

**population based demographic segmentations: impact on customer behaviour
towards financial services in banking****Dr. Snehal Godbole**

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Abstract

Demographic segmentation is the market segmentation based on the attributes such as age, gender, income etc. Let it be an existing product or service or a new product launch demographic segmentation plays an important part as companies need to stay in sync and up to date with the changing market conditions. Though large chunk of the population is still not active in terms of banking financial services it would be a tough ask for the banking industry to gain the confidence of the customers. This research paper is and attempts to analyse how population based on demographic segmentation behave towards changes in product or services offered and the behaviour of the customers towards these products and services offered to them. Primary data was collected from 175 respondents from Nagpur city and nearby areas of Nagpur city. Hypothesis was framed and these hypotheses were tested using ANOVA and the reliability of the data was also tested using Cronbach's Alpha value. Hypothesis was tested using ANOVA and it was found there is no significant difference exists due to demographic segmentation towards the customer behaviour by the respondents for banks.

Keywords: Demographic Segmentation, Financial Services, Population, Consumer Behaviour

Introduction

As population is never constant, marketers cannot collect demographic data only once and use it for years to come as population is never constant. Census data is refreshed each year. This information needs to be collected constantly in order to have a realistic picture. For a country to develop the countries financial structure should be very strong. Banking sector holds the key and a country like India with 135 crore population it plays an important role in the development. India has more than 50% of its population below the age of 25 and more than 65% below the age of 35. It is expected that, in 2020, the average age of an Indian will be 29 years. The government has been making continuous efforts to bring each individual into the banking system by starting the Jan-Dhan Yojna. Though large chunk of the population has accepted ATM's but still major population is not active in terms of banking it would be a tough ask for the banking industry to gain the confidence of the customers. (AJ Joshua, Moli P Koshy) The banking sector in India is playing an important role in the development of our country since the economic reforms and with the entry of private players along with public sector banks (Ambuj Gupta). Banking services worldwide will generally classified into investment banking and industrial. Since nationalization of the banks 1969 were predominantly under the Central Governments domain with Reserve Bank of India being the Apex Bank. With the entry

of private players in 1991 the banking sector is experiencing a major shift of the customers from public sector banks to private sector banks. The service quality as provided by these banks thus becomes an important aspect which measures the success and failure of the banks. The banks are providing a variety of services such a CASA, internet banking, retail banking, financial consultancy, locker facilities to foreign money transfer and much more. Each bank is striving hard to acquire and retain and satisfy the customers and take their level of satisfaction to next level with the use of E-banking and making use of latest technologies which are gradually replacing the traditional banking system. (Dr.G.Karthikeyan). Having more and more satisfied customers has become the most important aspect for the banks let it be public sector or private sector banks. In today's scenario the customers are able to choose from the wide range of banking services offered by the banks and the banks are striving hard to understand how customers perceive the service quality. The challenge these banks are facing today is to establish a relationship with the customers where he is confident about the banking services and the banks want to own the customers by having a sensible relationship with customer by providing quality services to retain the prevailing customer and generate or acquire new ones.

Service Quality Assessment towards Consumer Behaviour

Service quality could be defined as the extent to which a service meets customers' needs or expectations. In service quality assessment toward consumer behaviour is the dominant aspect as the customer decides the quality of the service on their behaviour of the outcome and the way it is delivered.

Five dimensions of service quality:

1. **Reliability:** This dimension is shown to own the best influence on the customer behaviour of quality. It is the flexibility to perform the secure service reliably and accurately.
2. **Responsiveness:** It is the willingness of the service firm's workers to assist customers and to produce them with prompt service. If the service is delayed the customers tends to lose interest.
3. **Assurance:** the ability of the service provider to inject and inspire the trust and confidence among the customers within the service delivery. If the prospective customers feel assured they will develop positive perspective towards the service provider.
4. **Empathy:** It refers to the caring, individualized attention the service firm provides every customer. When service supplier puts himself within the shoes of the purchasers, he may even see the customer's viewpoint higher. When customers feel that the supplier is creating his best effort to ascertain their viewpoint, it should be adequate for many.
5. **Tangibles:** It refers to physical facilities, equipment, and look of a service firm's workers. The job of the tangible and physical proof of a service is multifunctional. When a patient in the waiting room of a clinic sees the doctor's certificate, he becomes aware of the quality of service he is about to receive. Tangibles offer the client proof of the standard of service.

Significance of the study

India has more than 50% of its population below the age of 25 and more than 65% below the age of 35. It is expected that, in 2020, the average age of an Indian will be 29 years and with more and more banks are coming to India it becomes extremely important for the banks to stay ahead of each other if they want to survive and earn profit. As the customers have more option in choosing from where he should transact banking services, providing good service quality becomes a major concern to banking sector. The quality of service perceived and experienced over a period of time will decide the success and failure of the service provider. A satisfied customer will bring in more customers and an unsatisfied customer will make a dent to the banks. Behaviour as to how these services are perceived becomes an important factor towards customer satisfaction.

LITERATURE REVIEW

Rokeach (1973) in his methodology Rokeach Value Survey (RSV) talks of 18 terminal value and 18 instrumental values. Prakash (1986) talks about women segmentation by value structure is mainly based on the RVS system. Chin-Feng Lin (2002) talks about using multiple segmentation variables to identify smaller, better defined target sub markets for attractive business competitive advantages. Haemoon Oh, Sara C. Parks & Frederick J. Demicco (2002) argues that although young and senior travelers could be differentiated at the univariate attribute or multivariate constructs levels, they could not by their holistic information processing strategies. Shili Sun (2009) gives views on bases or variables to segment the consumer market or industrial market which is geographic segmentation, demographic segmentation, psychographic segmentation and behavioral segmentation. On the basis of these variables business can be segmented the markets they can serve the best and get the benefit out of this segmentation. Habibollah Ranaei in that, although young and senior travelers could be differentiated at the univariate attribute or multivariate construct levels, they could not by their holistic information processing strategies. The same interpretation was applicable to the two gender segments. This finding is also encouraging in that it is worthwhile for marketers to develop basic theories of consumer decision making that would encompass both segments in a single conceptual scheme Kordshouli Younes Jafarpour and Ahmad Allahyari Bouzanjani (2016) in their research work talked about bridging the research gap and investigate the effect of customers perceived service quality on their prosocial behaviour and further said that the dimensions of service quality have a positive effect on the customer satisfaction. Prof. V.Narasimha Rao Smt. M.B. Suvarchala (2018) states that there has been a significant change in the behaviour of the customers towards the banking services throughout the country. As the general public is not well versed with digital payments they are facing various operational risks like cyber fraud. Jignesh Valand (2016) in his research work talks about the adjustments the service providers need to make in terms of offering, education attitudes and snap shots, advertising and marketing strategies in the organisation that will live up to the expectations and will help them to recognize their customers are, what they select, what they buy, who makes the buying decisions and how the customers use merchandise and provider to shape their behaviour about the banks and the services provided by them. Dr. G. Thangapandi K. Gobinath (2016) in there research work suggested the banks to focus on pooling and retention of the existing customers. The customer should feel like he is an integral part of the organisations and this could

build a good relationship between the bank and the customers. The banks should work in the right areas that will add value to the brand. Koushiki Choudhry (2007) in the study suggests that customers distinguish four dimensions of service quality in the case of the retail banking industry in India, namely, attitude, competence, tangibles and convenience. Identifying the underlying dimensions of the service quality construct within the Indian retail banking system is that the beginning within the definition and thus provision of quality service. The paper has drawn upon the findings of the service quality dimensions to contend the initiatives that bank managers will go for enhance their employees' skills and attitudes and instill a customer-service culture. Sandip Gosh Hasra and BL Srivastava (2009) in their study indicated that the bank should pay attention to these dimension of service quality and pay more attention to dimension of assurance-empathy to extend loyalty to a corporation, willingness to pay, customer commitment and customer trust. Joshua A J and Moli.P.Koshi(2005) in their study on 'Expectation and behaviour of service quality in old and new generation banks', observed that the performance of the new generation banks across all the service quality dimensions are higher than those of previous generation banks. Bahia and Nantel (2000) suggested alternative scale for the measurement of perceived service quality in retail banking. Their study found that once examination BSQ dimensions and SERVQUAL, it appeared that BSQ dimensions were additional reliable than SERVQUAL.

Objectives of the study

1. To study the concept of Reliability with respect to the demographic segmentation of the customers.
2. To study the concept of Responsiveness with respect to the demographic segmentation of the customers.
3. To study the concept of Assurance with respect to the demographic segmentation of the customers.
4. To study the concept of Empathy with respect to the demographic segmentation of the customers.
5. To study the concept of Tangibles with respect to the demographic segmentation of the customers.

Hypothesis development

India is the second most populated country in the world. It is being said the India is a country of youth. In terms of this the demographic segmentation factors such as age, gender, education, income, occupation, family size, birth rate and death rate become important. From business point of view the demographic factors such as age, gender, education, income and experience has considerable impact on the banking businesses in India. Taking these demographics into consideration the following hypothesis has been formulated.

H01: There is no significant difference in behaviour of service quality by the respondents for reliability of the banks on the basis of demographic segmentation factor such as gender of the respondents.

H02: There is no significant difference in behaviour of service quality by the respondents for Responsiveness of the banks on the basis of demographic segmentation factor such as age of the respondents.

H03: There is no significant difference in behaviour of service quality by the respondents for Assurance on the basis of demographic segmentation factor such as education of the respondents.

H04: There is no significant difference in behaviour of service quality by the respondents for Empathy on the basis of demographic segmentation factor such as occupation of the respondents.

H05: There is no significant difference in behaviour of service quality by the respondents for various attributes of Tangibles on the basis of demographic segmentation factor such as income of the respondents

RESEARCH METHODOLOGY

Research methodology

The study is completely based on the primary data that collected from 175 respondents from different parts of Nagpur district. To collect the primary data from the respondents from Nagpur district a well-structured questionnaire was designed which was intended to study the customer behaviour towards current banking system. Responses were collected using 5 point Likert scale

Sampling unit: Banking customers were chosen as sample unit.

Sample size: 175 was the sample size for this research work.

Convenience sampling method was used to collect data. The respondents were asked pre-defined questions as listed in the questionnaire. Any question which needed clarification was explained to the respondents and there was no bias in collection of the responses from the respondents.

Statistical tools used

Statistical tools used to study are ANOVA and Frequency Analysis. To test the reliability of the data Cronbach's Alpha is used. SPSS was used to perform statistical analysis and for hypothesis testing ANOVA is used.

Table 1. Demographics profile of the customers

Variable	Characteristics	Frequency	Percentage
Gender	Male	146	83
	Female	29	17
Age Group	20 – 30	21	12
	30 - 40	22	13
	40 - 50	62	35
	Above 50	70	40
Education	SSC	7	4
	HSC	57	32
	Graduate	89	51
	Post Graduate	22	13
Occupation	Student	9	5
	Salaried	112	64

	Self employed	50	29
	Not working	4	2
Yearly Income	Below Rs. 250000	51	29
	Rs. 250000-500000	47	27
	Rs. 500000-750000	65	37
	Above Rs. 750000	12	7

The above table 1 is the representation of the sample population who is using banking transaction of business. 83% of the respondents are male as compared to females who are 17%. If we look into the occupation part 93% of the sample population is salaried class is the combination of people working in private sector as well as government class where 51% of them are graduate and 13% are post graduate level sample and 88% of them are above 30 years of age with 61% of the sample is earning more than 250000 to 750000 rupees a year which is an ideal combination of the people who are using banking system.

Reliability and Validity

The below table 2 displays the result of reliability analysis – Cronbach's Alpha value. The test measures the consistency between the survey scales. The Cronbach's Alpha score of 1.0 indicates 100 percent reliability. The accepted score is generally 0.7 and in this case the score was 0.813 for behaviour of customers using banking for transactions used by the respondents which shows that the data is reliable and test could be performed.

Case Processing Summary

	N	%
Valid	175	58.9
Cases Excluded ^a	122	41.1
Total	297	100.0

a. List wise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.813	16

Hypothesis Testing and ANNOVA Computation

To test the hypothesis ANNOVA is carried out. The table 3 below shows the testing of hypothesis with respect to gender, age, education, occupation and income for the respondents.

Table 3: ANOVA Computation

Particular	Gender		Age		Education		Occupation		Income	
	F	Sig.	F	Sig.	F	Sig.	F	Sig.	F	Sig.

Convenience of branch location	0.507	0.678	0.784	0.504	0.948	0.419	0.203	0.894	1.46	0.227
Service Facilities	1.042	0.378	0.536	0.71	2.387	0.053	0.314	0.869	2.126	0.08
Reliability of the employees	0.303	0.876	0.454	0.769	0.99	0.414	0.412	0.8	0.598	0.664
Overall Service Standard	1.218	0.305	3.815	0.005	0.526	0.717	0.812	0.518	2.041	0.091
Service Charges	0.487	0.745	1.253	0.291	2.285	0.062	0.761	0.552	0.733	0.571
Responsiveness(duration of solving a problem)	1.451	0.219	0.422	0.793	0.432	0.786	1.218	0.305	2.015	0.095
Level of Professionalism of the Employees	0.987	0.417	0.518	0.723	0.568	0.686	2.659	0.035	1.49	0.207
Assurance of Privacy	0.629	0.534	0.713	0.492	0.773	0.463	2.724	0.068	0.352	0.704
Empathy towards the customers	1.435	0.225	0.579	0.678	0.461	0.764	0.962	0.43	2.037	0.091
Speed of Transaction	1.056	0.38	1.243	0.294	0.562	0.691	1.306	0.27	4.392	0.002
Tangibles(Ambiance)	0.039	0.843	0.039	0.845	1.171	0.281	4.193	0.042	1.227	0.269

Hypothesis were tested using ANOVA and it was found there is no significant difference in behaviour of service quality by the respondents for reliability of the banks on the basis of demographic so here we accept the null hypothesis for HO1, HO2, HO3, HO4 and HO5. In case of service standard and speed of transactions age factor and income factor show that there is a significant difference in behaviour of service quality respectively.

Frequency analysis

In search of respondent's behaviour and the overall satisfaction achieved a frequency analysis has been conducted on the data that was collected through survey of 175 respondents from different age group, gender, occupation, education and income level.

To support the satisfaction and behaviour of the respondents who strongly agree and agree are the supporting responses and responses who have strongly disagreed or disagree are least important. Neither the responses who have shown neutral behaviour they neither support nor they oppose the attributes.

Table 4 Frequency Analysis

Attributes	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Convenience of branch location	34	0	119	20	2
Service Facilities	54	76	31	12	2
Reliability of the employees	47	65	34	22	7
Overall Service Standard	50	37	48	24	16
Service Charges	54	28	41	40	12
Responsiveness	39	28	45	50	13
Level of Professionalism of the Employees	37	34	42	57	5
Empathy towards the customers	34	28	46	52	15
Speed of Transaction	42	20	42	47	24

As seen in the above table majority of the respondents believe that service quality of the banking system is a good and few customers have shown disagreement towards the banking system, though some of the respondents have shown neutral response.

Conclusion

The current study was an attempt to analyse how the demographic segmentation parameters have an effect on the various attributes when it comes to banking system. Hypotheses were framed and these hypotheses were tested using ANOVA and it became very clear that there is a significant difference perceived by the respondents with respect to gender, age, and occupation, education and income level of the respondents. . Hardly in one or two off cases the attributes has shown that there is no significant difference in responses of the respondents. Reliability test was performed and the percentage of data being reliable was 83% and further the frequency analysis was done and it was observed that majority of the respondents believe that service quality of the banking system is a good and few customers have shown disagreement towards the banking system, though some of the respondents have shown neutral response. With the changing dynamics in terms of demographics the customers are now becoming more aware and perhaps giving a reason for choosing the demographic segmentations to give an insight to the companies to select a proper marketing strategy to create an appropriate market for them.

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