Market Penetration by Indian Banks : Motives and Motivators

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Abstract

In the recent past, Indian banks have heavily focused on market penetration. The present study is an attempt to find the motives and motivators of the same. An empirical analysis of the views of 364 bank strategists from 21 public sector and 12 private sector Indian banks revealed that profit and growth concerns, regulatory compulsions, competitive pressures, cost considerations, social motive, and demand-side changes are motivators/motives of market penetration. The results of multiple regression analysis showed that three variables: profit and growth concerns, regulatory compulsions, and cost considerations were statistically significant in the model at the 5% significance level.

Key words: **bank, market penetration, India, factor analysis, regression**

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Establishment of the overall objectives of a bank involves extensive planning and strategizing. While objectives specify what a bank wishes to accomplish, strategies lay out the explicit roadmap to get there. Strategies, in other words, connect planning with execution.

There are a number of different ways in which one may define 'marketing strategy'. Different authors have proffered different definitions, but possibly, the most accepted definition till date is the one by Philip Kotler. Philip Kotler defined marketing strategy as "a set of alternatives, policies and rules that guides over time the firm's marketing effort – its level, mix and allocation – partly independently and partly in response to changing environment and competitive conditions" (Kotler, 1980, p. 181). When applied to the banking industry, this definition takes the shape of a "plan for action that determines how a bank can best achieve its goals and objectives in the light of the existing pressures exerted by competition and other non-controllable variables on one hand, and its limited resources on the other" (Meidan, 2007, p. 8).

The marketing strategies of banks primarily fall into two categories – growth strategies, predominantly focusing on market growth; and competitive strategies, stressing on the competitive position of banks (Meidan, 2007). The recent focus on market penetration by Indian banks has features of both growth and competitive strategies.

Indian banks have done a fast about-turn by appreciating the significance of market penetration. They have devised a range of plans to achieve it. From opening new accounts to infiltrating virgin markets, Indian banks are trying everything. However, as with every other plan, the boundaries of their plans for market penetration are also a little indistinct (Howley & Savage, 2007). In most cases, the strategies employed for market penetration by

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banks overlap with other strategies, that makes it difficult to come up with a clear-cut and distinct definition of market penetration as understood and employed by Indian banks.

Provision of banking services by Indian banks is gathering a fast pace, with an unprecedented increase in the number of bank accounts and bank branches. Deposit penetration and credit penetration have improved like never before. Many Indian districts have achieved a 100% penetration of banking services (CRISIL, 2015). Market penetration has become the strategic focus of Indian bankers and has become a prominent part of their mainstream thinking (Mukhopadhyaya, 2014). Bankers are working overtime to achieve their objectives ; 2015 was a big year for digital market penetration by Indian banks (Kumar & Radcliffe, 2015). One wonders what are the drivers of market penetration by Indian banks? There are a number of factors that are encouraging the Indian banks to penetrate markets. However, we could not come across any study that conclusively establishes the motives and motivators of Indian banks for market penetration. This gap in literature provides the justification for the present study.

Literature Review

Indian bank strategists have increasingly turned their attention to market penetration in the last few years. There are numerous reasons motivating them for this action. This section sheds light on these reasons.

The ever-enhancing competition in the banking sector has pushed the bankers into scrutinizing various options that may help them sustain their expected growth rates (Anthony, Eyring, & Gibson, 2006). A viable response to this requirement is market penetration (Javalgi, Belonax, & Robinson, 1990). Banks are thus entering previously unknown markets, products, and segments (Philp, Haynes, & Helms, 1992). They are also actively involved in outspreading the gamut of their banking interests and are taking a significant notice of new opportunities (Srivastava & Ambujakshan, 2012).

Internationally, there are primarily two sources of growth in market penetration. People of all ages have been deliberately convinced by marketing campaigns to adopt the banking habit, and new accounts of fresh entrants into the workforce are opened to receive payments from employers (Howley & Savage, 2007). On the domestic front, however, this growth is sought through reaching the previously unbanked (Sarma, 2008), resizing (Tiwari, Buse, & Herstatt, 2006), cross selling (Vyas & Math, 2006), and handling each customer's business more efficiently (Sharma & Mehta, 2005).

In the wake of the ever-enhancing competition, banks are looking at enablers that may help them penetrate markets (Tiwari et al., 2006). In some cases, these enablers act as motivators and spur market penetration (Chukumba, Oyewole, & Prabhakar , 2007). They also help develop distinctive competencies and improve market share (Sharma & Mehta, 2005).

Technology is an important enabler of market penetration (Kumar, Mathur, & Lal, 2013). An active interface with technology can help explore the otherwise very expensive fresh growth avenues in a cost effective manner (Chukumba et al., 2007; Kumar & Gupta, 2009). This is particularly helpful since growth has stagnated in the market for traditional banking services.

Another enabler of market penetration is new product development (Shukla, 2016 ; Varadarajan & Berry, 2007). It can help banks chase growth by expanding the customer base. However, what needs to be kept in mind while developing new banking products are the needs of the ultimate consumer (Goyal, 2008). Need based development of customized banking products has the potential of increasing the total market in a way that can increase the profits of banks (Karlan, 2014). Therefore, more and more banks are today interested in not only increasing the market share, but also the market size.

Though increasing the total market is probably the most effective means of market penetration, many banks are adopting this strategy only because of the excessive regulatory focus on this approach (Friedline & Rauktis, 2014 ; Kumar, 2012; Sakariya, 2013). Banks are penetrating markets to fulfill the mandates of the government and comply with the policy statutes of the regulators (Srivastava & Ambujakshan, 2012). Market penetration by Indian banks is thus a consequence of extreme regulatory emphasis on this strategy (Kalita, 2013).

Provision of banking services to all has the potential of upliftment of masses (Rajarajeswari & Saranya, 2012 ; Ramaratnam & Jayaraman, 2011; Rao, 2012 ; Swamy, 2011). It can help insulate people from the anxiety of downward financial burdens (Bihari, 2011; Karlan, 2014 ; Sajeev & Thangavel, 2012 ; Zafar, 2011). Though a pertinent reason for market penetration by banks, it needs to be explored whether the social motive has a significant role in the popularity of market penetration as a major component of the overall strategy of banks. Do banks view market penetration as a commercially lucrative business opportunity, a regulatory compulsion, or just a means to justify their social responsibility?

Profitability is yet another concern of banks, which is encouraging market penetration (Meidan, 2007). Some experts believe that it may be the fundamental motive of market penetration (Philp et al., 1992). Every other measure in this direction may actually just be a means to ultimately enhance total profits (Howley & Savage, 2007).

As can be seen, market penetration as a bank strategy is well accepted. Though its popularity and mechanisms are undisputed, the motives behind the same are not clear. The present study is an attempt to establish the same.

Study Objectives

There is much hue and cry in the Indian banking industry regarding market penetration. Literature is replete with studies focusing on the extent and measures to further market penetration by banks. However, we could not come

Table 1. List of Study Variables

S. No.	Study Variables
1.	Strategic focus of leadership
2.	Welfare of society
3.	Increase profit
4.	Increase market share
5.	Meeting specified targets
6.	Increase market presence
7.	Economies of scale
8.	Greater willingness to borrow money
9.	Improve customer service
10.	Easy and inexpensive technology solutions
11.	Government and regulatory focus
12.	Maintaining a high rate of growth
13.	Improve lives of poor
14.	Increase in demand for banking services
15.	Increased competition
16.	Increase the total market
17.	Serve the underprivileged
18.	Reduced reliance on branch banking
19.	Lessons learnt from success stories of foreign banks
20.	Increase in employment

Table 2. Details of Data Collected

Number of questionnaires distributed	1150
Number of usable responses obtained after data cleaning	364
Response rate	31.65
Number of usable responses obtained from public sector banks	214
Number of usable responses obtained from private sector banks	150

Bank Wise Details of Collected Data

Bank Name	Number of Responses
PUBLIC SECTOR BANKS	
Allahabad Bank	5
Andhra Bank	13
Bank of Baroda	3
Bank of India	1
Bank of Maharashtra	2
Canara Bank	13
Central Bank of India	15
Corporation Bank	2
IDBI Bank	8
Indian Bank	2
Indian Overseas Bank	3
Oriental Bank of Commerce	10
Punjab and Sind Bank	71
Punjab National Bank	24
State Bank of India	14
State Bank of Hyderabad	1
State Bank of Patiala	10
Syndicate Bank	2
UCO Bank	7
Union Bank of India	2
United Bank of India	2
Vijaya Bank	4
PRIVATE SECTOR BANKS	
Axis Bank	13
City Union Bank	1
Federal Bank	7
HDFC Bank	49
ICICI Bank	17
IndusInd Bank	13
ING Vysya Bank	2*
J & K Bank	6
Karnataka Bank	4
Kotak Mahindra Bank	16*
South Indian Bank	2
Yes Bank	20

*ING Vysya Bank has now merged with Kotak Mahindra Bank across any study focusing on the motives/reasons why market penetration has become such an integral part of the overall strategy of banks in the first place. The present study is an attempt to shed light on this gap in the available literature. The current study thus is an endeavor to categorically establish the motivators and motives of market penetration by Indian banks.

Methodology

(1) Questionnaire and Data Collection: A questionnaire containing the possible motives/motivations for market penetration by banks (for study variables refer to Table 1) was drafted. A review of literature and interviews with senior bank officials helped collate the study variables. In order to capture the relative importance of a particular study variable, the responses of the respondents were anchored on a 5-point Likert scale with 1 indicating *"very important"* and 5 indicating *"very unimportant"*. The questionnaire also contained questions on the demographic profile of the respondents. The questionnaire was pretested for validity and clarity on respondents selected from the relevant population.

Data for the study was collected over a 15-month period from March 2014 to May 2015. The sampling technique used was convenience sampling. In all, 1150 questionnaires were administered. However, at the end of the survey and after data cleaning, only 364 usable responses were obtained. In order to ensure rationality of responses, only the banking officials engaged in the development and execution of strategies were approached. These officials included vice-presidents, assistant vice-presidents, deputy general managers, assistant general managers, zonal managers, chief managers, senior managers, and so forth of various public and private sector Indian banks. Since most of the respondents were senior bank officials and were difficult to approach, the response rate of the survey is very low (31.65%). The final data constituted of responses from officials of 21 public sector and 12 private sector banks. For details of collected data, refer to Table 2.

(2) Data Analysis Techniques : The collected data was reduced with the help of factor analysis. It helped represent the 20 study variables in terms of six hypothetical variables. This technique was considered particularly suitable for the present study because it simplified the seemingly dissimilar and complex relationships between the study variables by establishing mutual dimensions/factors (Malhotra, 2007 as cited in Sandhu & Sandhu, 2012). This unified the apparently unlike variables and provided an insight into the underlying makeup of the data.

Further, to determine the drivers of market penetration by banks, multiple regression analysis was used. The factors that emerged after factor analysis were considered the independent/predictor variables and 'market penetration' was considered as the dependent variable. The score for each factor was calculated by averaging the scores of all the individual variables loaded on a particular factor (Comrey & Lee, 1992; DiStefano, Zhu, & Mindrila, 2009).The entire analysis was conducted with the help of SPSS version 20.0.

Table 3. Demographic Profile of the Respondents (*n* = 364)

Variable	Classification of variable	Frequency	%
Gender	Male	277	76.10
	Female	87	23.90
Age	Under 30 years	105	28.85
	31 - 40 years	82	22.53
	41 - 50 years	53	14.56
	Over 51 years	124	34.07

Table 4. Reliability of the Questionnaire

Cronbach's Alpha	Number of Items
.818	20

Table 5. KMO and Bartlett's Test

Kaiser-Meyer-Oklin Measure of Sampling Adequacy		.742
Bartlett's Test of Sphericity	Approx. Chi-Square	1790.690
	df	190
	Sig.	.000

(3) Profile of the Respondents: The Table 3 represents the demographic profile of the respondents. As can be seen, the percentage of male respondents was nearly three times the female respondents. The percentage of male respondents was 76.10%, while the percentage of female respondents was 23.90 %. Furthermore, 28.85% of the respondents were under 30 years, 22.53% respondents were in the age group of 31 to 40 years, 14.56% respondents were between 41 and 50 years, and 34.07% respondents were over 51 years (age categories have been adopted from Sarros, Pirola-Merlo, & Baker, 2012).

Data Analysis and Discussion

(1) Reliability Analysis: To assess the extent to which the variables in the questionnaire were related, Cronbach's coefficient alpha was calculated. Its value worked out to .818 (refer to Table 4), thereby establishing the reliability of the constructs (Klassen, 2003).

(2) Exploratory Factor Analysis: The collected data was analyzed with the help of factor analysis. The extraction method used was principal component analysis, followed by varimax with Kaiser normalization. The results of the factor analysis are shown in Tables 5 and 6.

As can be seen from the Table 5, the value of Kaiser-Meyer-Oklin measure of sampling adequacy worked to .742. This indicates that factor analysis may be an appropriate technique for analyzing the data. The Bartlett's test of sphericity further established the same. The value of chi-square = 1790.690, df = 190 is significant (p = .000). The six-factor solution that emerged after factor analysis is shown in Table 6. As can be seen, only those factors that had an Eigen value of greater than 1.0 and only those variables which clearly loaded on one factor with a loading of greater than 0.5 were retained. The final solution had a cumulative variance of 62.664%. On the basis of the variables loaded on each factor, names have been given to all the six factors. Each factor along with the variables loaded on it is discussed below.

➯ **Factor 1 - Profit and Growth Concerns:** "Profit and Growth Concerns" is the first factor that has emerged out of the analysis. It indicates that profit and growth are the major motives of market penetration by banks. The purpose of the existence of a bank is to cater to the banking needs of individuals in a way that maximizes the profits of the bank (Howley & Savage, 2007). Since public deposits primarily finance the operations of a bank (Meidan, 2007), it is imperative to make adequate profit to not only keep safe the capital and deposits, but also augment capital and shareholder dividends. Furthermore, growth is the gauge of the vitality of a bank. Apart from increasing profits, it also provides the bank a competitive edge. Given this understanding, banks are making numerous efforts to boost growth. Banks are constantly trying to capture a larger share of customer groups and

Table 6. Results of Factor Analysis

Factor Number and Name	Eigen Value	Cumulative Variance (%)	Study Variables	Variable Loadings					
Factor 1									
Profit and Growth Concerns	3.948	19.739	Increase profit	.869					
			Maintaining a high rate of growth	.799					
			Increase market share	.583					
			Increase market presence	.611					
Factor 2									
Regulatory Compulsions	2.455	32.015	Government and regulatory focus		.826				
			Strategic focus of leadership		.745				
			Meeting specified targets		.715				
			Increase the total market		.631				
Factor 3									
Competitive Pressures	1.586	46.510	Increased competition			.708			
			Improve customer service			.612			
			Lessons learnt from success stories of foreign banks			.559			
Factor 4									
Cost Considerations	1.312	52.526	Easy and inexpensive technology solutions				.842		
			Economies of scale				.793		
			Reduced reliance on branch banking				.676		
Factor 5									
Social Motive	1.203	57.629	Serve the underprivileged					.828	
			Improve lives of poor					.721	
			Welfare of society					.645	
Factor 6									
Demand-Side Changes	1.020	62.664	Increase in employment						.723
			Increase in demand for banking services						.647
			Greater willingness to borrow money						.509

enhancing their market presence to further growth. As can be seen, no matter what the short term objective may be or what the interim route may be, the ultimate intent of market penetration is profit.

➪ **Factor 2 - Regulatory Compulsions:** Many Indian banks are penetrating markets because of the mandate provided by the government. This mandate is also a major reason why market penetration has become an integral part of the overall strategy of a bank.

The government has started a very ambitious program of providing banking services to the hitherto unbanked population of the country. In the name of the Prime Minister's People's Wealth Program (Pradhan Mantri's Jan Dhan Yojana), the government has envisioned a bank account for every Indian (Verma & Garg, 2016). This target is grandiose as on date. For it to gain traction and become a reachable destination, banks across the country are making the necessary arrangements. Under the directions of the government, banks are penetrating markets to reach those who do not have access to banking services. The problem of lack of access to banking services is gargantuan in India. According to the data published by World Bank in 2014, only 35% Indians have access to formal banking services. As per the rating agency CRISIL, this percentage was 40%. Some other high-powered reports (Nachiket Mor Committee and Frost & Sullivan) published during the same time period also claimed the same. Experts put these figures much below the median figures of countries (Chakrabarti, 2014).

It may not be amiss to point out here that though the problem of having a large unbanked population has existed in India since the advent of formal banking, it has received attention only recently. Of late, development experts have realized that a 100% penetration of banking services is a prerequisite to social and economic development (Mukhopadhyaya, 2014). This realization has moved into the public consciousness and found its way into the thinking of the government and policy makers, and by consequence, into the agenda of bank strategists. This has provided the necessary drive to market penetration by banks.

➬ **Factor 3 - Competitive Pressures :** Market penetration by Indian banks is also a reaction to the competitive forces in the banking industry. The drive to improve customer service and ultimately beat the competition is encouraging banks to penetrate markets. With the increase in competition in the banking industry, the traditional banking market is coming under more and more pressure, squeezing the profits of individual players. Banks are worried about avenues of future growth. They are turning to other successful players in this industry to find remedies to the situation. They are trying new methods and techniques to overcome this problem. Consequently, market penetration has become a popular strategy.

➬ **Factor 4 - Cost Considerations:** The banking industry is labor intensive, but the popularity of self-service banking (use of internet banking and ATMs) has substantially reduced the cost of market penetration. Today, it is possible to substitute a wide branch network and convenience of location to customer (earlier considered as prerequisites to market penetration) with inexpensive technology solutions. Market penetration thus no longer remains a high cost proposition. This fall in the cost of market penetration is ,therefore, encouraging banks in this direction. While the fall in cost is a motivator/cause of market penetration, it is also an end. In penetrating markets, banks are also interested in achieving economies of scale. This will further help reduce cost and provide a definite competitive edge to a bank.

➬ **Factor 5 - Social Motive :** Social motive has emerged as another factor motivating banks to penetrate markets. Reaching the underprivileged, with a view to alleviate poverty and bring about social welfare is encouraging market penetration. It is impossible to achieve social inclusion without access to formal banking services (Trivelli, 2013). The unbanked population cannot avail the crowd of opportunities for social and economic advancement. Since they do not have access to the goods and services offered by the formal banking sector, they are not in a position to make use of these offerings to achieve welfare improvements. Consequently, the unbanked population is bereft of individual empowerment and this pulls back the cumulative societal growth. It is heartening to see that alongside profits and growth, banks are also conscious of their social motives. They understand and appreciate their responsibility towards the society and the role they can play in strengthening the capabilities of the marginalized sections of the society.

➬ **Factor 6 - Demand- Side Changes:** Significant changes on the social and economic front have facilitated penetration of banking services. Borrowing money is no longer a social taboo. People are increasingly resorting to loans for domestic as well as personal purposes. The consequent increase in the demand for loans is familiarizing the previously unbanked population with banks. Furthermore, with the increase in the number of people in the workforce, the demand for banking services is continuously increasing. As more and more people become employed, there is an increase in affluence and thus savings; and banks are the major competitors for savings (Howley & Savage, 2007), even though the money may ultimately flow into other avenues. Within the context, it

Table 7. Model Development

Dependent Variable	Independent Variables
Market penetration	Profit and growth concerns
	Regulatory compulsions
	Competitive pressures
	Cost considerations
	Social motive
	Demand-side changes

may thus not be amiss to construe that significant changes on the demand-side are encouraging penetration of banking services.

(3) Model Development : To further explore the impact of the six factors on market penetration, multiple regression analysis was used. To establish the driving forces behind market penetration by banks (dependent variable), the six factors that emerged after factor analysis (for factors refer to Table 6) were considered the predictor variables. Sets of null hypotheses ($H0_1$, $H0_2$, $H0_3$, $H0_4$, $H0_5$, and $H0_6$) were proposed. To test these hypotheses, the model as shown in Table 7 was developed.

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + b_6x_6 \qquad \text{(Eqn 1)}$$

where, Y is market penetration (dependent variable), a is the constant, b_1 to b_6 are the slope coefficients, and x_1 to $x_6$are the six independent variables which have emerged after factor analysis.

- **$H0_1$:** There is no significant impact of profit and growth concerns on market penetration.
- **$H0_2$:** There is no significant impact of regulatory compulsions on market penetration.
- **$H0_3$:** There is no significant impact of competitive pressures on market penetration.
- **$H0_4$:** There is no significant impact of cost considerations on market penetration.
- **$H0_5$:** There is no significant impact of social motive on market penetration.
- **$H0_6$:** There is no significant impact of demand-side changes on market penetration.

(4) Regression Analysis : The results of multiple regression analysis are shown in the Tables 8 and 9. To test the problem of multicollinearity, the average VIF (variance inflation factor) of each variable was computed. The average VIF of every study variable worked out to less than 10, indicating freedom from the problem of multicollinearity (Kothari, 2014). Further, the assumption of independent errors was tested with the help of the Durbin-Watson statistic. Its value worked out to 1.881, indicating the overall validity and reliability of the model (Gujarati, 2006).

Table 8. ANOVA for Regression

Sources of Variation	Sum of Squares	Degrees of Freedom	Mean Square	Computed *F*	Significance
Regression	27.966	6	3.725	21.770	.000
Residual	42.154	357	.157		
Total	57.055	363			

Table 9. Results of Multiple Regression Analysis

Factor Labels	Unstandardized Regression Coefficients		Standardized Regression Coefficients	T	Significance (*p*-value)	Collinearity Statistics
	B	Standard Error	Beta			VIF
F1: Profit and Growth Concerns	.144	.061	.122	2.384	**.018***	1.087
F2: Regulatory Compulsions	.117	.060	.141	-.736	**.000***	1.031
F3: Competitive Pressures	-.044	.056	-.049	2.090	.462	1.697
F4: Cost Considerations	.180	.051	.183	3.499	**.001***	1.794
F5: Social Motive	.049	.047	.054	1.024	.306	1.098
F6: Demand-Side Changes	-.099	.081	.063	-1.227	.221	1.087

Intercept (constant) = 2.623
R-square = .261
Adjusted *R*-square = .250
*Significant at 5% level of significance

$$Y = a + b_1x_1 + b_2x_2 + b_4x_4 \quad \text{(Eqn 2)}$$
$$Y = 2.623 + .144 + .117 + .180 \quad \text{(Eqn 3)}$$

where, Y is market penetration, a is the constant, x_1 is profit and growth concerns, x_2 is regulatory compulsions, and x_3 is cost considerations.

As can be seen from Table 9, the overall regression model is significant. The value of adjusted R-square is .250, indicating that 25.0% of the variation in the dependent variable is explained by the six independent variables. Furthermore, three variables/factors – profit and growth concerns, regulatory compulsions, and cost considerations are significant at the 5% level of significance. $H0_1$, $H0_2$, and $H0_4$ are thus rejected. On the other hand, the variables - competitive pressures, social motive, and demand-side changes are not statistically significant. As a result, $H0_3$, $H0_5$, and $H0_6$ are accepted.

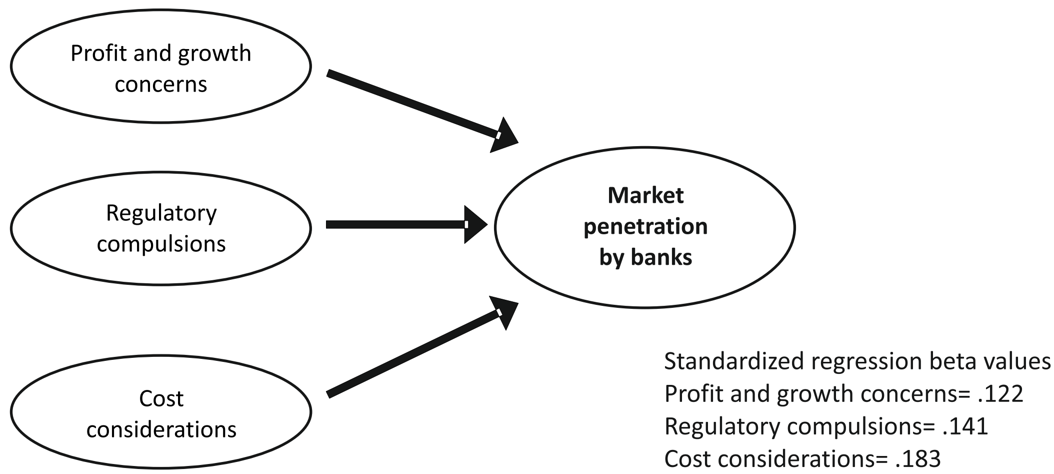
The results of regression analysis imply that profit and growth concerns (p = .018), regulatory compulsions (p = .000), and cost considerations (p = .001) are significant motivators/motives of market penetration. In other words, the recent interest shown by Indian banks in market penetration is a result of profit and growth concerns, regulatory compulsions, and cost considerations. These variables may be additionally refined or strengthened with a view to yet still encourage banks to penetrate further.

Conclusion

The present study found growth and profit concerns, regulatory compulsions, competitive pressures, cost considerations, social motive, and demand side changes as motivators/motives of market penetration by Indian banks. Out of these six factors, three of them – profit and growth concerns, regulatory compulsions, and cost considerations were found to be statistically significant in the overall model. The Figure 1 captures the results of the study.

The findings of the current research support the contentions of previous studies, both international (Anthony et al., 2006; Philp et al., 1992), as well as national (Kalita, 2013; Sakariya; 2013). Previous research claims that the desire to grow and increase profits is the most significant motivator of market penetration by banks (Meidan, 2007). The present study supports this finding and builds upon it by categorically establishing how banks strive to

Figure 1. Proposed Model: Motives/Motivators of Market Penetration by Indian Banks



achieve increased growth and profitability (by increasing market share and market presence). The current study also seconds the opinions of previous researchers who believe that regulatory compulsions drive banking penetration (Bansal & Behal, 2013; Friedline & Rauktis, 2013 ; Kumar, 2012). It also reinforces the work of earlier authors who established that reduced cost due to technology innovations is encouraging banks to seek new and previously unbanked customers (Chukumba et al., 2007). However, at this juncture, it may be appropriate to point out that the establishment of the hierarchy of motives that drive penetration of banking services is the unique contribution of the current study.

Furthermore, many findings of the current study do not coincide with previous research. Howley and Savage (2007) believed that an increase in demand for banking services caused banks to penetrate new markets, but the current study did not find demand-side changes as significantly influencing bank market penetration in India. It also failed to establish competitive pressures as the reason why banks are looking to penetrate new markets (Tiwari et al., 2006).

Implications and Suggestions

The present study conclusively establishes regulatory compulsions as a significant driver of market penetration by Indian banks. This implies that in the wake of the stipulations of the government and regulators, banks are penetrating markets. Within the context, some experts believe banks are not making genuine efforts at market penetration. Rather, they are just running after speed, numbers, and records to fulfill the specified mandates (Rajan, 2014).

While there are concerns regarding the enactment of the policies of the government on paper only, there are also apprehensions regarding the government's lack of understanding of the problem itself. Banking critics feel that the government seems to be fighting the symptoms rather than the disease. The point is for the formal banking system to be present when needed and be superior in convenience and efficiency. However, the approach taken seems to be to lure people into banking through incentives and hope that the habit sets in. The trouble is that once the sweetener goes away, day-to-day banking will provide little benefit in convenience to many users at the bottom of the pyramid (Chakrabarti, 2014). The experts thus feel that the policies of the government aimed at market penetration are not sustainable in the long run.

Although 'social motive' emerged as one of the factors after factor analysis, the results of regression analysis did not establish it as statistically significant in the overall model. Therefore, the Indian banks are not driven by a need to help the society; rather, they are compelled by government policies. These policies, as discussed, are in need of a relook and rethink. It is thus recommended that the government and regulators revise their policies on market penetration to make them self-sustaining and bank & customer friendly.

Furthermore, the study also found cost considerations as a significant facilitator of market penetration. Easy and cheap technology, coupled with the reduced reliance on physical branches, has made market penetration cost effective. The big challenge now is to acquire the requisite technology to expedite market penetration. As per a report published by the World Bank in July 2014, the penetration of mobile phones in India is higher than that of the banking services. This vast mobile network may be made use of to enhance the penetration of banking services. This may be the reason why three of the newly established payments banks, constituted with an aim to enhance penetration of banking services, are promoted by mobile technology firms. The need now is to develop technologies to enable people to completely operate their bank accounts from their mobile phones. This will not only make the presence of banking services ubiquitous, but also reduce the cost of penetration. Apart from having a delightful social angle, this will also enhance the profits of banks.

Limitations of the Study and Scope for Future Research

The data for the current study was collected using convenience sampling. This technique has its innate drawbacks. Future researchers may make use of more appropriate sampling techniques to overcome this limitation. They may also separately examine the motives of public and private sector banks for market penetration. An assessment of the change in these motives over a period of time may also be helpful.

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