



ROLE OF SCHOOL BANKING IN CREATING SAVINGS IN BANGLADESH: A STUDY ON SOME SELECTED BANKS

R. Sultana¹, M.M.U. Ahammed^{2*} and R. Islam³

¹Department of Finance and Banking, Shahid Akbar Ali Science and Technology College, Baliadangee, Thakurgoan, Bangladesh; ²Department of Finance and Banking, Hajee Mohammad Danesh Science and Technology University, Dinajpur, Bangladesh; ³Department of Business Administration, Bangladesh Army University of Science and Technology, Saidpur, Cantonment, Nilphamari, Bangladesh

ABSTRACT

The target of this study was to explore the contribution of school banking in savings creation in Bangladesh. Twenty-seven branches of different twenty-seven banks of Dinajpur were selected randomly for this study and data were collected through questionnaire. The sample size has been justified through Yamane's equation. The reliability of data collected through questionnaire was tested by Cornbach's Alpha. Different descriptive statistical analysis, correlation and regression analysis and ANOVA were done to analyze the collected data. From primary data, it was revealed that total amount of deposits and the total number of accounts under school banking were Tk. 19,868,100 and 6,094, respectively from different twenty-seven branches of different banks. The correlation coefficient and coefficient of determination were 0.955 and 0.911, respectively. The mean amount of deposits per account of state-owned banks and that of private banks were Tk. 7,860 and Tk. 2,860, respectively. The average rate of interest offered by state-owned banks and that of private banks were 5.73% and 4.73%, respectively. Only 41% banks offered scholarship facilities to students. Again, from secondary data, it was found that during 2011 - 2014, the total number of account was 2,239,126 and the total amount of deposit was Tk. 1739.52×10^7 with an average amount of deposits per account Tk. 7,768.75. The correlation coefficient and coefficient of determination were 0.974 and 0.949, respectively. So, school banking is playing very positive role in creating savings in Bangladesh.

Key words: Account, deposit, savings creation and school banking

INTRODUCTION

“School banking” is a very important concept to bring the school going students under the umbrella of formal financial sector. It is a special kind of programme that allows the school going students to deposits their small amount of savings and to conduct other banking activities easily and smoothly without costs or at very minimal costs. School banking is a program not only for students but also for helping their parents as well as built up their savings habit from an early age of the studentship and children learn money management skills and hands on banking experience in a simply way by this program (Rahman 2011). School banking provides opportunities to have skills of money management and savings and teaches valuable financial literacy skills beyond school life (Ryan and Beattie 2015). Alam (2015) opined that school banking brings students savings habit and makes participate to contribute in economic activities through savings. Now a day, school banking is becoming popular in rural area as well as in urban area. It is expected that very soon school banking will be a part and parcel

*Corresponding author: Email: mainhstu88@gmail.com, Cell phone: +8801723742008

in regular banking services. According to Rahman (2012) students are the country's future citizens and simultaneously potential future customers or employees of the banks. School banking is getting more popular day by day and banks attract students with a higher interest, no service charges other than deposit accounts (Hossen 2012). School banking for the students ensure their future financial safety and new generation would boost country's economy (Rahman 2014). Bangladesh can use this concept to develop its economy in different ways. One day Bangladesh would be a pioneer in financial inclusion and school banking programme would gain huge success in Bangladesh (Rahman 2014). School banking can play a positive role in creating savings in Bangladesh. It is not only an income source but also helpful for students as a safety instrument. It encourages students to know about the banking sector and achieve banking experience at the early stage of life.

It is evident from many studies that; school banking is very important for developing a country's economy. But we were not known with any other studies by which we would be able to know the actual amount of savings contributed by school banking in Bangladesh. Hopefully, this study has tried to fill that gap. So, we interested to conduct a study on role of school banking in creating savings in Bangladesh through which we would be able to measure the amount of savings contributed by different banks under the programme of school banking. The primary objective of the study was to know the role of school banking in creating savings in Bangladesh. The specific objectives of the study were (i) to identify the number of accounts under school banking; (ii) to explore the amount of savings, interest rate and scholarship facilities offered by banks; and (iii) to compare account and savings status between state-owned banks and private banks.

MATERIAL AND METHODS

The target of the study was to weigh the contribution of school banking in creating savings in Bangladesh. The targeted population was all the banks of Dinajpur town. Among thirty-five banks in Dinajpur town, twenty-seven were selected using Yamane's equation that justifies the requirement at 10% margin of error (Yamane 1967). Primary data were collected randomly from twenty-seven branches of selected banks of Dinajpur town in 2016. The result of Cronbach's Alpha was 0.74 which ensured the reliability of data collection through questionnaire (Cronbach 1951). Primary data were collected through questionnaire and informal discussion with bank personnel. Secondary sources of data were annual report of Bangladesh Bank, daily newspapers and journals articles. Different descriptive statistical analysis, correlation and regression analysis and ANOVA were done using SPSS to analyze the collected data. Number of account was used as explanatory variables and amount of deposit as response variable.

RESULTS AND DISCUSSION

School banking postures of some selected banks: In Table 1 it is seen that the total number of account was 6094 where the mean and standard deviation were 225.70 and 490.08, respectively. The minimum and the maximum number of account were 12 and 2585, respectively. The total amount of deposit was Tk. 19,868,100 where the mean and standard deviation were Tk. 735,860 and 1,438,270, respectively. The minimum and the maximum amount of deposits were TK. 50,000 and Tk. 7,577,200, respectively. The average amount of deposits per account was Tk. 3,260. On an average, each branch of bank had 226 (approximate) school banking account and Tk. 735,860 deposits. Forty-one percent banks offered scholarship facilities to students. From Table 2 we got the equation: \hat{y} (deposits) = 103.530 + 2.802 account (x) which implies that with the increase of one account, the deposited amounts increased by

Tk. 2,802. Table 3 shows that the correlation between deposits and account is 0.955. So the relation is perfectly positive. The R^2 and adjusted R^2 are 0.911 and 0.908, respectively. Hence, the equation (account) explains 91.1% changes of dependent variable (deposits) and adjusted R^2 also supports that number of account is very significant variable on amount of deposits. The tabulated value of F at 5 % significance level with $d_1 = 1$, $d_2 = 25$ is 4.24. The large F (256.839, Table 4)) ratio and small p- value (0.000) implies that the regression is significant. So the null hypothesis has been rejected and regression coefficient is significantly different from zero.

Table 1. Descriptive statistics of account and deposits of selected banks

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Account	27	12.00	2585.00	6094.00	225.70	490.08
Deposits ('000, BDT)	27	50.00	7577.20	19868.10	735.86	1438.27
Mean amounts of deposits per account ('000, BDT)					3.26	
Percentage of bank offered scholarship facilities = 41%						

Source: Authors' compilation of data based on field survey, 2016

Table 2. Coefficients^a of accounts and deposits of selected banks

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	103.530	92.869		1.115	0.276
Account	2.802	0.175	0.955	16.026	0.000

a. Dependent Variable: Deposits

Source: Authors' compilation of data based on field survey, 2016

Table 3. Model summary of accounts and deposits of selected banks

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.955 ^a	0.911	0.908	436.84346

a. Predictors: (Constant), Account

Source: Authors' compilation of data based on field survey, 2016

Table 4. ANOVA^a of accounts and deposits selected banks

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	49013144.465	1	49013144.465	256.839	0.000 ^b
Residual	4770805.222	25	190832.209		
Total	53783949.687	26			

a. Dependent Variable: Deposit

b. Predictors: (Constant), Account

Source: Authors' compilation of data based on field survey, 2016

Comparison between state-owned commercial banks and private commercial banks: We compared state-owned banks and private banks to know that which types of banks have more contribution in school banking. From Table 5 it is seen that the mean number of accounts per branches of state-owned banks and that of private banks were 81 and 267.05, respectively. The standard deviation of accounts of state-owned banks and that of private banks were 43.21 and 551.08, respectively. The minimum number of accounts per branch of state-owned banks and that of private banks were 12 and

16, respectively. The maximum number of accounts per branch of state-owned banks and that of private banks were 139 and 2585, respectively. The total number of accounts of different branches of six state-owned banks and that of twenty-one private banks were 486 and 5608, respectively. The mean amount of deposits per branch of state-owned banks and that of private banks were Tk. 636,380 and Tk. 764,280, respectively. The standard deviation of deposits of state-owned banks and that of private banks were 548,640 and 1,651,590, respectively. The minimum amounts of deposits per branch of different state-owned banks and that of private banks were Tk. 146,000 and Tk. 50,000, respectively. The maximum amounts of deposits per branch of different state-owned banks and that of private banks were Tk. 1,578,900 and Tk. 7,577,200, respectively. The total amounts of deposits of six branches of different six state-owned banks and that of twenty-one private banks were Tk. 3,818,300 and Tk. 16,049,800, respectively. The average amount of deposits per account of state-owned banks was Tk. 7,860 and that of private banks was Tk. 2,860. The average rate of interest offered by state-owned banks and that of private banks were 5.73% and 4.73%, respectively. So, the state-owned banks are offering higher rate of interest on deposits of school banking comparing with private banks.

The relationship between account and deposits of selected banks is presented below in Figure 1

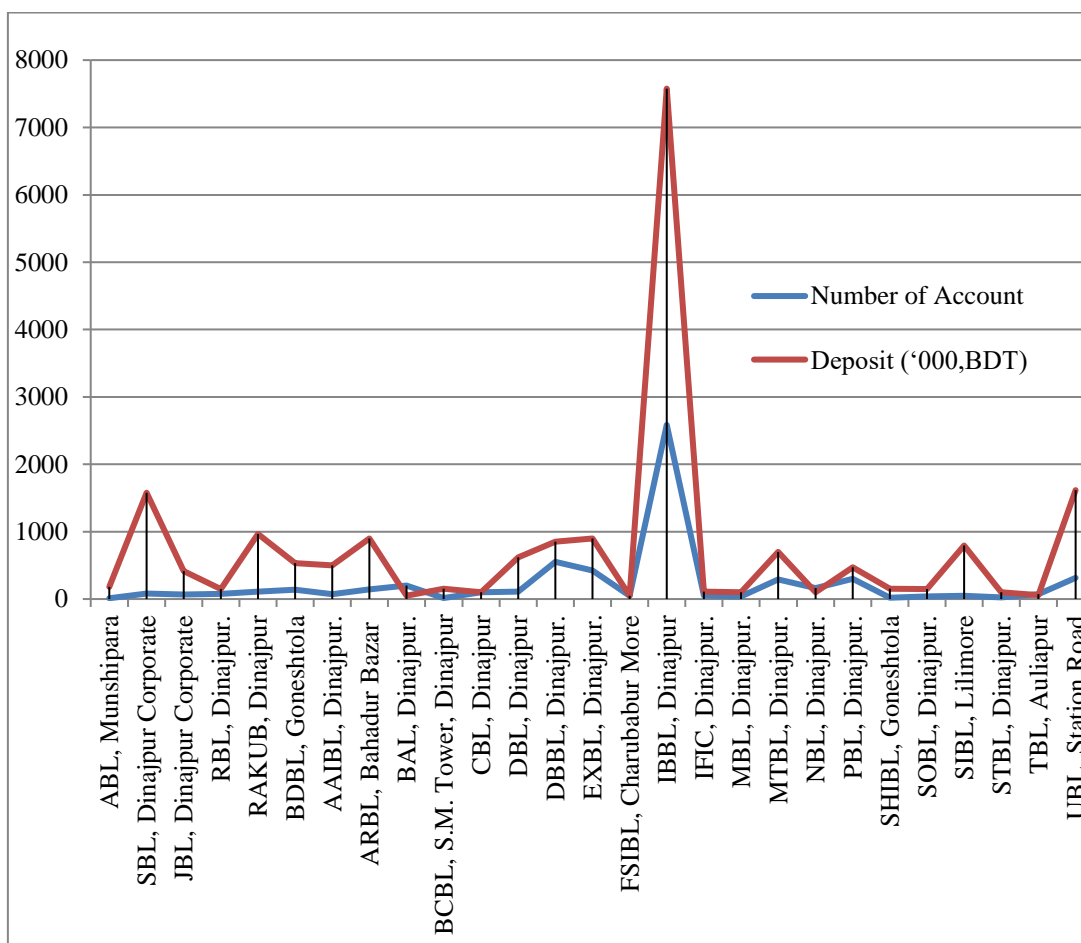


Figure 1. Relationship between account and deposits of selected banks (primary data)

Table 5. Descriptive statistics of accounts and deposits of state-owned banks and private banks

Variables	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Account of state-owned banks	6	12.00	139.00	486.00	81.00	43.21
Account of private banks	21	16.00	2585.00	5608.00	267.05	551.08
Deposit of state-owned banks ('000, BDT)	6	146.00	1578.90	3818.30	636.38	548.64
Deposit of private banks ('000, BDT)	21	50.00	7577.20	16049.80	764.28	1615.59
Interest rate of state-owned banks	6	4.00	7.00	34.40	5.73	1.42
Interest rate of private banks	18	2.50	7.00	85.05	4.73	1.22
Mean amount of deposits per account of state-owned banks ('000, BDT)					7.86	
Mean amount of deposits per account of private banks ('000, BDT)					2.86	

Source: Authors' compilation of data based on field survey, 2016

Overall school banking scenario in Bangladesh: From 2011 to December 2014, the total number of account was 2,239,126 and the total amount of deposit was Tk. 1739.52 crore under school banking program in Bangladesh. The average amount of deposits per account was Tk. 7768.75 (Table 6). From Table 7 it is found that the correlation between deposits and time is 0.923, between deposits and account is 0.974, and between time and account is 0.939. So the relation is perfectly positive.

Table 6. Descriptive statistics of account and deposits of secondary data

Total number of account	2239126.00
Total amount of deposits	1739.52 × 10 ⁷
Average amount of deposits per account	Tk. 7768.75

Source: Authors' compilation of secondary data based on quarterly review of Bangladesh bank from December 2011 to 2014

Table 7. Correlation matrix (Pearson Correlation) of accounts and deposits of secondary data

	Deposits	Time	Accounts
Deposits	1.000	0.923	0.974
Time	0.923	1.000	0.939
Account	0.974	0.939	1.000

Source: Authors' compilation of secondary data based on quarterly review of Bangladesh bank from December 2011 to 2014

Table 8. Coefficients^a of accounts and deposits of secondary data

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	- 18.595	81.863		- 0.227	0.831
Time	8.954	37.731	0.078	0.237	0.824
Account	0.001	0.000	0.901	2.750	0.051

a. Dependent Variable: Deposits

Source: Authors' compilation of secondary data based on quarterly review of Bangladesh bank from December 2011 to 2014

From Table 8 we found that the regression equation: \hat{y} (deposits) = $-18.595 + 8.954$ time (x_1) + 0.001 account (x_2) which implies that with the increase of one time period (six month) holding the number of account constant, the average deposited amounts increased by 8.954 crore. Again, with the increase of one account holding the time period constant, the average deposited amounts increased by 0.001 crore. The R^2 and the adjusted R^2 are 0.949 and 0.923, respectively (Table 9). Hence, the equation explains 95 percent changes of dependent variable (deposit). The tabulated value of F at 5% significance level with $d_1 = 2$, $d_2 = 6$ is 5.14. The large F (37.151) (Table 10) ratio and small p- value (0.003) show that the regression is significant. So, the null hypothesis has been rejected and regression coefficient is significantly different from zero.

Table 9. Model summary of accounts and deposits of secondary data

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.974 ^a	0.949	0.923	68.88052

a. Predictors: (Constant), Account, Time

Source: Authors' compilation of secondary data based on quarterly review of Bangladesh bank from December 2011 to 2014

Table 10. ANOVA^a of accounts and deposits of secondary data

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	352525.629	2	176262.815	37.151	0.003 ^b
Residual	18978.107	4	4744.527		
Total	371503.736	6			

a. Dependent Variable: Deposits

b. Predictors: (Constant), Account, Time

Source: Authors' compilation of secondary data based on quarterly review of Bangladesh bank from December 2011 to 2014

CONCLUSION

School banking is playing significant role in savings creation and smart money management. Within 2016, twenty-seven branches of twenty-seven banks in Dinajpur town had 6094 school banking accounts with deposits of Tk. 19,868,100. In Bangladesh, up to 2014, the total number of accounts and deposits were 2,239,126 and Tk. 1739.52 crore, respectively. Undoubtedly these figures are not insignificant. If we are able to motivate our students, certainly these figures will be improved much. For this we need to take concerted efforts from Bangladesh Bank, scheduled banks and general people. Along with increasing savings behavior, students are getting interests from their school banking accounts. Both average number of accounts and deposits of private banks are higher than that of state-owned banks. But the deposits per account of state-owned banks are higher than that of private banks. School banking can play a major role in the development of country's economy and making a friendly environment across banking system in Bangladesh that will facilitate financial inclusion. We have to take initiatives to accelerate it. If we were able to increase sample size and sampling area, our generalizations would be more accurate. Our study confined only on the role of banks in savings creation not on how these savings can be converted into investment. So, it is the opportunity for researchers to conduct further research by addressing this issue.

REFERENCES

- Alam J. 2015. School banking created a new era in the banking services in Bangladesh. *BD Opinion, Bangladesh*.
- Cronbach LJ. 1951. Coefficient alpha and the internal structure of tests. *Psychometrika*. 16: 297-334.
- Hossen MM. 2012. School banking scheme as a new scheme for students. *The Daily Frontier, Bangladesh*. <http://daily-frontier.com/news.php?name=2012015109>.
- Khan MTA, Naim MJ and Begum K. 2017. An evaluation of school banking practices in Bangladesh- a scope to make financial inclusion. *The Cost and Management*. 45: 13-18.
- Mondal U, Hossain MS and Khan MAM. 2015. School banking: A new idea of banking operation in Bangladesh. *International Journal of Science and Research*. 4: 1925-1931.
- Rahman DA. 2014. School banking to ensure financial safety of students. *risingbd.com, Bangladesh*. http://www.risingbd.com/english/School_banking_to_ensure_financial_safety_of_students_Atior/13702.
- Rahman M. 2012. School banking getting popularity. *Financial Express, Dhaka*.
- Rahman S. 2011. A new era of school banking. *Daily Star, Bangladesh*. <https://www.thedailystar.net/news-detail-185235>.
- Ryan TJ and Beattie D. 2016. School banking: What is it? <https://www.canstar.com.au/youth-banking/school-banking/>.
- Yamane T. 1967. *Statistics: An Introductory Analysis*. Harper and Row, New York, USA.