

# INFLUENCE OF THE DEMOGRAPHIC VARIABLES ON THE CUSTOMER'S CHOICE AND PREFERENCE FOR A PARTICULAR TYPE OF BANK

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**Abstract :-** There has been a lot of restructuring and reshaping of the role of the banks in the past decade as India too has groomed itself for a more visible presence on the global platform. Stiff competition between the public sector banks and foreign players has led to public sector banks gaining a dominant while the foreign banks have had to adjust to the domestic banking scene to a great extent. The banks can earn high profit if they are able to position themselves better than their competitors within a specific market. Demographic information is the most accessible and cost effective way to identify a target market. Demographic profiling is particularly useful in two closely related tasks- creating customer profiles for product and service marketers and creating audience profiles for mass and special interest media to attract advertisers. The study uses a multi-method approach, survey based on the profile of the customers for banking industry in India. In the study 150 customers of State Bank of India (SBI) a public sector bank and 150 customers of Industrial Credit and Investment Corporation of India (ICICI) bank a private sector bank in India were studied. The independent samples were formed which could be analyzed using null hypothesis test to investigate whether "The demographic profiles of the surveyed customers and their choice of a particular type of bank (i.e. private or public) are independent of each other", using the chi-square test. The difference between the few demographic variables like age, education and occupation are highly significant and therefore, these variables significantly influence the customer's choice and preference for a particular type of bank

**Keywords -** Bank; Customer, Demographic Profile, Preference, Survey

## INTRODUCTION

In today's competitive and volatile environment all marketers including banks communicate with their target markets. The issue retail banking is extremely important and contemporary. Across the globe, retail banking has been an impressive innovation in the commercial banking in recent years. There has been a lot of restructuring and reshaping of the role of the banks in the past decade as India too has groomed itself for a more visible presence on the global platform<sup>1</sup>. The Indian retail banking sector can be broadly categorized as nationalized (government owned), private banks and specialized banks. The Reserve Bank of India acts as a centralized body monitoring any discrepancies and shortcomings in the system<sup>2</sup>. Currently India has 88 scheduled commercial banks 27 public sector banks (that is with government of India holding a stake) 31 private banks (where government of India do not have any stake they may be publicly listed and traded on stock exchanges) and 38 foreign banks. They have a combined network of over 53000 branches and 17000 ATMs<sup>3</sup>. Moreover, retail banking sector can be characterized by the following three basic characteristics: Multiple products, Multiple channels of distribution like call centre, branch, internet; and Multiple customer groups such as consumer, small business, and corporate<sup>4</sup>. The type of products offered in Indian market by retail banks are housing loan, education loan, auto loan, credit cards, personal loans, car loans, and mortgage loans, insurances, capital loans etc all at a much cheaper rate but

with personal attention and care. Different banks have given the different attractive brand names to these loans to segregate their products from the products of other banks<sup>5</sup>. Stiff competition between the public sector banks and foreign players has led to public sector banks gaining a dominant while some reputed foreign banks are seeking entry into Indian banking scene promising better and more financial services<sup>6</sup>. Setting eyes on foreign shores and serving the Indian settled abroad in a better way is another well planned initiative undertaken by the Indian banks as well<sup>7</sup>. There is direct relationship between promotion and sales but even then we can say that if promotional programs are towards the target customers pays to the marketer. Customer satisfaction is an important theoretical as well as practical issue for most marketers and consumer researchers<sup>8</sup>. The significance of customer satisfaction and customer retention in strategy development for a market oriented and customer focused firm cannot be underestimated<sup>9</sup>. This is because the customers' expectations have grown to enormous extents over a period of time and now-a-day they also expect timely efficient and quality service and communication from the banks<sup>10</sup>. If banks can understand which attributes are used to evaluate a service they will be better able to manage and influence the customer's evaluations and perception of the offering<sup>11</sup>. The banks can earn high profit if they are able to position themselves better than their competitors within a specific market<sup>12</sup>. Demography helps to locate a target group of customers whereas psychological and socio-cultural

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characteristics help to describe how their members think and how they feel. Demography refers to the vital and measurable statistics of the population. Demographic information is the most accessible and cost effective way to identify a target market. Indeed most secondary data including census data are expressed in demographic terms.

Demographic variables reveal ongoing trends such as shifts in age income education and occupation distributions that signal business opportunities.

Demographic variables are the most popular bases for distinguishing customer groups. Banking organizations can get access to demographic variables and this information is also easily verifiable and measurable. Customer needs and wants preferences and usage rate are also closely related to Demographic variables. From the view point of understanding service quality perception of customers towards retail banking services we find the following demographic variables very much important (i) Age (ii) Income (iii) education and (iv) Occupation

## RESEARCH METHODOLOGY

The study uses a multi-method approach, survey based on the profile of the customers for banking industry in India. In order to conduct this study I have surveyed 150 customers of SBI a public sector bank and 150 customers of ICICI a private sector bank. The surveys have been conducted at the various branches of these two banks and various other localities of Agra region. It is pointed out that multi-methods allow different approach for different research purposes, since each method has its strengths and weaknesses. Research is based on descriptive analysis. The secondary data was collected from the various websites and magazines. Primary data was collected from the customers of SBI bank and ICICI bank through direct interview and questionnaire. The independent samples were formed to test the null hypothesis, "The demographic profiles of the surveyed customers and their choice of a particular type of bank (i.e. private or public) are independent of each other", using the chi-square test. Structured questionnaire with multiple choice options based on the nominal scale were given to the customers of the above given banks. Thus, the banking industry survey provides data on the demographic profiles of the customers of the two types of banks and their choice of a particular type of bank (i.e. private or public). Surveys provide an economical way to obtain large quantity of standardized data which allows comparison through quantitative analysis. On the other hand, surveys have the limitation that data are less in-depth due to the standardized format. This analysis was done to compare and analyze the promotional tools and techniques adopted by ICICI Bank and SBI.

## RESULTS AND DISCUSSION

### Age-wise Distribution and Comparison of ICICI and SBI Customers

The age-wise distribution of surveyed ICICI and SBI customers is presented in the ensuring Table-1. Further in this case chi-square test is applied to test the null hypothesis, "Age of the surveyed customers and their choice of a particular type of bank (i.e. private or public) are independent of each other".

The observed frequencies are 42, 39, 46, 41, 45, 33, 12, 25, 05 and 12; and their corresponding expected frequencies will be 40.5, 40.5, 43.5, 43.5, 39, 39, 18.5, 18.5, 8.5 and 8.5.

Now the calculated value of chi-square

$$X^2 = \sum \{(O - E)^2 / E\} = 9.66$$

At 5% level of significance for 4 degrees of freedom the tabulated value of chi-square  $X^2$  tab 9.49

Since the calculated value of chi-square is greater than the tabulated value of chi-square at 5% level of significance so we reject the null hypothesis and conclude that the age of the customer significantly influences their choice of a particular type of bank.

### Income-Wise Distribution and Comparison of ICICI and SBI Customers

The income-wise distribution of surveyed ICICI and SBI customers is presented in the ensuring Table-2. It can be observed from the table that the case chi-square test value to test the null hypothesis, "Income of the surveyed customers and their choice of a particular type of bank (i.e. private or public) are independent of each other" is less than the tabulated value of chi-square at 5% level of significance for 4 degrees of freedom, so we accept the null hypothesis and conclude that the income of the customers and their choice of a particular type of bank are independent of each other.

$$X^2_{cal} = 7.8822 < X^2_{tab} = 9.49$$

### Education-wise Distribution and Comparison of ICICI and SBI Customers

The education-wise distribution of surveyed ICICI and SBI customers is depicted in the ensuring Table-3. In this case when chi-square test is applied to test the null hypothesis "Education of the surveyed customer and their choice of a particular type of bank (i.e. private or public) are independent of each other", it is observed that the calculated value of chi-square is greater than the tabulated value of chi-square at 5% level of significance for 3 degree of freedom. So, we reject the null hypothesis and conclude that there is a significant association between the education of the customers and their choice a particular type of bank.

$$X^2_{cal} = 23.7694 > X^2_{tab} = 7.82$$

### Occupation-wise Distribution and Comparison of ICICI and SBI Customers

The occupation-wise distribution of surveyed ICICI and SBI customers is presented in the ensuring Table-4. It can be observed from the table that the case chi-square test value to test the null hypothesis, "Occupation of the surveyed customers and their choice of bank (i.e. private or public) are independent of each other" is greater than the tabulated value of chi-square at 5% level of significance for 3 degrees of freedom. Therefore, we reject the null hypothesis and conclude that the occupation of the customers significantly influences their choice of a particular type of bank.

$$X^2_{cal} = 8.7080 > X^2_{tab} 7.82$$

## CONCLUSION

On applying chi-square test to the primary data related to the demographic variables like age, income, education and occupation of ICICI and SBI customer we have drawn the

conclusion that age, occupation and education significantly influence the customer's choice for a particular type of bank i.e. there is a significant difference between the age-wise, education-wise and occupation-wise distributions of the customers of the two types of banks (i.e. Private and Public sector Banks) whereas the results of chi-square test show that income of the customers and their choice of a particular type of bank are independent of each other i.e. income as a demographic variable does not influence the choice of the customer for a particular type of bank. Demographic profiling is particularly useful in two closely related tasks- creating customer profiles for product and service marketers and creating audience profiles for mass and special interest media to attract advertisers.

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#### TABLES

**Table1: Age-wise Distribution & Comparison of SBI and ICICI Customers**

S.No	INCOME	No. of CUSTOMERS		TOTAL
		ICICI	SBI	
1	Below Rs. 10,000	55	72	127
2	10,000-20,000	41	42	83
3	20,000-30,000	21	17	38
4	30,000-40,000	23	10	33
5	Above 40,000	10	09	19
	<b>Total</b>	<b>150</b>	<b>150</b>	<b>300</b>

Source: Primary Data

**Table2: Income-wise Distribution & Comparison of SBI and ICICI Customers**

S.No.	AGE	No. of CUSTOMERS		TOTAL
		ICICI	SBI	
1	Below 30 yrs.	42	39	81
2	31-40	46	41	87
3	41-50	45	33	78
4	51-60	12	25	37
5	Above 60 yrs.	05	12	17
	<b>Total</b>	<b>150</b>	<b>150</b>	<b>300</b>

Source: Primary Data

**Table3: Education-wise Distribution & Comparison of SBI and ICICI Customers**

S.No.	Education	No. of CUSTOMERS		TOTAL
		ICICI	SBI	
1	10 <sup>th</sup> & Below	2	19	21
2	12 <sup>th</sup>	15	17	32
3	Graduate	95	61	156
4	Post Graduate	38	53	91
	<b>Total</b>	<b>150</b>	<b>150</b>	<b>300</b>

Source: Primary Data

**Table4: Occupation-wise Distribution & Comparison of SBI and ICICI Customers**

S.No.	Occupation	No. of CUSTOMERS		TOTAL
		ICICI	SBI	
1	Business	27	34	61
2	Govt. Job	31	37	68
3	Private Job	48	26	74
4	Professional	46	53	97
	<b>Total</b>	<b>150</b>	<b>150</b>	<b>300</b>

Source: Primary Data