

Serving Small Finance Bank Customers better using Psychographics in Karnataka and Tamil Nadu

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Abstract

Small Finance Banks were started in India in 2016 to expand basic banking services to unserved and underserved customer segments. (Kumar and Sarkar, 2008) To understand customers better and serve them, many of the prior customer segmentation studies have advocated using psychographic segmentation techniques along with demographic segmentation techniques (Gilbert and Warren, 1995). Customers of small banks are assumed to be very different from customers of mid and large-sized banks in terms of their attitudes, interests, and opinions. This study contributes in terms of understanding the small bank customers' psychographics influencing (a) Bank selection, (b) Bank channel selection and (c) Banking product selection. A sample of 251 small bank customers were surveyed and their psychographic segments were discovered using Exploratory Factor Analysis. The important factors influencing selection of small banks were reputation, convenience, word of mouth, and suitable products contributing to 61.85 percent of cumulative variance.

JEL Code : D91, G21, M31

Keywords : Psychographic; Segmentation; Small Finance Banks; Exploratory Factor; Banking; Karnataka; Tamil Nadu; India

I. Introduction

THE GROWING WORKING population and increase in disposable income have given rise to the demand for banking and related services in India (Kumar and Sarkar, 2008). The banking sector has emphasized expanding its customer base and providing improved services to its clients through improved technology, leading to enhanced customer experience. On 16th September 2015, Reserve Bank of India (RBI), the apex bank of India,

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Annexure Questionnaire

Part - A

Name: - _____ Contact No. : _____
 Age:- 1) Below 18 2) 19-30 3) 31-50 4) Morethan 50
 Gender: - Male Female
 Education: -1) below SSLC 2) PUC 3) Graduate 4) Post graduate
 Occupation: - 1) Student 2) Business 3))
 Employee 4) Others
 Monthly income: -
 1) Below 20,000 2) 20,000-50,000 3) 50,000-80,000 4) More than 80,000
 Small Bank Name: _____

Part- B

Please indicate the degree of your agreement or disagreement on the following sentences by marking (X) in the given space based on below scale

	1	2	3	4	5
	Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

1. These set of questions are related to general banking and the factors that you think are important in your selection of your small finance bank

Sl. No	Statement	1	2	3	4	5
1	A Bank should have a good reputation for me to choose it.					
2	I would choose a bank based on its stability					
3	I would choose based on higher intereston savings account.					
4	I would choose my bank if it is innovative in terms of its products and services					
5	I would want my bank to have a strong brand image.					
6	I would want a bank to adopt working hours that suits my convenience					
7	I would want my bank to ensure me that my money /investments would be safe even in case of misuse of my personal information					
8	I want my bank to have a good physical appearance (both interior and exterior).					
9	My bank offers useful products and services.					
10	My bank actively seeks feedback to improve its service.					
11	My choice of bank is influenced by external sources like people's opinion or/ and marketing efforts of the bank.					
12	My bank offers credit facilities that suit my needs.					

2. These set of questions are related to reasons for usage and awareness about various banking channels

Sl. No	Statement	1	2	3	4	5
13	I would prefer branch banking, because it offers face to face interaction with bank staff when banking.					
14	I would prefer branch banking, because I am not comfortable with technology					
15	I would prefer branch banking, because of its convenience.					
16	I want to use ATMs for other banking operations also apart from cash withdrawals/ balance checks as well					
17	I like technological innovations					
18	I would prefer to use ATM due to its convenience					
19	Mobile Banking is convenient to use					
20	I know that ATM can be used to perform many other banking operations					
21	ATMs are secure					
22	Internet banking is convenient to use					
23	I feel Internet banking is secure					

(Contd....)

3. Product Ownership and usage

Sl. No	Statement	1	2	3	4	5
24	If I have to opt for a loan, I would go in for a loan with the least interest rate					
25	Speed of Loan processing is very important to me if I have to choose a loan product					
26	I would like to opt for a loan from a bank if the bank can modify the payment terms according to my needs					
27	I would opt for a loan product if it comes with various other options and extra benefits like free insurance, free credit card, etc					
28	I am / would be influenced by external forces like people / marketing efforts in my choice of loan product. If response is 5 or 4 choose the below. (more than one can be chosen) a) People b) marketing efforts					

Source : Self Formulated