



Study On Perception of Investors on Commercial Banks as A Backbone for Economic Development

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ABSTRACT :

This research looks into what investors think about commercial banks and how they affect economic development. Commercial banks are like the backbone of the economy because they help people and businesses with money matters. We want to understand what investors think about these banks because it affects how they decide to invest their money. By asking investors questions and talking to them, we hope to learn more about their thoughts and feelings toward commercial banks. This information can help us make better decisions to improve trust in banks and make the economy stronger.

Keywords: Investors Perception, Commercial Banks, Economic Development.

1. Introduction :

In this study, we explore how investors see commercial banks as essential for economic development. Commercial banks are like the heart of the economy, pumping money to businesses and individuals. Investors are people who put their money into different places to make more money. Their opinions about banks can affect how they invest. We want to know what they think about commercial banks and how it impacts the economy. By understanding their views, we can figure out ways to make banks more trustworthy and help the economy grow.

2. Concept :

The perception of investors in commercial banks is all about how investors see and understand the role and performance of these banks in the financial world. Commercial banks are like big centers where people and businesses put their money, get loans, and handle their finances. Investors, who want to make more money, watch closely how these banks work because it affects where they put their money and how they make investment decisions.

Investors' confidence in these banks affects how they behave. If investors trust a bank and think it's doing well, they're more likely to put their money there or buy its stocks. But if they have doubts about a bank's stability or honesty, they might take their money out, which can cause problems for the bank and the economy as a whole.

Lots of things shape how investors see commercial banks. Economic stuff like interest rates, inflation, and how many people are out of work can change how they feel about a bank's health and how much money it can make. News reports about a bank's finances, if it's following the rules, or if it's been involved in any scandals also affect what investors think. And what investors have experienced with a bank in the past, or what they've heard from others, can shape their opinions too.

It's really important for bank bosses, government people, and others who watch over the financial world to understand what investors think about commercial banks. By knowing what's on investors' minds, they can spot any problems early, make changes to improve confidence, and make sure banks keep doing their job of keeping the financial system strong and stable. In short, a good image of commercial banks in the eyes of investors is super important for keeping the whole financial system running smoothly.

3. Literature Review :

1. Mishra Pradip Kumar, D. H. (2018). They find it tough to buy things they need for farming and use new techniques because they don't have enough money. Getting loans from banks is really important for them to buy stuff and improve how they farm. Research shows that these loans from banks are really crucial for farmers to do better. It helps them make more crops, earn more money, and make farming grow.

2. Das, B. (2018). the government tries to help businesses grow after joining the World Trade Organization, it shows how having good financial rules that encourage new ideas is really important for making the economy grow. Also, small businesses often have a tough time adjusting to new ways of doing things
3. Banik, S. (2018). the significance of small-scale industries for India's economic growth. It discusses how these industries contribute to employment, regional equality, and export, and how financial institutions support their development.
4. Jain, D. P. (2012). They consider factors like safety, potential earnings, and how easily they can access their money. They have various choices such as buying shares, saving in banks, investing in gold, or getting insurance.
5. Demirgüç-Kunt & Huizinga, 2004 : Investors' Trust in Commercial Banks: Investor confidence and trust in commercial banks are essential for the functioning of financial markets. Investors rely on banks for safekeeping their funds, lending opportunities, and financial advice.
6. Levine, 2004 : Role of Commercial Banks in Economic Development: Commercial banks are considered fundamental to economic development. They play a critical role in mobilizing savings and channeling them into productive investments, which stimulates economic growth.
7. Calomiris & Mason, 2003 : Investor Behavior in Banking Crises: Studies have explored how investors react to banking crises. Some investors may withdraw their funds from banks during times of crisis, which can have adverse effects on economic stability.
8. La Porta et al., 2002 : Corporate Governance and Investor Confidence: Strong corporate governance practices within commercial banks are associated with higher investor confidence. Investors prefer banks with transparent and accountable governance structures

Research Methodology

4.1 Objectives of the Study

- To Understand What Investors, think: Figure out what investors think about how commercial banks help the economy grow.
- To Give Advice to Banks: Offer suggestions to banks on how they can do better to meet investors' needs and help the economy grow.
- And here are some more specific goals:
- To look at how investors in different countries see commercial banks.
- To see How the global financial crisis changed how investors see commercial banks.
- To see if new technologies like blockchain and fintech change what investors think about commercial banks

4.2 Research Design:-

- How We Collect Information: We can either ask a lot of investors questions in a structured way (like a survey) or talk to a smaller group of investors in-depth (like interviews or group discussions).
- Getting the Info: If we choose the first way (survey), we'll give investors a list of questions online or in person. If we choose the second way (interviews or discussions), we'll have conversations with a few investors.
- Making Sense of the Info: Depending on how we collect the info, we'll either use computer programs to crunch the numbers or find patterns (for surveys), or we'll look for common themes and ideas in what investors say (for interviews or discussions).
- Doing the Study, the Right Way: We'll be careful to ask for investors' permission to take part, and we'll keep their answers private. We'll also make sure everyone feels comfortable when talking to us.
- In Conclusion: How we do the study will depend on the specific things we want to find out. But whatever we do, it will be done properly and respectfully.

Data Collection Method:-

There are different ways to gather information for a study about what investors think of commercial banks and how they help the economy.

Surveys: We can ask lots of investor's questions, either online, in person, or on the phone, to learn what they think about commercial banks and what influences their opinions.

Sample Size : 106

Sampling Area :

For regular people who invest:

People who own shares in commercial banks.

Folks who invest in commercial bank bonds and other similar loans.

Those who put their money in commercial banks as savings.

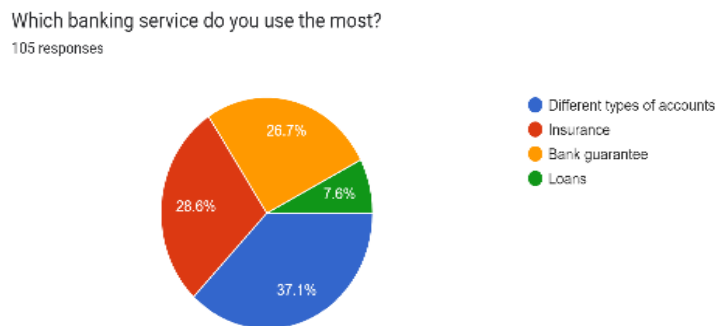
Individuals who invest in things like mutual funds that put money into commercial banks.

Data Analysis :

Demographic Profile

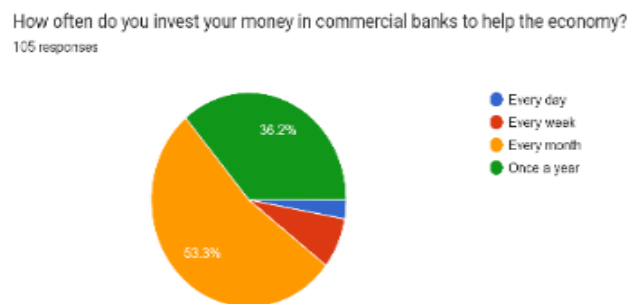
Gender:-in our research sample there are 51.4% (54) are females and 48.6% (51) are males. There are 72.4%(76) respondent in age group of 18-30 , 5.7%(6) respondent are below the age of 18 , other is only 1%(1) respondent who is above 50 and 21%(22) respondent are in the age group of 31-50. Occupation:-in our research sample there are 51.4%(54) respondent who are employees , 31.4%(33) respondent are students , 3.8%(4) respondent are government employees and 13.3%(14) respondent are businessman. preferences for banks:-in our research sample there are 55.25%(58) respondent who prefer online banks , 39%(41) respondent who prefer traditional banks and 5.7%(6) respondent dont have any preference.

Nominal Questions :-Fithet Graph followed by Interpretation



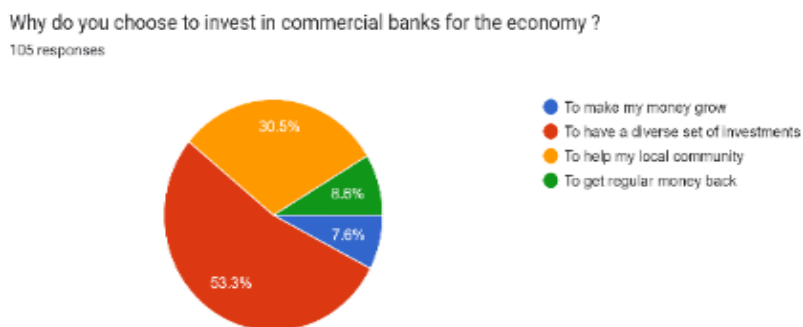
Graph 1.1 show that among 105 respondent 39 said that they use banking services for different type of account while 38 they use banking service for insurance, 28 respondent uses banking service for bank guarantee and 8 respondent uses banking services for loans

Graph 1.1



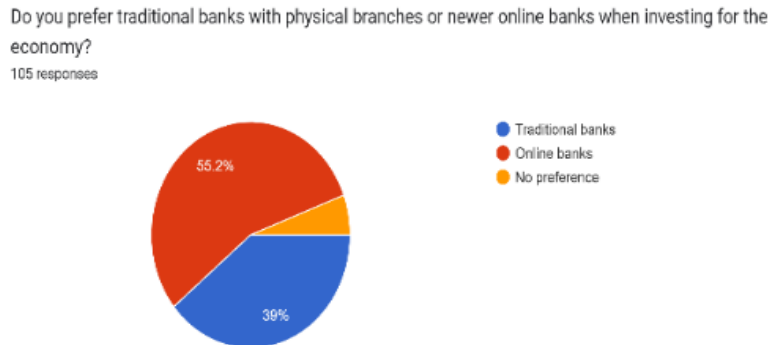
Graph 1.2 shows that among 105 respondent 56 said that they invest in commercial bank every month, 38 said that they invest their money in commercial bank once a year, 8 Seth that they inverse their money every week and 3 Said they invest everyday in commercial bank

Graph 1.2



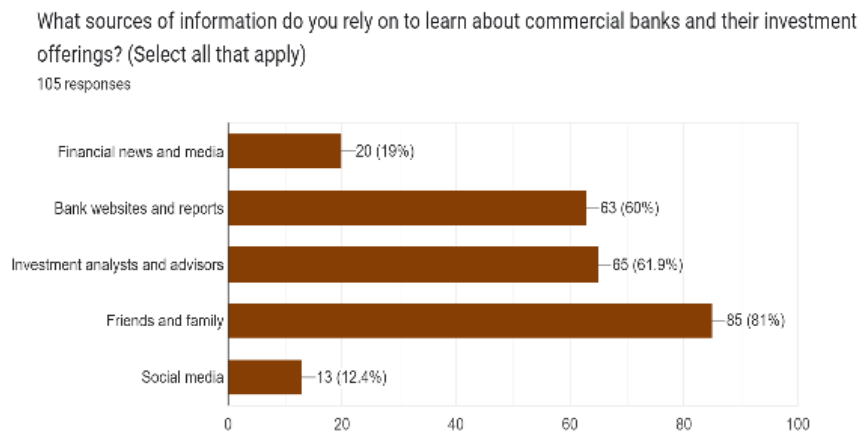
Graph 1.3 shows that among 105 respondent 56 invest in commercial bank to have a diverse set of investment,While 32 said that they invest in commercial bank to help their local community, while 9 respondent said that they invest to get regular money back and 8 respondentsaid that they invest to money

Graph 1.3



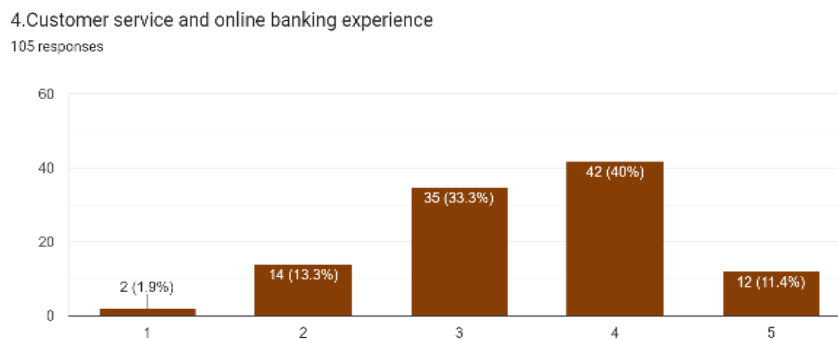
Graph 1.4 shows that among 105 respondents 58 said they prefer online banks while 41 prefer traditional Banks and 6 respondents do not have any preferences

Graph 1.4



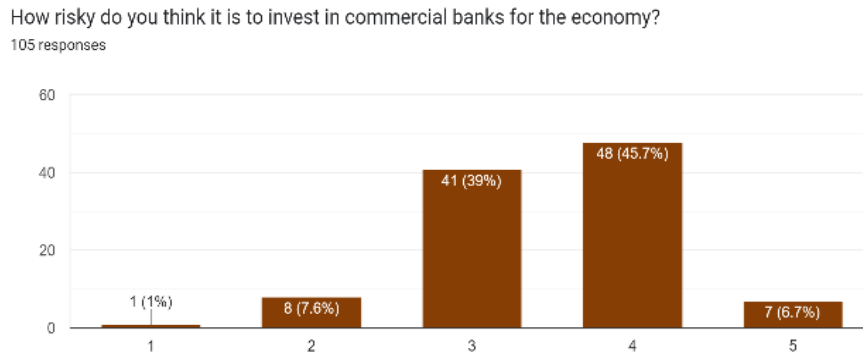
Graph 1.5 shows that 20 respondent's source of information about commercial bank is financial news and media, while 63 respondent's source of information is bank websites and report, 65 respondent's source of information is investment analyst and advisors, while 85 respondent's source of information are friends and family and 13 respondents rely on social media for the information of commercial banks

Graph1.5



Graph 1.6 shows that out of 105 respondent 42 thinks that customer service and online banking experience is important and 2 respondent think that customer service and online banking experience is not important

Graph 1.6



Graph 1.7 show that out of 105 respondent 48 respondent think that investing in commercial bank for economy is risky and it respondent think that investing in commercial bank for economy is not risky

Graph 1.7

5.3 Hypothesis Testing:- choose to invest in commercial bank for the economy

Table1.Reason to choose commercial banks

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	5.022	4	1.256	4.058	.004
Within Groups	31.251	101	.309		
Total	36.274	105			

The data analysis suggests that there is significant variation in the reasons why individuals choose to invest in commercial banks for the economy, as indicated by the Between Groups Sum of Squares. The F-statistic of 4.058, along with the associated p-value of 0.004, indicates that this variation is statistically significant. Therefore, the null hypothesis, likely stating that there is no significant difference in the reasons for investing across the groups, is rejected based on this analysis. This implies that there are meaningful differences in the motivations for investing in commercial banks for the economy among the groups being studied. H0: There is no significant difference between AGE of respondent and their reason to invest in commercial banks for the economy H1: There is significant difference between AGE of respondent and their reason to invest in commercial banks for the economy. Here the significant value of this hypothesis is less than 0.05 which is 0.004 so the hypothesis is not rejected

6.Findings

- Access to Capital: Investors rely on banks to provide money for businesses and projects.
- Financial Intermediaries: Banks connect people who save money with those who need to borrow money
- Risk Management: Banks are good at understanding and handling financial risks to protect investors' money.
- Economic Stability: Banks help keep the economy strong by lending money for growth, creating jobs, and making people prosperous.
- Innovation and Technology: Investors like banks that use new ideas and technology to make banking easier and cheaper for everyone.
- Support for Growth: Banks support the growth of businesses and projects by providing loans and credit.
- Confidence Boost: Investors feel more confident about investing when banks are stable and reliable.
- Wealth Creation: Banks contribute to building wealth in society by enabling investments and economic activities.

7.Conclusion :

As a conclusion, investor’s views on commercial banks are vital for shaping investment choices and driving economic growth. Our study highlights the importance of trust, transparency, and innovation in earning investors' confidence. Banks that are open, manage risks well, and use new ideas are more appealing to investors and help economies grow.

However, it’s important to remember that people’s opinions about banks can vary based on their own experiences and the rules they have to follow. Collaboration among banks, regulators, policymakers, and investors is key to overcoming challenges and making the most of opportunities for economic development. By following the suggestions in our research, commercial banks can strengthen their role in driving prosperity.

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