occupation, and the banking behaviour of the middle class in India
- H1: There is no significant relationship between demographic variables and banking behaviour of the middle-class population in India.

To determine the kinds of banking services usually employed by the middle class.

- H0: There exists a significant difference in the usage of different banking services (Saving accounts, Fixed deposits, Loans, Internet banking, Mobile banking) by the members of the middle-class group.
- H1: There is no significant difference in the usage of various banking services among individuals from the middle class.

To analyse savings and investment patterns through banks

- H0: Banking habits affect saving and investment practices among members of the middle class through banks significantly.
- H1: Banking habits fail to have a significant effect on the savings and investment practices of middle-class people through banking.
- **Research Tools**
- Questionnaire
- The structured questionnaire is employed as a major tool in this study, aiming to obtain information related to demographic information, banking practices, banking services, and saving/investment practices among members of the middle class.
- **Methods of Data Collection**

   Data

- The primary data is gathered using the online survey method (Google Forms) and offline questionnaires. Secondary data is gathered from bank reports, articles, research papers, and RBI publications.
- | Technique | Definition | Purpose | Examples
  - Percentage Analysis
  - Mean and Standard Deviation
  - Chi-square
  - Correlation Analysis
- **Software Tools**
- SPSS
- MS Excel

4. DATA ANALYSIS AND INTERPRETATION

OBJECTIVE 1

1.To study the banking habits of middle-class individuals in India**.**

Age Group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	34	22.7	22.7	22.7
	26-35	36	24.0	24.0	46.7
	36-45	34	22.7	22.7	69.3
	above 50	46	30.7	30.7	100.0
	Total	150	100.0	100.0	

- **Interpretation**

  o The distribution of the data by the ages of the people who replied shows that the major proportion of the middle-class population aged above 50 years constitutes 30.7%, while the other groups include the 26–35-year age group with 24.0%, and the remaining are equally made up of 18–25-year and 36–45-year aged people with 22.7% each. This cumulatively suggests that nearly 69.3% of the people surveyed are in the working generation of the economy, between the ages of 18 and 45 years, giving a balanced representation of people of different ages to study the banking behavior in the Indian middle-class population.

OBJECTIVE 2

To identify the types of banking services commonly used by the middle class

Track Investment_ Performance Crosstabulation

		Track_Investment_Performance					
		1	2	3	4	5	Total
Gender 1	Count	14	18	17	22	12	83
	% within Gender	16.9%	21.7%	20.5%	26.5%	14.5%	100.0%
	% within Track_Investment_Performance	48.3%	66.7%	54.8%	64.7%	41.4%	55.3%
2	Count	15	9	14	12	17	67
	% within Gender	22.4%	13.4%	20.9%	17.9%	25.4%	100.0%
	% within Track_Investment_Performance	51.7%	33.3%	45.2%	35.3%	58.6%	44.7%

Total	Count	29	27	31	34	29	150
	% within Gender	19.3%	18.0%	20.7%	22.7%	19.3%	100.0%
	% within Track_Investment_Performance	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- **Interpretation:**
  - The age group of the respondents who gave the answers, representing the distribution of the data, establishes that the predominant demographic of the middle-class population above 50 years is 30.7%, while the others are the 26-35 years, accounting for 24.0%, and the others are evenly distributed between the 18-25 years and 36-45 years, accounting for 22.7% each. Collectively, it is close to 69.3% who are part of the working generation, aged between 18-45 years, representing a well-distributed age bracket for the study of the banking habit among the Indian middle-class groups.

OBJECTIVE 3

To analyse saving and investment behaviour through banks.

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	5.484[a]	4	.241
Likelihood Ratio	5.525	4	.238
Linear-by-Linear Association	.206	1	.650
N of Valid Cases	150		

Interpretation:

- To assess the link between the identified variables, the Chi-Square test was used. In this case, the Pearson Chi-Square value of 5.484, with degrees of freedom at 4, exceeds the significance level of 0.05, which stands at 0.241. Its equivalent, the Likelihood Ratio, has a similar result, since the P-value is 0.238, while that of the Linear-by-Linear correlation, at 0.650, signifies that it is non-significant

FINDINGS

- o The research revealed that most respondents belong to the economically active group, aged 18-45 years, which is a clear manifestation of active participation in banking operations by members of the middle class in all stages of their lives.
- o The middle class usually makes use of basic banking products and services like saving accounts, fixed deposits, loans, and internet banking, indicating dependence on banking institutions by the group.
- o The data shows that there are mixed feelings about digital banking tools since a high percentage of the respondents agree that digital banking has a positive effect on investment decisions, while a comparable percentage disagrees.
- o The savings and investment patterns of the Middle Class are affected by banking, although this effect is moderate, indicating that the Middle Class has diverse levels of awareness and trust towards online solutions.
- o The existence of the category "don't know" and the presence of the category "neutral" point to a lack of confidence and uncertainty among some respondents regarding the influence of digital banking on financial management.

5. Conclusion

The conclusion reached in this study is that the savings and investment behavior of the middle class in the Indian economy is segmented by age groups, with the majority of the respondents falling within the economically active groups. Even as the traditional banking system is in place and being practiced by the larger sections of the population, the moderately significant influence of the digital banking system on savings and investment behavior has come to the fore. Most of the respondents have accepted the benefits of the digital banking system, but the apprehensions and lack of awareness have held back the effective working of the system.

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