

Generation Y: Behavior and Attitudes towards Retail Banking Services in India

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Abstract: Recent research on financial services has focused its attention on the young consumers and their decision making in the choice of financial products and financial service providers. Research has also highlighted the need to further explore underlying motives of the young consumers in order to create long term relationships in this influential consumer segment.

India is a fast growing and a major emerging economy. Official sources state that nearly 65% of its population is under the age of 35 years and the Generation Y cohort constitutes nearly 1/3rd of its total workforce. From a business and marketing perspective it is important, therefore, to understand the consumer behavior of this cohort and use this information to optimally tap into this segment.

This paper studies the behavior of generation Y cohort (generation born in the 1980s and 1990s) in India and explores the attitudes of these consumers towards retail banking services. Conducted on a sample of 200 respondents from urban India it seeks to highlight the more enduring motives for generation Y's personal banking choices and contributes to the theoretical discussion on factors influencing consumer behavior in the retail financial services sector. The implications of the study point towards more changes in the marketing strategy of the retail banks of the country and a stronger attempt to both attract and retain the generation Y consumers for long term relationships with the organizations.

1. Introduction

Bank marketing has been extensively studied in the area of marketing studies by various researches across the globe. Some of the most prominently referred scientific articles emphasize the fact that marketing in financial services is more challenging than any other product or service marketing because it involves money as the main component of business and therefore there is a high dependence on the factor of 'trust'[1through 7]. Trust and satisfaction are interdependent [8, 9] and highly influential during the customer decision process regarding their choice of service providers. It is therefore important for bank marketers to be able to know their customers very well and there must be a proactive effort towards bridging the gaps between management perceptions and customer expectations in order to be able to serve their target segments better[10,11]. In a study of Swedish customers [12], it was observed that customer satisfaction and service quality is important for all firms, but satisfaction is more important for loyalty in industries such as banks, insurance,

mail orders, etc. The financial services are also challenged by the intensity of growing global competition. With more number of financial service providers claiming their share of the market pie, it is critical for the organisation to be able to expand its market spread and share of wallet. The increasing competition takes has a negative impact on the strength of the existing customer relations between a customer and service provider and they tend to become weaker among existing relations while new relationships are being bonded [13, 14, and 15]. An effective tool is to be able to identify newer target segments [16, 17] and expand within them by studying their specific needs and wants. Also it is important to understand that the aspect of loyalty may differ from segment to segment, hence emphasizing the need for proactivity and decision making [18, 19]

2. Generation Y (Gen.Y)

The generation Y as the target segment has drawn increasing attention from a number of researchers across various industries and businesses. This cohort defined as ‘the population born between 1980 and 1990’ is looked upon as the next lucrative target segment[20,21,22] .Gen Y is also defined as those born between 1977 and 1995[23] and also as born between 1982 and 2001[24].This segment is being increasingly explored for the banking and financial services [25,26,27]as the next lucrative market mainly because they are young educated and are well informed of the changes around them with a peculiar flair for environmental friendly goods[28]. They are described as ambitious and optimistic persons [29] who have a strong tendency to voice their likes and dislikes while trying to pick only what suits them. Paul(2001)[24] in an early research on was also able to highlight that Gen Y also has a tendency to mistrust, criticize and get bored very easily as they demand attention, novelty and variation from those around them. These customers have grown up using computers and the internet [30, 31] and in an age where financial services have changed drastically from manual to automated systems, the Gen Y is a perfect future customer. It is therefore important for research to be directed towards this field so that more aspects of the customer segment can be known and a valid contribution to academic research and the industry can be made constructively.

3. Banking in India

In a recent report from the Reserve Bank of India, 2013[32] the financial system of India is controlled by 87 banks of which there are 26 public sector banks, 21 private sector banks and 41 foreign banks. The public sector banks hold nearly 73% of the market share of Assets of the country followed by private sector at 20% and foreign banks at 7%. Spread wise the public sector banks hold an 83% share of the number of branches followed by 17% of private sector and 3% of foreign banks. Since major nationalization moves in 1969 and opening of Indian market to foreign banks in 1990's the banking sector has opened up extensively and become highly competitive. Referring to current figures [33], there has been a 25% growth rate in the composition and share of ATMs in the public sector, 15% in the private sector and 3% in foreign banks. The usage of debit cards is more popular than credit cards and against a global figure of 15% for using electronic mode for doing wire and online transfers, India still has only 2% of the activity [33].

4. Gen Y and India

The latest census report of India [34] states that the population of the country is 1.2 billion of which 65% of its total population are under the age of 35 years. A report released by the Confederation of Indian industries [35] draws attention to the growing number of workforce in India which is estimated to increase from 58% in 2001 to over 64% in 2011 and making way for nearly 64 million new entrants between 2011 and 2016. There is 82.2% literacy among the urban youth. Access to banking services has improved in India from 35.5 %(2001) to 58.7 %(2011) of the nationwide reach. From this, there has been an increase in access to banking services in Urban India from 49.7 %(2001) to 67.8 %(2011) and in rural India from 30.1 %(2001) to 54.4 %(2011) [34]. With a literacy rate of 85% in Urban India and 64% in rural India [34], there are currently 35 million

internet users of which 22.8 million Indians are internet subscribers and the industry shows a 17% annual growth rate [36]. A report on comparing youth, especially Gen Y, between India and China [37] revealed that the Indian Gen Y is open-minded, optimistic and positive. They wish to be globally competitive and believe in a fast pace of life. Many of them are interested in earning a lot of money quickly and are ready to take risks while stating that entrepreneurship rather than a job can help them achieve their goals. They love to spend and there is an increasing attitude for the ‘me first’ with a declining interest in culture, traditions and the age old collectivistic way of life.

This paper takes on the above background as the inspiration for the research. It is assumed that the above scenario could mean more potential for the Indian banks and it will therefore be interesting to further study how the relationship between the Gen Y consumers and the banks of India could be made stronger. The paper therefore attempts to explore and examine their attitudes towards the various banking options of retail banking services in India and to see what needs to be done to reformulate future marketing strategies.

5. Method

A sample of 225 respondents was interviewed through interviews conducted with the aid of structured questionnaires in two urban cities of India. Responses were collected from respondents between the age of 20-35 years thus ensuring that the respondents were born between 1979 and 1994, hence fulfilling the criteria for being part of Gen Y. 25 responses were discarded due to incomplete information and a total of 200 responses were therefore analyzed. The interviews were conducted by students of the Business program of the local universities and therefore had a good rapport with the respondents. The questionnaires were pretested before release.

6. Results

The study began with exploring the lifestyle details of the Gen Y cohort. When asked for their choices in life that could have a financial impact it was found they had a divided opinion about saving and spending money.

Table 1

Tendencies of Generation Y in India

Parameters A	Choice for A	Neutral	Choice for B	Parameters B
Live today	25	29	46	Save for the future
Real time access	49	20	32	Batch Access
Get what they want	41	25	35	Ready to compromise
Electronic goods	51	17	33	Traditional
Hobbies and related investments	43	11	46	Savings are important

From the sample of 200 Gen Y respondents it was found that the number of customers having their accounts with 2 or 3 banks is increasing as compared to previously when they had only one bank account. 64% of the customers primarily banked with private sector banks and the remaining 36% chose the public or government sector banks as their main banking service provider. 94% of the

customers opened a savings account followed by 21% for salary account followed by 7% for a term account.

Table 2

Reasons to bank with their main banks

Reasons to bank with their banks	Percentage responses
Proximity	22
Reputation	26
References	37
Secured online transactions	14
Quality of service	29
Salary account	18

Next we explored how Gen Y was aware of the various bank products offered by their banks and the marketing channels that influenced those most.

Table 3

Awareness of bank products through various marketing channels used by the banks

Type of product	Website	Hoarding	media	References	Campus visits	SMS/Mobile	Staff
Deposits	18	1.5	7.5	74	7.5	1	2
Loans	12	1.5	3.5	68	12.5	1	1.5
Remittances	24	2.5	2.5	58	7.5	1.5	0
Life Insurances	6	5	1.5	61	7.5	2	2.5
Lockers	7	7.5	1.5	72	10.5	0	2.5
Utility and tax payments	14	16	7.5	55	5.5	0	0
Depository services	18	10	0	56	9	0	6.5
Total	99	44	24	444	60	5.5	15

On the question for choice and frequency of usage of banking options offered by banks the following picture emerged

Table 4

Banking tools used by Gen y (percentage responses)

Types of products	Internet banking	Mobile banking	ATM	Debit and credit cards	Phone banking	Personal visits
Deposit	42	9	39	46	0	46
Loans	0	0	0	0	0	100

Table 5

Frequency of online banking transactions (percentage responses)

Types of products	1-2 times	2-5 times	5-10 times	More than 10 times
Deposit products	27	18	30	25
Loans	67	0	0	33
Remittances	71	29	0	0

Further customer satisfaction was gauged for the various banking options available to Gen Y

Table 6a

Customer satisfaction for banking tools (percentage responses)

Banking tools	Satisfied	Neutral	Dissatisfied
Internet banking	77	13	10
Mobile banking	70	26	3.5
Phone banking	58	35	7.5
Card payments	84	19	0
ATMs	80	21	3
Personal Banking	67	21	14

Table 7

Factors contributing to satisfaction of online banking services in India (percentage responses)

Factors	Satisfied	Neutral	Dissatisfied
Accessibility	62	68	4
Speed	80	15	5
Security	70	19	12
Confirmation	78	16	7.5
Time	59	31	10

Table 8

Reasons for Dissatisfaction with online banking services

Reasons for dissatisfaction	Percentage response
Security issues	7
Network problems	17
Not user friendly	26
Difficulty in passwords	10
Counter staff's lack of knowledge	15
Others	32

Table 9

The ‘other ‘problems that respondents face are:

Other problems	Percentage response
Activation problem	10
Delay/Time consuming	15
Lack of response in problem solving	3
Quality of service	3

The research tried to examine the opinions of Gen Y regarding how banking services could be improved

Table 8

Suggestions by respondents for improvement of banks services

Scope areas for improvement	Percentage responses
Counter Staff	49
Security of Online transactions	31
Service quality	51
Proximity	5
Social media presence	24
Brand image	17
Customized products for Gen Y	39
User friendly	47

Most of the customers had a strong opinion about the use of Social media by the banks in India and nearly 80% of the respondents said that banks should make a strong use of this medium to reach to the customers. On examining why they thought so the following opinions emerged.

Table 9

Reasons on why banks should be on social media

Reasons	Percentage responses
Community Building	16
Customer service	12
Transparency	7
Product research	0
Marketing and Promotion	51
Best way to attract Gen Y	60

7. Analysis and Conclusion

Generation Y consumer cohort of India is a vibrant, enthusiastic and forward thinking population segment. Regarding behavior towards money and the future it is seen that they have a divided opinion where spending for a good lifestyle and saving for the future both find a place of importance in their financial planning. They are interested in acquiring precisely what they want and have a tendency to invest in hobbies and technological goods.

The survey results point to a general behavior of the generation Y consumers of India towards banking and banking needs. It highlights that the consumers are mainly influenced to enter into business relations with banks through references of family and friends. The other strong influencers for them are the quality of service and the reputation of the bank. Consumer awareness of the banks

product portfolio is contributed most by references followed by a wide margin by websites and the least by the staff of the banks

Regarding usage of banking options it is seen that Gen Y is comfortable in using online banking, debit/credit cards as well as ATMs for its financial needs. However they also tend to depend heavily on personal banking, especially in the case of loan applications and disbursement, and therefore exhibit an equal need for the support of bank staff. They prefer real time access to online transactions and details. It was surprising to see that none of the 200 customers ever opted for phone banking and even mobile banking was very scantily used. Most consumers are satisfied largely with ATM and card services followed by Internet services. The highest dissatisfaction factor is Personal banking and the support that the consumers get from support staff and teller counters. A further foray into the usage revealed that consumers are mostly concerned about security issues and time spent in online access of banking services. Although network connectivity and related problems seem to make their access difficult, the unfriendliness of the user interface for the online services is also identified as a major obstacle. The situation seems to be further aggravated by the inability of the bank to address problems related to activation, speed of transactions and delay in response from the counter staff when the consumers face a problem.

It was an important element of the survey to obtain the respondents opinion of the areas of improvement regarding banking in India. It was observed that most of them desired an improvement in service quality (51%), counter staff (49%) and user friendliness (47%). The respondents pointed out that banks should provide customized products for Gen.Y and that the banks should increase their presence on Social media and use it as a potent marketing tool to attract more Gen Y consumers. A small proportion also thought that this action could increase the transparency of the organization and contribute to community development.

The above results draw attention to mainly three aspects that could play a key role in reformulating marketing strategies for targeting Gen Y consumers in the banks of India. First, banks need to make sure that there is a stronger bond between the consumer and the service providers. This could be ironic given that banks are increasingly moving from manual to automated systems; however there still seems to be dependence for 'human' support and need for increased service quality and knowledgeable communication among Indian consumers. Second, banks should develop more into phone and mobile banking given the scant use of these services presently. It is possible that the security and privacy factors play an important role in the mass adoption of these services. Hence it is critical for banks to ensure that the security and stability of online and other virtual banking options is maintained, enhanced and communicated effectively. Third, banks still have a large creative field for reformulating marketing strategies by means of designing new products that could attract Gen Y. Further research is strongly needed to study how the 'entrepreneurial' mindset of the consumers could be tapped in order to create new products and services. It is critical to realize that while references have the strongest impact on consumer decision making, the use of social media which has been largely neglected by the Indian banks until now, promises to be a new yet powerful tool that can be used in innovative ways for reformulating marketing strategies. Newer and more stable products designed to meet consumer needs and desires means stronger and longer customer relations and a sustainable business model for the efficiency and popularity of the banks.

Generation Y in India, as in the rest of the world, is evolving rapidly and there is a lot that retail banking can offer to this new consumer segment through innovative products and services, thereby proving to be as 'cool and hep' as the generation itself.

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