

## **Banking Habit Determinants of Back-Ward Residents of Urban Area**

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### **Abstract**

*Within this context, the objective of this paper is to understand the factors that influence the banking habit of the back-ward residents of urban area, in the light of tapping the financially excluded population in the main stream of banking transaction. The survey instrument was used to collect the information from 150 residents of the urban people from the back-ward area, who have at least one bank account or are involved in any banking transactions in any financial institution. Regression analysis's findings indicate that the convenience of banking services, financial transaction security, and motivating factors are the three main elements that influence the banking habit.*

**“Keywords”:** banking service, banking habit and back-warded urban people

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### **1. Introduction**

Many scholars believe that the banking system is an integral component of every country's economic structure (Maheswari, 2016; Arivazhagan, 2019; Sanghvi, Talati, & Misra, 2017), and it plays a crucial in achieving macroeconomic goals. As a result, it is regarded as the lifeblood of economic development (Khadse, 2019). They further explained that, it catalyts for economic growth as well as a vehicle for socio-economic transformation. Furthermore, banks play a significant role in mobilizing the nation's savings and channeling them into high-priority investments and better utilization of available resources. Therefore, the access of every urban people to banking transaction is most important.

Habit has been viewed differently by various scholars. Habit is a regularly repeated behavior or pattern of action although he/she may be unaware of it (Rikwentishe, Pulka, & Msheliza, 2015). Habit can also be defined as anything a person or animal does, feels, thinks or experiences. An individual's habit is therefore his/her characteristic ways of thinking, feeling, and acting. Examples of habits are playing badminton, drinking alcohol and smoking, saving money, solving problems and so forth. In literature, two major types of habits

namely overt (easily recognizable) and covert (hidden); a desirable (good) habit or undesirable (bad) habit; and weak or excess habits are frequently interpreted. Habit can be observed, recorded and measured.

Banking habit enables the client to do banking transaction frequently. Prior literature shows that, banking habits can be analyzed based on the frequency of bank visits, account maintenance in terms of the number of transactions, (Sanghvi, Talati, & Misra, 2017); type of account, facilities availed in terms of ATM, credit/loan taken, money transfers, making deposits, savings, etc., (Arivazhagan, 2019). Therefore, this study attempts to measure the above-explained banking habit using different banking habit drivers to tape the financially excluded population more specifically in back-warded urban areas. Frequent uses of different banking services slowly raise the awareness level of clients regarding the use of banking services. The proposition of this construct is, if people frequently use these services from the bank, the awareness level of that clients assumes high comparatively to non-users. The reasons for financial exclusion can be many such as Lack of sufficient identity documents, less education, unawareness, unfamiliarity with the products and services, bank distance or bank timings, etc., (Sanghvi, Talati, & Misra, 2017). Therefore, this study aims to measure the impact of motivational factors, the convenience of banking services and security of banking transactions on banking habit of back-ward residents of the urban area.

## **2. Review of literature**

### **Motivation towards banking services**

Individuals' motivation is one of the most powerful predictors of behavior. Motivation influences a person's decision to accept or reject a job, as well as whether or not to pursue a particular course of action. Furthermore, motivation assists individuals in becoming driven by the goal of satisfying their unconvinced wishes; as a result, they apply their effort in the hopes of being fulfilled with their needs (Khan, Ahmed, Paul, & Kazmi, 2018). In addition to this, motivation is defined as a dynamic strength among individuals that inspires employees to do extraordinary work to achieve a goal that regulates the fulfillment of a desire or anticipation (Mullins, 2011). It is a complicated subject of human behavior that varies from person to person; as a result, different people will be stimulated in different ways (Kressler, 2004). Individuals' behavior encourages them to implement the effect of both capacity and inspiration.

Motivation toward the usage of banking services in order to strengthen and focus them in promoting these services, as well as to seek to minimize the impact of the impeding factors in the mindset of the clients through encouragement to alleviate his/her fears in that regard (Alsamydai, Yassen, Alnaimi, Dajani, & Al-Girem, 2014).

Extensive research over the past decade confirms of the significant effect that ease of use of banking services has on perceived usefulness (Agarwal & Prasad, 1999; Venkatesh & Davis, 2000; Nguyen, 2020) ; the speed of transaction (Alsamydai, Yassen, Alnaimi, Dajani, & Al-Girem, 2014; Vijayakumar & Jayachitra, 2013); service availability at any time (Satyadevi & Resmi, 2018), future security of family members, to take the facility provided by the government ,etc., are the important motivating factors for developing banking habit of urban people. In addition to this, the literature shows that there is a significant positive relationship between perceived usefulness and the banking habit of urban people. After studying the prior literature this study proposes the propositions that

H<sub>A1</sub>: The motivational factors have a significant positive effect on the banking habit of back-ward urban areas people.

### **Convenience of banking services**

Service convenience is defined as the consumers' time and effort perceptions related to buying or using a service (Khazaei, Manjiri, Samiey, & Najafi, 2014). Service convenience can be thought as a means of adding value to consumers, by decreasing the amount of time and effort to get the service (Kaura, Sharma, & Chalasani, 2014). Mostly used dimensions are decision convenience (Colwell, Aung, Kanetkar, & Holden, 2008; Khazaei, Manjiri, Samiey, & Najafi, 2014; Kaura, Sharma, & Chalasani, 2014), access convenience (Colwell, Aung, Kanetkar, & Holden, 2008; Khazaei, Manjiri, Samiey, & Najafi, 2014; Kaura, Sharma, & Chalasani, 2014), transaction convenience (Berry, Seiders, & Grewal, 2002; Colwell, Aung, Kanetkar, & Holden, 2008; Khazaei, Manjiri, Samiey, & Najafi, 2014; Kaura, Sharma, & Chalasani, 2014), benefit convenience (Colwell, Aung, Kanetkar, & Holden, 2008; Khazaei, Manjiri, Samiey, & Najafi, 2014; Kaura, Sharma, & Chalasani, 2014) and post-benefit convenience (Colwell, Aung, Kanetkar, & Holden, 2008; Khazaei, Manjiri, Samiey, & Najafi, 2014; Kaura, Sharma, & Chalasani, 2014). Similarly, another research suggested that convenience consists of the time and effort consumers expend on product and service acquisition and consumption. More recently, researchers have investigated how technology (specifically self-service technology) may enhance convenience and increase consumer satisfaction with service encounters. Service convenience was found to be a significant predictor of overall satisfaction in different service contexts.

The finding shows that transaction convenience, access convenience, decision convenience, post-benefit convenience, convenience and benefit convenience have a positive impact on client satisfaction (Kaura, Sharma, & Chalasani, 2014). Similarly, another study by (Colwell, Aung, Kanetkar, & Holden, 2008) of service convenience was found to be a significant predictor of overall satisfaction in the context of banking services usage. This study, therefore, proposes that service convenience dimensions (decision convenience, access convenience, transaction convenience, benefit convenience and post-benefit convenience) have a positive impact to create banking habits.

After studying the previous research in different places this study proposes the propositions that: H<sub>A2</sub>: The convenience of banking services helps to increase the banking habit of the back-warded urban people.

### **Financial Security of Banking Transaction**

Financial security is the state of having a constant income that sustenance a standard of living now and in the foreseeable future. It includes the probable continued solvency, expectedness of the future cash flow of the individual. In addition, financial security often refers to individual and family money management and savings. Financial security is crucial to household that provides a foundation on which households can make financial and potentially life-changing decisions. Similarly, financial security is also involved in term of living arrangement or financial sources during retirement period. Thus, the existence of need for managing income in consumption, saving, investment and retirement plan is the end result of financial security.

A sense of security associated with the use of a particular product service is an important predictor in the propensity of a consumer to avail that service/product. Customers are not really able to evaluate services before the service process takes place. The interaction with the service provider and the customers, the so-called service encounter, is the key in the evaluation of service performance. During these encounters, the customer is able to get an impression of the way the company provides its services. His/her service experience is defined by

the interaction with the organization, the processes and the employees. Accordingly, customer build perception towards the service.

Service providers have significant opportunities to manage the interactions that together form the experience. They can design and interactive production process; select, train and manage service employees; design and maintain the service environment; selectively target, socialize and educate customers. In banking services, client motivation is usually conceptualized as a multidimensional construct. The list of bank service attributes used for the measurement of motivation comprises elements like the appearance of the facility, attitude and behavior of staff, decor and atmosphere, business hours, interest rate, and waiting time. Bank customers may regard some of these elements as being not equally important as the others.

Financial security gains the benefit by having the satisfaction in fulfilling high order needs such as buying house, adequate retirement fund, children's education and for emergency purposes. Financial security also affects individual self-rated health as people with positive financial security tend to rated their health as excellent as compared to less financially secure people. Financial security involved not just individual awareness and locus of control on their own income and saving but also other party such as government intervention program, insurance institution and employers. In addition to this, financial security among consumers affect life satisfaction and thus major financial security is retirement, college tuition, and making ends meet. Consequently, financial issues by having thought about the future lower the consumer's life satisfaction especially when the consumers experience with loans and mortgage. Therefore, the concern over financial security exist is crucial to individuals who experiences it as it affects the client banking habit (Ahmad & Bashir, 2014).

The result showed that having increasing financial security (bank accounts, credit cards, and ability to borrow money) increased participation in organizations and friendships. On the other hand, the study also proved that financially vulnerable (material hardship) will decrease friendship (social interaction individually) but increase participation in organizations (community). Thus, financial insecurity affects the social interactions among consumers to get the advice, emotional support and assistant from others person as one of the coping mechanisms for financial insecurity. Consumers do rely on the assistant and support from the government such as focus on income maintenance system, social security system and insurance protection. The vulnerable people such as the elderly need more attention in social welfare service but also the younger people also need to be aware the important of financial security in early working life. Hence, the financial security also increases the banking habit of urban people (Ahmad & Bashir, 2014).

Satisfied customers always maintain contact with the organization and purchase different types of goods and services. The banking sector is increasing day by day. So, it is the big challenge of banking sectors to retain customers through providing service. Attractive customer satisfaction is the main source to stay business in the competitive market. Owing to the financial services like banks' competition in the market place through undifferentiated products, this highlights service quality as the basic competitive tool.

After studying the previous research in different places this study proposes the proposition that H<sub>A3</sub>: The security of banking transactions helps to increase the banking habit of the back warded urban people.

### 3. Statement of Problem

Nepal government has declared most of the urban areas as a municipality despite of lack of many basic infrastructure and facilities. Many people even in the urban area have no sufficient access to banking services. There are many reasons of poor banking services among urban as well as urban people. Some of the reasons are lack of branches in proper place, transportation facility, electricity, internet and many more. Most of the areas of these parts are back warded in many aspects such as poverty, predominantly traditional agriculturist, illiterate, poor saving capacity and credit worthiness and unaware of modern banking services. Compared to last two decades banking sector is growing leaps and bounds in different parts of the country but still there are many people who have no access of banking services. In the city area the banking system and access of banking services has changed the standard of the life using of information technology through heavy computerization and use of intranet and internet network for providing such services. Considering these scenarios, this research focuses on the determinants of banking habits of back-warded resident of urban people.

### Theoretical Framework

Habit theory indicates that repeating a behavior in a stable environment creates the conditions for automatic behaviors. It posits that through the course of repeated action, decision-making process is reduced because of initiate behavior. In addition to environmental cues, the presence of other individuals with whom one has interacted also initiates habitual behaviors (Quinn and Wood 2005; Wood and Neal 2007). Adding new features to the habit performance environment creates the necessary conditions for adopting new or discarding old habits. Thus, policymakers seeking to change clients' behavior through habits can successfully design interventions that focus on the environment. Habit theory posits that under certain conditions, consumers adopt new behaviors despite being hardwired to repeat past behaviors.

### Conceptual Framework

This study has selected the banking habit of back-warded urban people as an independent variable. The banking habit is measured using the variable such as motivation towards banking service, convenience of banking services and financial security of banking transaction and its impact on banking habit. The relationship between independent variable and dependent variable has been shown in figure 1.

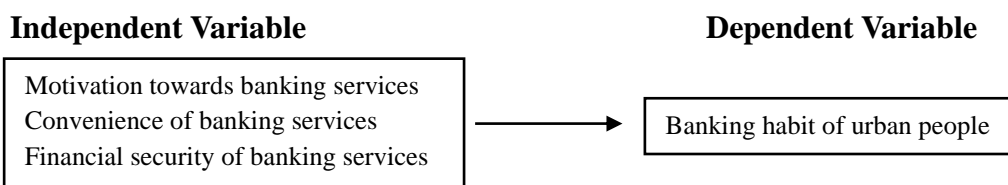


Figure 1: Conceptual framework of the study

### 4. Research Methodology

This research relied on primary data. This study used a quantitative research method and is based on positivist philosophy. The participants in this study were back-warded urban residents with bank accounts. A

survey questionnaire was used to collect 150 responses using the convenience sampling approach. A five-point Likert scale was utilized, with 1 being very low and 5 being very high. The data was analyzed using the frequency, percentage and regression analysis.

### 5. Discussions

The sampling unit was identified as urban people having at least one bank account in any bank available in that area. The demographic profile of respondents showed that the percentage of male (81.33%) participating in the survey was higher than that of female (18.67%). Comparing the education status of the respondent the majority of respondents was Plus 2 (31.3%) and bachelor level (27.3%). Similarly, according to their profession the majority of the respondent were employee (40%) and secondly business person (39.3%). Majority of the respondent feel banking service is necessary (78%); for deposit, withdraw and use of ATM people visit the bank; and the banking information were received from mostly from friends (33.3%).

**Table 1**

*Profile of the respondent*

Variables	Freq.	Percent	Variables	Freq.	Percent
<b>Gender of the respondent</b>			<b>Profession of the respondent</b>		
Female	28	18.67	Student	18	12.0
Male	122	81.33	Farmer	13	8.7
<b>Total</b>	<b>150</b>	<b>100</b>	Business person	59	39.3
<b>Feeling of banking services</b>			Teacher	60	40.0
Vey necessary	32	21.3	<b>Total</b>	<b>150</b>	<b>100</b>
Necessary	117	78.0	<b>Banking information received</b>		
Not necessary	1	0.7	From friends	50	33.3
<b>Total</b>	<b>150</b>	<b>100</b>	From relatives	46	30.7
<b>Education of the respondent</b>			From neighbor	19	12.7
SEE	38	25.3	From bank staff	35	23.3
Plus 2	47	31.3	<b>Total</b>	<b>150</b>	<b>100</b>
Bachelor	41	27.3	<b>Mostly used banking services</b>		
Master & above	24	16.1	Deposit the amount	99	66.0
<b>Total</b>	<b>150</b>	<b>100</b>	Money Transfer	11	7.3
<b>Purpose of visiting Bank</b>			Use of ATM	37	24.7
To deposit amount	11	7.3	Payment of loan	3	2.0
To withdraw amount	25	16.7	<b>Total</b>	<b>150</b>	<b>100</b>
To withdraw amount using ATM	30	20.0			
To do all above mentioned work	84	56.0			
<b>Total</b>	<b>150</b>	<b>100</b>			

Source: Survey data 2021

**Table 2:**

Summary model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.593 <sup>a</sup>	0.352	0.334	0.77884

a. Predictors: (Constant): Motivation, convenience and security of banking transaction

Source: Survey data 2021

Table 2 shows the R<sup>2</sup> value, also known as the coefficient of determination, which is the proportion of the total variance in banking habits explained by regression of motivation for banking services, convenience for banking services, and security for banking transactions. These independent variables explain about 35% of the variation in formation of banking habits among back warded residents of urban area.

**Table 3:**

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	35.917	3	11.972	19.737	.000 <sup>b</sup>
Residual	66.118	109	0.607		
Total	102.035	112			

a. Dependent Variable: Banking habit of urban people

b. Predictors: (Constant): Motivation, convenience and security of banking transaction

Source: Survey data 2021

Table 3 of the ANOVA analysis gives a "Sig" value of (.000), which is lower than .05 in this case. As a result, there is a significant link between the independent and dependent variables at 5% level of significance. It indicates that motivation for banking transactions, convenience of banking services, and security of banking transactions have significant positive impact on banking habits of back-ward resident of urban area.

**Table 4:**

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.043	0.687		4.430	0.000
Motivation towards banking service	0.206	0.071	0.233	2.909	0.004
Convenience of banking service	0.144	0.068	0.186	2.113	0.037
Security of banking transaction	0.254	0.061	0.370	4.185	0.000

a. Dependent Variable: Banking habit of urban people

Source: Survey data 2021

The result of unstandardized coefficient (Beta) value of all independent variable is positive which indicate that motivation, convenience, and security of banking transactions have a positive impact on urban people's banking habits. It shows that as motivation for banking services, convenience of banking services, and security of banking transactions all rise by one unit, banking habits rise by 0.206, 0.144, and 0.254 units, respectively.

**Table 5**

Summary of hypothesis

Hypothesis No.	Hypothesis	Support or Reject Hypothesis
H <sub>A1</sub>	The motivational factors have significant positive effect on banking habit of backward urban people.	Support
H <sub>A2</sub>	The convenience of banking services helps to increase the banking habit of the back-warded urban people.	Support
H <sub>A3</sub>	The security of banking transactions helps to increase the banking habit of the back-warded urban people.	Support

## 6. Conclusions

In 2022, the Nepalese government reformed the local level into municipalities and urban municipalities, despite the lack of infrastructure and other facilities required for municipality development. In this scenario, banking services are very important for economic development as well as the formation of banking habits. The Nepalese government has forced to financial institutions at least one bank should be established at one local level. The geographical remoteness, lack of transport and awareness majority of the people are out of access to financial institutions. Therefore, the purpose of this study was to learn more about the banking habits of those who live in the city's backward areas. The result of this study indicates that motivation of the banking services, convenience of banking transactions and security of financial transaction has significant impact on developing the banking habit of urban people.

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