Table 4.8

Correlation between market segmentation competitiveness and post purchase customer actions

Financial institutions	Competitiveness		Word-of-mouth decisions		Loyalty & patronage		Correlation	
	Mean score	Std. Error	Mean score	Std. Error	Mean score	Std. error	Segmentation competitiveness and word-of-mouth decisions	Segmentation competitiveness and loyalty and patronage
LIC	17.70	0.177	3.24	0.192	3.47	0.231	0.598	0.553
ICICI	15.07	0.182	2.92	0.186	3.12	0.225	0.625	0.575
FT	15.46	0.163	2.82	0.174	2.94	0.216	0.647	0.584
UTI	17.90	0.192	3.19	0.163	3.32	0.204	0.584	0.597
SBI	20.98	0.188	2.87	0.159	3.02	0.212	0.662	0.612
HDFC	15.67	0.188	2.87	0.159	3.02	0.212	0.574	0.532

Source : Primary data

Figure 3.2

Framework of steps and procedures for analysis of market segmentation competitiveness of FIs

Perceived performance score by respondents

Perceived performance analysis

Perceived performance score by panel of experts

Measurement and ranking of factors

Importance rating analysis

Assignment of score by respondents

APPENDICES

Competitiveness of Indian Financial Institutions – Impact on Saving and Investment Behaviour of Households

Questionnaire Part I

Kindly furnish the following information in the space provided for.

- Name & Address

- Sex

- Age
- Educational Qualification
- Marital Status
- Year of Marriage (if Married)
- If Married, respond if you have children

No.	Age			
	1	2	3	4

Not appli
cable

  - No. of Boys & Age

No.	Age			
	1	2	3	4

Not appli
cable

  - No. of Girls & Age

- No. of dependent children
- Number of other dependents
- Occupation
- Number of members having
  Rs
  Income (including you)
- Approximate annual income of the family
- Approximate saving in percentage
  Village Town City
  Of income
- Place of residence
  Residential home, Car, Phone, Business assets, Land
- Properties & Assets owned
  Air conditioner, Computer, Washing machine, Two wheeler

Questionnaire Part II

- Please carefully read the following matters described in the main table and assign values to them on the basis of the importance you give to these matters in your dealings with financial institutions. Values are given in the first table such as 4 3 2 1. For example if you consider the first item in the main table as extremely important give value 4 in the box provided against first item.

	Ratings	Value
i.	Extremely Important	4
ii.	Important	3
iii.	Slightly Important	2
iv.	Not Important	1

	Description of Factors	Value
i.	• Number and diversity of savings schemes. • Innovation to existing schemes • Introduction to news schemes in tune with latest development;	
ii.	• Monetary return from savings schemes considering amount of investment. • Financial incentives and concession offered • Terms and conditions of payment	
iii.	• Knowledge provided by promotion and advertisement media. • Familiarity and relation with media used. • Creativity of the media in encouraging savings.	
iv.	• Number and facilities of offices and service centers. • Proximity and accessibility to them. • Number, efficiency and friendliness of agents and brokers	
v.	• Transparency, simplicity and quickness of procedures.	

	• Absence of unnecessary delay and red tapism in dealings. • Hours of service (24 Hours or not)	
vi.	• Commitment, courtesy and knowledge of employees. • Their accuracy and efficiency in dealing. • Co-operation and punctuality of employees.	
vii.	• Friendliness and sincerity in customer service. • Personal interest individualized attention in service. • Promptness in taking action on complaints.	

- Kindly express your expectations from FIs and actual performance of FIs in terms of score, in respect of following matters using a 10 point scale where 10 means very high score and 1 means very low score.

No.	Attributes	LIC	UTI	SBI	HDFC	ICICI	FT
i.	Financial needs satisfying capacity and benefits of the products						
ii.	Sophistication and technological advantages in market offerings						
iii.	Willingness to provide prompt services to customers						
iv.	Ability to provide desired services dependably and consistently						
v.	Location of offices and services centres at convenient places						
vi.	Informative and truthful advertisements						
vii.	Financial incentives and concessions, favourable terms and conditions of dealings						
viii	Individualised attention and care						
ix	Provision of financial advice						

x	Employees knowledge and courtesy						
xi	Time convenience						
xii	Image of the FI						

- Please assess the matters described in the card to measure level of satisfaction you derived from them in your dealings with financial institutions. Rating scales for satisfaction are given iin the first table as 0,1,2,3. For example if you are very satisfied with item number one put “3” in the box titled satisfaction. Comparison between institutions may be made while assessing level of satisfaction. Please refer card for description of matters.

  Similarly, as you did in the previous question please express difference in the level of satisfaction you experienced compared to past in respect of these items using are ‘+’ for increase in satisfaction ‘=’ no change ‘-‘ for decrease. Put these signs in the box titled ‘change in the main table.

	Ratings scale for satisfaction	Value
i.	Very dissatisfied	0
ii.	Dissatisfied	1
iii.	Satisfied	2
iv.	Very satisfied	3

	Item	**Life Insurance**		**Unit Trust**		**State Bank**		**HDFC**		**ICICI**		**FT**	
		Satisfaction	Change	Satisfaction	Change	Satisfaction	Change	Satisfaction	Change	Satisfaction	Change	Satisfaction	Change
i.	Item No. One												

ii.	Item No. Two												
iii.	Item No. Three												
iv.	Item No. Four												
v	Item No. Five												
vi	Item No. Six												
vii	Item No. Seven												

COMPETITIVENESS OF INDIAN FINANCIAL INSTITUTIONS

IMPACT ON SAVING AND INVESTMENT BEHAVIOUR OF HOUSEHOLDS

PROJECT REPORT SUBMITTED TO

UNIVERSITY GRANTS COMMISSION

Under

MINOR RESEARCH PROJECT

By

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ST. THOMAS COLLEGE, KOZHENCHERRY

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PREFACE

Financial institutions are the most important organization in the economic system which perform the fundamental economic function Viz., mobilization of savings and its productive utilization. The rate of GDP of the economic system largely depends the rate of GDS and the rate of saving the economy should be adequate and financially justifiable to achieve the desired level of development.

Undoubtedly the rate of GDS in the economy is directly influenced by the financial vibrancy and competitiveness of financial institution which are the intermediaries between savers and investors.

The present research work under MFP Scheme of UG endeavours to study and analyse this significant issue in the financial system in an empirical perspective. Recognizing the direct impact of the financial intermediative function of the FIs on the saving and investment behavior of individual household who contributes more than seventy per cent of the GDS of Indian economy, the study empirically evaluated various dimensions of the issue by following behavioural approach. The study clearly revealed that the financial intermediation function of different categories of FIs significantly depends on its competitiveness of FIs in the marketing of financial products. The FIs may follow a professional approach in designing the most effective market segmentation strategies to lure individual savers who are the real and most prominent participants determining the level of GDS.

The study brings to light practically relevant and academically reliable clues that may help both FIs and savers to view the financial intermediations process appropriately so that both stakeholders contribute for the growth of the economic system at the level at which they have to contribute. It is sincerely hoped that the findings of this research project is seriously conceived and implemented in the right way that may trigger desirable developments in the financial system for the well-being of all the stakeholders of the economy.

Dr. P. ANTONY GEORGE
PRINCIPAL INVESTIGATOR

DECLARATION

I declare that this research project entitled **"Competitiveness of Indian Financial Institutions – Impact on Saving and Investment Behaviour of Households"**, is a bonafie research work carried out by me under the programme of Minor Research Project financed and supported by University Grants Commission.

Kozhencherry
12th November 2011

Dr. P. Antony George
Principal Investigator

Acknowledgement

Several esteemed personalities extended their sincere and generous co-operation and help for the successful completion of this minor research project sanction by University Grants Commission. I wish to thank first and foremost Dr. Francis, Cherunilam, Dr. Bino Thomas, Dr. Mathew Jacob, Dr. Jojo Paul for their valuable suggestions, constant encouragement and co-operation for the completion of the project.

I am indebted to the University Grants Commission and the management of St. Thomas College, Kozhencherry, for the sanctioning of this minor research project, financial support and other helps for the completion of this project.

My colleagues in the department of Commerce have been a source of encouragement and moral support for my research endeavour. I wish to place on record my respectful gratitude towards them.

I thankfully remember the executives of financial institutions, members in the panel of judges and all the respondents who willingly co-operated in the collection of data for the study.

My thanks are due to the faculty members and the librarians of the Institute of Financial Management, Madras and the Indian Institute of Management, Bangalore for permitting me to use their libraries and other facilities of their institutions.

I express here my sincere gratitude to Prof. (Rtd.) C.O. Philip, Dept. of English, C.M.S. College, Kottayam for the excellent language-editing done by him.

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Above all, I am thankful to God Almighty for His providence and blessings in this endeavour of mine.

Dr. P. Antony George

CONTENTS

Abbreviations

FI	-	Financial Institution
FIs	-	Financial Institutions
LIC	-	Life Insurance Corporation of India
UTI	-	Unit Trust of India
SBI	-	State Bank of India
ICICI	-	Industrial Credit and Investment Corporation of India

HDFC	**-**	Housing Development Finance Corporation
FT	**-**	Franklin Templeton

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COMPETITIVENESS OF INDIAN FINANCIAL INSTITUTIONS - IMPACT ON SAVING AND INVESTMENT BEHAVIOUR OF HOUSEHOLDS

Executive Summary of the Report of the Minor Research Project Submitted by Dr. P. Antony George

The traditional and outworn marketing management philosophies and strategies following by Financial Institutions (FIs) are found to be ineffective in the context of liberalization and globalization of financial markets to achieve global competitiveness and maximizing customer satisfaction. Economic liberalization and globalization triggered phenomenal rate of growth in all sectors of economies especially the growth of service sector all over the world. The buoyant economies supported by vibrant financial sector provide the real impetus for unprecedented rate of growth of the different sectors of the economy. However, the contribution of FIs, performing the fundamental economic function of resource allocation viz., mobilization of surplus financial resources and its allocation to productive sectors of the economy, has not been recognized appropriately both in academic and practical field. In this context, the pertinent question is, to what extent competitiveness of financial institutions in terms of critical success factors influence the overall performance of financial sector and influence saving and investment behavior of households. How far the Indian

financial institutions are able to perform according to global standard and to face the challenges of global financial crisis. The study reveals that Indian financial institutions have been performing very competitively in respect of different critical success factors which have a positive impact on the overall performance and growth of different sectors of the economy and influenced saving and investment activities of households. The distinctive core competencies and inherent strength of Indian financial institutions helped them to overcome the challenges of global financial crisis which even surprised world leaders and economists alike. However, Indian financial institutions need to improve their global competitiveness in respect of certain critical variables to face the emerging challenges of the new economic environment. The empirical findings of the study, if internalized and implemented appropriately in a spirit of achieving global standard, Indian FIs can excel in any functional area that will be a real surprise to global financial institutions which are still groping around in the context of frequent financial quandary and crisis.

SIGNATURE OF THE PRINCIPAL INVESTIGATOR **REGISTRAR / PRINCIPAL**

CHAPTER ONE

INTRODUCTION

Developing countries and economies in transition like India in the liberalized and globalised world may fall short of economic progress unless there is a substantial increase in the rate of Gross Domestic Savings. It is doubtful whether the estimated increase in the domestic demand for investment in developing countries may be matched with likely increase in domestic savings rate. Faced with the drastic decline in output and irregular and unreliable inflow of foreign funds since the mid 1990's, these economies have little option but to intensify their efforts to mobilize domestic financial resources for economic development. Experiences of Asian economics especially of the so called 'Asian Tigers' showed that over-dependence of foreign funds is dangerous and high rate of domestic savings-especially that of household sector – is very crucial for sustained and robust economic growth.

Financial institutions have to play a dominant role in savings mobilization of customers belonging to the household sector through innovative and effective market segmentation approach. As per the official estimate, the rate of savings in

India is below 30% of GDP which is low compared to the savings rate range of 35-40% in other developed and fast developing economies. Since household customer's savings constitute about 80% of the GDP in developing countries, a prognostic and consistent effort by FIs is inevitable to rejuvenate and accelerate the rate of savings of household segments.

Market segmentation which is recognized as one of the most powerful and innovative marketing approaches may be effectively applied by financial institutions to enhance competitiveness to collect vast and valuable savings of customers belonging to household sector by designing and marketing attractive financial products. Success of financial institutions in mobilization of savings to a great extent hinges on identifying the right segment and framing the most appropriate marketing programmes to attract target segments. The market segmentation helps financial institutions to analyse different financial wants and needs of diverse market segments and to design suitable marketing mixes that satisfy their specific requirements. Therefore, a research study to explore and diagnose various dimensions of market segmentation in improving competitiveness and its impacts on saving and investment behavior and accelerating savings mobilization.

It is an accepted fact that market segmentation approach is one of the most important prerequisites for success in marketing financial products and competitiveness of FIs because product-differentiation, specific customer-segmentation-appeal, individualized attention etc. are very important for customers belonging to household segments. It seems likely that the competitive dynamics of the current financial market forces FIs to adopt segmentation approach to develop a customer friendly culture in the organization. As reported by Lynch (1995) in his illustrious study, customers frequently seek distinctive benefits from FIs. Understanding what tangible and intangible benefits can be offered and which customers are more likely to seek and appreciate such benefits are crucial to market segmentation approach by FIs.

The above discussions clearly suggest that there is no such thing as a short cut to success in marketing. The real success comes from supplying higher-value-financial-offerings for specific market niches. Studies by Beadle (1988) on the importance of lifestyle-research in marketing, Elliehausen et al. (1992) on the behavioural patterns of household in financial market, Marshall et al., (1988) on motivation of different customer segment on the use of electronic banking, Marc (2001) on demographic segmentation clearly show that competitive FIs follow a market segmentation approach, in which they design and offer a superior marketing-mix earnestly sought after by all customer segments.

Financial institutions should formulate and manage different combinations of marketing mixes because they market a collection of customer-satisfying services to diverse target segments. They have to create appropriate marketing programme to attract valuable savings of the individual investors through appropriate financial products and convert these funds into other customer satisfying-products i.e. credit product, which attract customers who are in need of fund. Thus financial institutions have dual marketing task of mobilization of savings of customers having surplus fund through savings product and distribution of fund to customer who are in need of money, through credit products.

Figure 1.1
Financial institutions' dual marketing task

Marketing mixes for distribution of funds (Credit instruments
Marketing mixes to mobilize savings (Savings Products

Thus, products of financial institutions consist of savings products and credit instruments and separate marketing programmes should be designed to market different product categories viz., savings and credit products. The main focus of this research study is to examine competitiveness of FIs in marketing financial products meant for saving mobilization.

Need for and significance of the study

An overall study of views of academicians, researchers and practitioners related to the present research problem, supported an importunate need for further research in this area. It was found that even though there were excellent studies on the topic, the studies in this area could not adequately cover certain aspects of market segmentation by financial institutions, and these areas need more attention and exploration. Some studies and prevailing beliefs in the area were unsymmetrical highlighting only certain aspects of the problem, and many important dimensions of the problems need to be investigated further.

Traditional customer surveys are inadequate to provide insights and necessary customer feedback to understand the dynamics of customer behavior, attitude and perception. Similarly, customer surveys which do not enquire into the prominent behavioural characteristics and attitude of customers cannot divulge vital information on customer behavior which is very important in designing effective market segmentation approach and enhancing competitiveness of FIs. Therefore, research studies on market segmentation with a clear focus on customer behavior should be conducted to bring out practical clues in reshaping and strengthening the existing market segmentation approach, competitiveness of FIs and also in discarding obsolete segmentation philosophies.

Economic Significance/ Background of the Study

Presently, financial sectors are globally exposed and consequently FIs are under tremendous pressure to function according to global standards. Government and financial regulatory bodies have been formulating and implementing different financial policies and programmes to make the FIs more competitive and dynamic to face new challenges. Thus FIs have no other option except to improve their performance tremendously to bear the palm in the highly competitive world. Realising the danger of the lethargic approach in fulfilling the aspirations of society FIs are gradually adjusting with new realities and designing innovative programmes and strategies to improve competitiveness which is clearly reflected in the consistent growth of service sector. In this context FIs needs valuable empirical findings to improve their competitiveness in a professional perspective.

Social significance/Societal background

In the post liberalisation era, society expects higher standards in the performance of FIs in the financial sector. Now the members of the society are more conscious about their rights and strength and demand more efficient

service and individualized attention in the financial offers. New generation FIs that are established in the globalised financial market offer maximum choice in availing financial services. Consequently the hardcore loyalty pattern of households towards Indian FIs shows some noticeable changes. Thus socially relevant empirical studies are essential to diagnose the perception of society on the level of competitiveness and performance Indian FIs to fulfill the social and economic aspirations of the society.

Statement of the Problem

Researchers and academicians associated with this research area consider the question of competitiveness of FI in facing financial crisis and its effect on performance of service sector as prominent issue that is to be investigated thoroughly. The pertinent question is how far and to what extent the Indian FIs attained global competitiveness to face the challenges of financial crisis and adversities. Whether competitiveness of FIs in different areas helps FIs to present excellent performance and has positive impact on saving and investment behavior of individuals in the household sector. To resolve the research problem academically the issue may be circumscribed within the framework of the following questions.

- Do Indian financial institutions have the global competitiveness to face the challenges of globalization and financial crisis?

- To what extent financial institutions are able to excel in globally accepted factors of competitiveness and influence the performance of service sector.?
- To what extent financial institutions in the public and private sectors show difference in competitiveness?

- How do and to what extent competitiveness of FIs influence saving and investment behavior of individuals. ?

This research project is formulated to examine the above mentioned research problem within the framework of the following objectives framed for the study.

Objectives of the study

The main objective of the study is to examine the global competitiveness of Indian Fls/ financial sector and its Impact. The specific objectives framed for the study are:

- To diagnose and measure the critical success factors and variables that determine the competitiveness of financial institutions.
- To examine the strength and weaknesses of gaps of financial institutions in achieving global competitiveness in terms variables / factors identified.
- To compare and analysis the competitiveness of different categories of financial institutions both in public and private sectors.
- To measure and analyse the impact of competitiveness of Fls on the saving and investment behavior of individuals.

An Overview of Methodology

The methodology for the research study had been designed to ensure collection of valid and reliable data on the research problem with maximum objectivity and maximum financial economy. The research study incorporates both qualitative and quantitative approaches. Inferential approach was followed by conducting sample survey to study the characteristics of population. Regarding the research type the co relational and descriptive research had been adopted since there is analysis of pattern of relationship between more than two variables. Six financial institutions in depositary contractual and investment intermediaries were selected for the study. State bank of India and HDFC bank from depositary, LIC and ICICI prudential life insurance from contractual and UTI

and Franklin Templeton from investment intermediary were the institutions selected for the study. Individual customers, panel of experts consisting of top executives, professionals and experts in the service sector especially the financial sector were the respondents selected from different agencies in the financial sector. Judgment sampling method had been adapted for the selection of respondents from the sample frame. The study mainly depended on primary data and appropriate questionnaire and interview schedule were designed for the collection of data from respondents. Secondary data were collected from research journals, published and unpublished research studies, financial publications of research institutions and Fls etc.

Organisation of the Project Report

The thesis is organized in five chapters including introductory chapter that contains statement of the problem, objectives and overview of the methodology.

The second chapter ‘literature review’ major research studies relating to the present research study.

The third chapter explains the research methodology.

The fourth chapter ‘results and discussion’ presents a detailed analysis of competitiveness of the Indian Financial Institutions.

The last chapter provides a summary of findings, recommendations and major conclusions of the study.

CHAPTER TWO

LITERATURE REVIEW

Literature Review

In literature review, a detailed discussion of theoretical literature and research studies on the topic specifying major concepts and variables and critical assessment on previous research studies and their relationship to this research study are included.

Review of literature consisted of three phases. The first phase was a broad scan of the literature by concentrating on research reviews viz., research articles on the topic. The purpose of this broad scan of literature was to identify and formulate research problem. Certain handbooks on research on this topic, back issues of leading journals and computerized database of research centres were used.

Focused review of literature was the second phase of the literature review, which was conducted to get more clarification on the research problem to narrow down the same and to develop a research proposal. Focused review was accomplished through computerized search of data base available on the internet and CD Rom service, library facilities provided by Institute of Financial Management & Research, Madras and such other research centres.

The third phase of the literature review was a comprehensive critique of the literature, which provided a scholarly foundation for the study. At this stage all the sources mentioned in the first and second phase and CD-Rom service and library facilities of IIM, Bangalore were made use of.

Bandgar (2000) in his study on the preference of middle class customer segments analyses scope, comparative superiority and effectiveness of the different financial products marketed by FIs and show how customers behave while purchasing products. The study throws interesting lights on the nature and

trends in the preference of the middle class household segments, towards financial instruments of different FIs the following are the main highlights of the findings of the study.

The study clearly reveals the demographic characteristics of middle class household segments in Greater Bombay and analyses the influence of some factors in the selection of financial products offered by various FIs. An interesting finding is that the investment pattern and preference for different financial instruments of the middle class segment, which account for the major chunk of domestic savings in India has changed dramatically in the post-liberalisation period. This change is perceptible from the high preference of these segments for Unit Trust of India and other investment intermediaries in the private sector. However, since the study is restricted to Greater Bombay, it is doubtful whether conclusions can be generalized.

Marg (1994), a leading research agency, conducted a study sponsored by Unit Trust of India to study investment pattern of the customers belonging to household sector by identifying products of different FIs in their portfolio. The objective of the study is to measure satisfaction level of customers in dealing with UTI and to make a comparative analysis of the corporate image of Unit Trust of India with State Bank of India and Life Insurance Corporation of India and to examine other related issues. The study was rather comprehensive, considering the sample size, coverage and other criteria. A brief summary of the findings of the study is mentioned below with an emphasize on the main thrust of the results of the study.

The study clearly demonstrates that it is possible to make a comparative study of the different forms of FIs. Life Insurance Corporation of India (which is a contractual intermediary) and State Bank of India (which is a depository intermediary) were the institutions taken for the comparative study with Unit Trust of India (which is an investment intermediary). For the purpose of comparative

study of the institutions, the study employs certain common variables which are honesty/integrity related, expertise-related, social development-related and service-related. Thus according to this study comparative studies among different institutions can be made by adopting appropriate measures and tools.

Yasrin et al., (1991) in their study, attempt to suggest statistical quality control techniques in marketing financial products to target customer segments. They have formulated various determinants and measures of quality with reference to financial product. The study shows that the application of statistical quality control techniques by FIs has a positive impact in enhancing customer quality perception on various attributes of financial products. FIs that have the competence and expertise in applying the quality control techniques in financial services can meet specific requirements according to the expectations of various customer segments. On the whole, they study highlights how imaginative application of statistical quality control techniques for achieving excellence in market segmentation approach through better product design and development result in better competitiveness and better customer-specific-segmentation appeal.

Mc Alexander et. al., (1991) conducted a study on market segmentation to investigate various issues of differentiation of financial products targeting various customer segments. The study indicates that even though intangibility of financial products makes their differentiation a difficult task, through effective product positioning, the distinctiveness of the products can be very well highlighted to target segments. According to him, with competition intensified differentiation of financial products, in market segmentation has been emerging as a major problem since customer segments with variegated characteristics always look for products with real differentiation and innovations. Thus the products are to be positioned properly in the mind of customers relative to competing products. FIs should resort to different ways to add value to financial products through effective differentiation, which definitely gives a competitive edge to them. Anyway, the

study brings to light important clues for product differential in market segmentation which facilitates a value driven marketing that focuses on developing and delivering superior value to different customer segments.

In an interesting and informative study on market segmentation in financial product marketing Nicholls et al., (1993) probed in to the customer behavior to diagnose certain variables that directly influence the level of customer satisfaction. According to them, there are seven elements of customer service that should be investigated in the context of financial product marketing. The study reveals that consumption time, professionalism, waiting time, courtesy, attentiveness, accuracy and ability are the factors that influence the customers in selecting FIs and financial products. They found that among these factors the consumption time is the most influencing factor. They conclude that FIs that study these factors seriously get an indepth knowledge in customer behavior and excel over other FIs in creating and maintaining strong and enduring relationships with different customer segments.

Martineau (1958) who conducted studies on market segmentation in financial market and customer behavior in the early period, in one of his studies explored the behavioural characteristics of customers and identified the factors influencing these customer behaviours. According to this study, external factors, internal factors and customer decision-making processes are factors influencing customers belonging to different customer segments. The study indicates that external factors arise from influential persons and reference groups. Internal factors emerge from the behavioural and psychological attributes of customers such as motives, attitudes, perception etc. The study shows that these attributes (internal factors) vary from customer to customer depending on geographical location, levels of education, cultural background and so on.

The study also finds that customers' decision-making process is also an important factor in analyzing customer behavior. Customers' decision-making

process is a series of stages through which a customer goes when contemplating the acquisition of financial products. Customers who are in a cognitive balance or homeostatic position transform to a cognitively imbalanced position when they come to know about financial offers better than what they have at present. The study is very superior considering its contributions to market segmentation research in financial market. The study provides necessary insights to researchers in this field to pursue studies with more clarity and direction and the findings of the study are still relevant in research studies on market segmentation.

Rothwell (1978) who investigated the differentiated and undifferentiated approaches in market segmentation by FIs examined the effectiveness of these approaches in financial product marketing. According to the study, in the past, FIs have largely pursued a strategy of undifferentiated marketing that aimed at a broad spectrum of customers rather than a specific customer segment.

The study emphasized that a successful differentiated strategy in market segmentation and development of special and distinct marketing mix aimed at a chosen market segment. The promotional programmes should be designed in such a way that only the core of financial offers which are of particular relevance to the target segment are to be communicated to them. Any attempt to communicate the full dimensions of the mix would be self-defeating, as it would dilute the special relevance of the package in the eyes of the target segment.

The study clearly indicates that the undifferentiated approach in market segmentation by FIs results in hyper competition for the large customer segments and inadequate satisfaction for smaller or less profitable segments. Despite the success stories of differentiated approach, the attempt of FIs to create genuinely distinct product offerings to target segments have been at best half-hearted.

To sum up, the study concludes that differentiated approach in market segmentation is instrumental in abandoning irrelevant products and allowing a financial product that has been stripped of irrelevancies to be offered at a highly competitive price to target segments.

Lewis (1987) a learned researcher on financial services marketing conducted an authentic study on technology in financial product marketing and its relevance in market segmentation approach. The study suggests that the electronic revolution have far reaching implications in terms of its impact on financial product and in terms of the faster and reliable service to target customer segments.

The study shows that the technological innovations consisting of electronic fund transfer, home banking, branch automation, electronic cash management, automated telling machines etc. have very positive impacts in the form of better services to target customer segments, increase in customer benefits, better market penetration and increase in overall competitiveness in market segmentation.

According to the study reduction in the operating cost on account of electronic banking results in lowering the cost of financial service and naturally customers belonging to different segments derive more satisfaction from their dealing. Reduction in cost of service attracts more customers who have an affiliation to other FIs.

Similarly, innovative use of technology helps FIs to increase product differentiation, which creates a positive impression about the distinctiveness of the financial package in the mind of target customer segments. It provides a unique selling advantage to FIs. Anyway, the study reveals the tremendous potential of the use of technology in financial services for better customer satisfaction and effective market segmentation.

The review of the above mentioned studies on market segmentation shows that it has been emerging as one of the most important areas in financial services marketing research. The studies on market segmentation highlight the importance of creative research in analyzing the customer behavior to diagnose demographic, psychographic behaviouristic and socio-economic characteristics of customers, which is a prerequisite for effective market segmentation. As per the findings of these studies, customer behavior in the context of the purchase of financial products is influenced by the above-mentioned characteristics, which form the basis of segmentation variables employed by FIs to segment customers. Analysis of these distinctive characteristics of different customer segments through cluster analysis and other segmentation techniques is an important dimension of studies on segmentation reviewed in this section.

In the light of the above studies, analysis of customer behavior and characteristics, which are not adequately covered in the studies in terms of segmentation variables, constitutes an important part of the present study. The first objective of the study was framed to make a detailed analysis of demographic, behaviouristic, psychographic and socio-economic characteristics of customers belonging to different segments and to examine the relevance and relationship of these variables in market segmentation.

Some important studies on market segmentation reviewed under this review of literature, emphasizes the importance of formulating the right components of marketing mixes and blending of these components in the right way to trigger desired responses from the customers. The results of these studies indicate that the market segmentation competitiveness of FIs to a great extent depends on the performance of the FIs in respect of attributes related to marketing mix which are very important from the point of view of customers.

In a way, all these attributes are directly or indirectly related to different components marketing mix by FIs. This is a clear indication to the fact that

market segmentation competitiveness of FIs depends on the strength of FIs with regard to different attributes that are related to the elements of market mix.

All these substantiate the theoretical literature on market segmentation competitiveness which states that to win business in a particular segment, the FIs has to be relatively more successful in meeting various requirements of the customers with regard to the elements of marketing mix.

Therefore relative segmentation competitiveness of FIs is measured in terms of the requirements of customers with regards to several elements of marketing mix. With this objective in view, this study focuses on the FIs ability to deliver the requirements of customers in respect of various components of marketing mix.

Similarly, the present study also examines the distinctive characteristics of different customer segments of three categories of FIs that are identified through cluster analysis. Variables that are employed in the cluster analysis of various studies reviewed here are also used in the present study so as to diagnose maximum number of clusters.

In product studies, segmentation gaps/deficiencies performed in the study are also framed in the light of the research gaps that are found in the review of literature.

CHAPTER THREE

METHODOLOGY

Methodology

The methodology of the study had been framed to execute the study with minimum subjectivity and maximum financial economy to find answers to research problem presented in the form of objectives.

Sampling design

The **Universe** taken for the study was customers of FIs belonging to the household sector in the State of Kerala and respondents were selected from customers residing in the southern, central and northern regions of the state. Sample unit consisted of both men and women within the age group of 20 to 75 years.

The **source list/sample frame** was prepared from the list of customers furnished by marketing departments of six FIs selected for the study viz., LIC, UTI, SBI, ICICI, HDFC and FT. Respondents had been selected from the sample frame to collect primary data by conducting sample survey.

Size of the sample

After considering the nature of universe, number of proposed segments, standard of accuracy and availability of finance the size of the sample was determined as 300. For the determination of sample size the approach based on precision rate and confidence level and method suggested by Bouma et al., (1976) were adopted.

In this study most of the responses are score/rating by respondents. In majority of questions the minimum score is 1 and maximum score is 4 and in certain questions the maximum score/rating is 10. The score/rating by respondents was the value taken for the calculation of various statistical measures.

The acceptable error was determined as ± 0.5 for scores between 1 and 4 at 95 per cent confidence. In this case the size of sample was ascertained in the following way.

$$n = \frac{Z^2 . \sigma^2}{e^2}$$

$$n = \frac{(1.96)^2 (1.5)^2}{(0.5)^2}$$

34.5 say sample size is 35 (for score between 1 and 4)

In this case standard deviation must be

$$\sigma \leq \frac{\text{Range}}{2} = \frac{4-1}{2} = 1.5$$

The acceptable error was determined as ± 1 for scores between 1 and 10 at 95 per cent confidence and the size of sample for these values, was ascertained as under.

$$n = \frac{Z^2 . \sigma^2}{e^2}$$

$$n = \frac{(1.96)^2 \ (4.5)^2}{1^2} = 77.79$$

n = 78 (for scores between 1 and 10)

In this case standard deviation must be

$$\sigma \leq \frac{\text{Range}}{2} = \frac{10-1}{2} = 4.5$$

Sample size varies with regard to different questions framed to elicit information on customer behavior and customers perception, attitude etc. on segmentation approaches and marketing mixes.

Rules suggested by Gray D. Bouma and GBJ Atkinson were also observed while determining the sample size. According to them, the following rules should be observed to determine the sample size.

- About thirty individuals are required in order to provide a pool large enough for even the simple kind of analysis, since sample size above thirty is considered as large sample.

- A sample should be large enough to ensure that it must be theoretically possible for each cell in the analytical table to have five cases fall in it.

Stratified random sampling was adopted for the selection of sample units from the sample frame. As already mentioned, sample frame for the study was prepared from the list of customers furnished by the marketing departments of six FIs selected for the study. Since there was no significant difference in the number of customers supplied by these FIs, it was decided to take 50 respondents from each of six FIs to constitute a sample of 300 respondents. To ensure the regional representation, customers of these FIs belonging to southern, central and northern regions of the state of Kerala has been covered.

Since the main focus of the study is on customer behavior and study of demographic, behaviouristic and psychographic characteristics of customers belonging to different customer segments, various strata or segments of customers were included in the sample design so that there should be adequate representation of customers belonging to important strata in the sample.

Occupation of respondent customers, which is a prominent demographic variable widely used by FIs for market segmentation is the common characteristic taken into account to form strata. Regarding the selection of strata, business, employment, profession, retired a d self-employed were various categories considered for the creation of strata.

In the selection of specified number of items from each stratum, the method of proportional allocation was followed keeping in mind the fact that the size of sample from different strata should be kept proportional to the sizes of strata as per sample frame.

At the first stage the total number of customers in the sample frame was determined and as per the list, sizes of five strata on the basis of occupation of customers were ascertained as follows.

Table 3.1

Stratification of respondents

Strata	Size	Percentage
Businessmen (N1)	1440	24
Employees (N2)	2300	38
Professional (N3)	700	12
Retired (N4)	840	14
Self employed (N5)	720	12
Total	6000	100

In the next stage, the number of customers to be selected from each stratum in proportion to the sizes of strata as calculated above viz. 1440: 2300: 700: 840: 720. Thus the number of customers selected from different strata in the above proportion was business (72), employed (115), professionals (35), retired (42) and self-employed (36). For the selection of item from each stratum, simple random sampling was resorted to.

Method of data collection

Both primary and secondary data had been collected for the present study. The primary data for the study has been collected by conducting sample survey by employing questionnaire on respondents. Interview with executives of the FIs was conducted to elicit information on segmentation approaches of FIs. Similarly, responses of 30 panels of judges were also collected to measure the segmentation competitiveness of FIs.

For the collection of primary data for the study a sequential process was involved. The phases in the primary data collection process are explained below.

First phase

The collection of data on the market segmentation approach of FIs from the executives of all the six FIs was the first phase in the collection of primary data. For this purpose, interviews with executives had been conducted to collect information on segmentation approach of FIs in the marketing of financial products to customers belonging to household sector. An interview schedule was also employed to collect details on the segmentation variables employed by FIs. The information gathered from the executives was essential to frame suitable questions to collect data from customers at the second phase of data collection because questions on customer behavior and segmentation variables were included in the questionnaire administered on the customers. Feedback available from the interview with executives was very helpful to frame questions on above variables.

Second phase

The second phase of primary data collection was the customer survey by employing questionnaire. In the customer survey, the first stage was the pre-testing of questionnaire on 30 willing respondents and necessary modifications were made in the questionnaire. Then the next stage was the administration of questionnaire on the 300 respondents selected for the study.

In order to study the market segmentation competitiveness of FIs, which is an important objective of the study, a questionnaire that contain questions to measure the segmentation competitiveness of FIs was administered on a panel of judges. Financial experts, leading share brokers, financial consultants, academicians etc. were the members in the panel of judges created for this purpose.

Evaluation and measurement of segmentation competitiveness of FIs from both the point of view of customers and panel of judges was useful to have a more balanced and rational judgment on the competitiveness of FIs.

Research instruments

The method employed for the collection of primary data was sample survey and the following research instruments were employed in the study.

- **Questionnaires**

Questionnaire administered on customers to collect data on customer behavior, characteristics, attitude, perception etc was an important research instrument employed in the study. The questionnaire was prepared both in English and Malayalam.

The questionnaire had three parts, the first part consisted of questions on the demographic characteristics of customers. The second part consisted of questions on behaviouristic and psychographic characteristics of customers. In the third part, questions to measure the segmentation competitiveness of FIs and questions on some other variables were included.

- **Interview schedule**

The interview schedule administered on the executives of FIs was another research instrument used in the study. Interview schedule had been employed to collect information from the executives of FIs on segmentation variables employed by FIs in market segmentation. Similarly, schedule administered on the panel of judges to collect data for measurement of market segmentation competitiveness of FIs was also a research instrument employed in the study.

Procedures for selection of FIs

For the execution of the study, various procedures had been followed at different stages of the research process. Procedures for the selection of six FIs are explained in this section. As already mentioned in the review of the literate chapter, FIs are classified into depository, contractual and investment intermediaries.

After considering time, resource and accessibility constraints, it was decided to select six FIs, from three categories of intermediaries to ensure representation of all types. The next step was the selection of specific FIs to be included in the list. Reputation, track-record, network, ownership, quality of management, marketing approach etc. were some of the major considerations for the selection of institutions and the following FIs were selected for the study.

In the category of **depository intermediaries:**

- State Bank of India
- HDFC Bank

In the category of **contractual intermediaries:**

- Life Insurance Corporation of India
- Industrial Credit and Investment Corporation of India

In the category of **investment intermediaries:**

- Unit Trust of India
- Franklin Templeton

State Bank of India and HDFC Bank are reputed leading commercial banks with a wide network. State Bank of India is a public sector bank and HDFC Bank is in the private sector. Thus representation of both public and private sectors was ensured.

Life Insurance Corporation of India, which is the largest public sector contractual intermediary in the country was selected from the category of contractual intermediary. ICICI is the contractual intermediaries in the private sector included in the study.

Unit Trust of India and Franklin Templeton were selected from the category of investment intermediaries. Unit Trust of India is the largest mutual fund in India in the public sector and Franklin Templeton is a leading and popular mutual fund in the private sector.

All these FIs have been practicing market segmentation with different degree of competitiveness. Therefore identification of segmentation variables and measurement of segmentation competitiveness of FIs by inter-firm comparison were possible in this study.

Framework and procedure for measurement and analysis of variables

Since market segmentation of FIs for improving competitiveness is a market research area with wide coverage, specific issues which were investigated in this study are restricted within the framework of the specific objectives identified for the study. The objectives presented in the study were also interpreted in terms of specific variables and concepts and their structural relationship with market segmentation. In this section, the main variables and concepts embodied in the objectives of the study, the structural designs for the study of these variables in relation to the market segmentation will be explained.

The identification of major segmentation variables and the analysis of their relevance and relationship in market segmentation approach by FIs is the first objectives of the study. However, as specified in the objectives, identification and analysis of segmentation competitiveness variables are restricted to some selected variables only. Though the variables/concepts seem to be simple, large FIs have found it exceedingly difficult to capitalize on them in the marketing of financial products.

For the investigation of various variables and concepts involved in the specified objectives, the following structural framework was designed for the study so that the measurement and analysis of the variables were within conceptual framework of the study as depicted in Figure 3.1. The following are the various components of structural framework designed for the study.

- Framework for identification and analysis of major segmentation variables employed by FIs.
- Framework for market segmentation competitiveness analysis.
- Framework for cluster analysis to diagnose clusters and distinctive profile of these clusters.
- Framework for evaluating competitiveness of financial institutions.
- Framework for segmentation gap analysis to pinpoint deficiencies in market segmentation competitiveness by FIs.

Figure 3.1

Combined structural framework for the study

The combined structural framework as per figure 3.1 is directly related to the conceptual framework designed for the study, which is given in the chapter ‘Literature Review’.

In the fourth chapter, various quantitative demographic variables are measured directly and qualitative concepts are operationalised and measured by developing suitable instruments. Demographic variables of income, age, etc. are

directly measurable and the relevance and relationship of this variable to market segmentation is measured and analysed in the fourth chapter.

Demographic variables with psychographic, behaviouristic and sociographic variables are analysed and measured to extract various clues on interrelationship between these variables. Steps and procedures involved in measurement of demographic variables are also explained in the following pages.

Measuring instruments

In this research study, questionnaire constitutes an important component of the measuring instruments. Through the questionnaire device, the attitude, perceptions and opinions of respondents were measured by asking questions. Questions were designed in such a way as to collect spontaneous reactions from respondents to provide an indication of respondent's attitude on a particular variable.

Appropriate measuring scales to measure variation in attitude are applied according to the suitability of scale in different contexts. Itemised comparative rating scale and ranking scales which are widely used in marketing research have been employed in this study. Through the itemized comparative rating scale, respondents were asked to make comparison and assign some scores to different brands or objects and comparative analysis was made on the basis of overall ratings. In rank-order-rating-scale, respondents are required to rank a set of objects/brands according to certain criteria and objects are ranked on the basis of overall rank values assigned. Respondents are also asked to rank their preference for brands and motives to ascertain most preferred brands.

Measures of items of information

As mentioned earlier, some variables to be measured in this study are not quantitative and ratio level data are not available for measuring and analyzing these variables. Therefore items of information required for measurement of variables are gathered through questionnaire for eliciting information in such a way that interval data or at least ordinal level data can be derived from the information. In addition to segmentation competitiveness, major variables, which are to be measured in this study are related to demographics, psychographic behaviouristic and socio-economic characteristics of household customers since these are major bases of market segmentation. Since demographic variables such as age, income, education, sex, occupation etc. are directly measurable or at least are categorical variables, information in respect of these items are collected through direct questions. However, psychographic, behaviouristic a d sociographic are qualitative attributes and questions are framed to measure them quantitatively.

Market segmentation competitiveness

Market segmentation competitiveness was a major variable to be measured and analysed in this study. For the measurement of this variable, theoretical and empirical guidelines formulated by McDonald et al., (1996). Rajshekar et al., (1999) and Martin (1991) had been adopted with appropriate modifications. They had used segmentation competitiveness parameters in their studies to measure segmentation competitiveness of different categories of FIs. They identified certain attributes which are directly associated with elements of marketing mix of FIs as various factors for measuring market segmentation competitiveness. The main aspect of questions used in the questionnaire to measure this variable is depicted in Table 3.2. Questions five and six provided in the second part of the questionnaire were used to elicit information on this variable.

Table 3.2

Measures of market segmentation competitiveness

Components of factors	Statements in respect of factors of segmentation competitiveness
Product attributes	• Number and diversity of products • Innovations to products • Introduction of new product
Price attributes	• Monetary return from product • Financial incentives and concessions • Terms and conditions of payment
Promotion attributes	• Knowledge provided by advertisement • Familiarity with media • Encouragement of media for saving
Place/distribution attributes	• Number and facilities of offices • Proximity and accessibility • Number and efficiency of agents
Process attributes	• Transparency, simplicity and quickness of procedures • Absence of delay and red tapism • Hours of service
People providing service Attributes	• Commitment, courtesy • Accuracy and efficiency • Co-operation and punctuality
Provision of customer Service attributes	• Friendliness and sincerity

	• Personal interest and individualized attention • Promptness in taking action against complaint

Source : McDonald Malcolm, Market Segmentation, Macmilion, London, 1995, pp. 119-126 and Tony Martin, Financial Service Direct Marketing, McGraw-Hill, London, 1991, pp. 15-33.

The above mentioned dimensions of factors which directly influence customers in their dealings with FIs are identified as indicators to measure the competitiveness of market segmentation. Itemised comparative rating scale was prepared on the basis of statements in respect of each factors. Four point itemized comparative rating scale was the scaling technique used to measure the competitiveness of market segmentation of six FIs under study. The respondents were required to rate segmentation competitiveness of each FIs and assign score in respect of each of the factors, which were presented in the form of statements in simple sentences. Following is the format of four-point scale prepared for this purpose.

Scales	Scores to be assigned
Excellent	4
Good	3
Average	2
Below average	1

Conceptual and Analytical framework of the study

A conceptual and analytical framework was designed to identity different steps and procedures to be followed for the analysis of the data. The components of conceptual and analysis design are depicted the following analytical frame work.

Figure 3.2

Conceptual and analytical framework for measuring and analyzing global competitiveness and gaps/deficiencies of financial sector clearly explain design for analysis of data. Analytical frameworks were very useful in identifying and operationalising the abstract ideas that are linked with the research problem and in designing appropriate questionnaire. The sequential order of research design with specific description of procedures involved in analyzing data was very useful at the stage of statistical analysis and interpretation of data.

An analytical frame work for measuring gaps in competitiveness of financial institution was also adopted from some empirical studies in the area. The specific dimensions of measurement of gaps are clearly presented in the following figure. Perceived competitiveness of financial institution are compared with actual performance to ascertain the gap. Perceived performance is influenced by financial needs, , financial attitude and past experience of a respondents.

The first gap/deficiency in competitiveness is the difference between customer's expectation on critical success factors and FIs perception on

customer's expectations. The second gap is the difference between financial institution's perceptions of customer's expectations and specifications and actual performance of FIs in respect of these attributes. The fourth gap is the difference between performance of FIs in respect of these attributes and communication to customers about performance. The fifth gap presents the difference between actual performance and customer perception on critical success factors. The last gap is the difference between customers expected performance and perceived performance.

Measurement of variables

Competitiveness factors and critical success factors were the variables identified for the study. Different competitiveness factors and critical success factors that are derived from theoretical and empirical literature are described the following tables.

Factors Measuring competitiveness of financial institution

Factors measuring competitiveness of FIs were the major variables to be measured and analysed in this study. For the measurement of this variable, theoretical and empirical guidelines formulated by Mc Donald et. al., (1995). Rajeshekar et. al., (1999) and Martin (1991) had been adopted with appropriate modifications. The main aspect of questions used in the questionnaire to measure this variable is depicted in Table 1.

Table 3.3

Measures of competitiveness of financial institutions

Competitiveness factors	Statements in respect of factors competitiveness

Product attributes	• Number and diversity of product • Innovations to products • Introduction of new product
Price attributes	• Monetary return from product • Financial incentives/concessions • Terms and conditions of payment
Promotion attributes	• Informative advertisement • Familiarity with media • Encouragement of media for saving
Place/ distribution attributes	• Number and facilities of offices • Proximity and accessibility • Number and efficiency of agents
Process attributes	• Transparency, simplicity, quickness • Absence of delay and red tapism. • Hours of service
People providing service attributes	• Commitment, Courtesy • Accuracy and efficiency • Co- operation and punctuality
Provision of customer service attributes	• Friendliness and sincerity • Personal individualized attention • Promptness complaint redressal

Source: McDonald Malcolm, market Segmentation, Mac million, London, 1995, pp. 119-126 and Tony Martin, Financial service Direct Marketing, McGraw-Hill, London, 1991, pp. 15-23.

Measures of competitiveness gap

The gaps in respect of attributes of critical success factors were measured in terms of perceived performance –value-index and expected –performance –value= index . For the measurement of this variable, itemised comparative rating scale was employed. Respondents were asked to assign value between 1 to 10 to expected performance and perceived performance in respect of these attributes in which 1 stand for least performance and 10 for the highest performance. Then these scores were converted in terms of unity and tables and figure were designed on unity basis.

Table 3.4

Critical success factors – Measures of competitiveness gaps

Critical success factors	Questions Rate the following matters in 10 point scale (10 means high score; 1 means very low score)
Product design, differentiation	Capacity of products to satisfy financial needs and core benefits of the products.
Innovations	Sophistication and technological advantages in financial offerings
Responsiveness	Willingness to provide prompt service to customers
Reliability	Ability to provide desired services dependably and consistently
Locational convenience	Location of offices and service centers at convenient places
Non-personal communication	Informative and truthful advertisements

Table 3.4 Contd…

Financial incentives	Financial incentives and concessions, favourable terms and conditions of dealings
Customer relationship	Individualized attention and care
Image	Credibility, reputation and track record

	of FI.
Time convenience	Convenient working hours
Employees knowledge, courtesy	Knowledge and courtesy of employees providing service

Source: C. J. Easing wood and V. Mahajan, "Positioning of financial services for competitive advantage," Journal of product Innovation Management, Vol.6, No. 3, 1989, pp. 207-219; J.S. Winter and E.H. Nelson, "Launching new financial services to customers." Journal of market Research Society, January 1978, pp 30-39 and B.R. Lewis. "Technology in Banking. " International journal of bank Marketing, Vol.5, No. 4, 1987, pp 49-57.

Formation of index

Formation of overall index for combining scale value of responses for different dimensions of variables also formed an important component of the measuring-instrument designed in this study. Such an overall index would provide better clarity to the measurement-tool than a single quantitative indicator in respect of each dimension.

Thus, the questionnaire, itemized comparative rating, ranking scale and overall index in respect of the variables that constitute the major component of the measuring-instrument, designed for the study.

Validity and reliability of measurement

Necessary precautions were taken to identify suitable variables, which accurately reflect and fit concepts to ensure that the variable would measure the concept to the extent to which the study should measure. The questionnaire designed for the study was administered on a group of respondents during the pre-testing phase and readministered the same several weeks later to refine the scale by determining its validity and reliability.

To ensure the **validity** of the measuring-instrument used in the study, it is ascertained that the instrument measured the concept in the way it claimed to measure and congruent to the generally accepted definitions of the concept given in various theories and empirical studies.

Face validity and **content validity** were the strategies used in this study to determine the validity of the measures. Accordingly, the measuring instrument was shown to a group of experts in the subject area and they confirmed that the instrument was suitable for measuring various concepts. There was no disagreement among the expert groups about the items in respect of concepts included in the measuring instrument.

Content validity of the scale i.e., adequate coverage of concept was ascertained by presenting the measuring instrument before a panel of experts and they were satisfied with the coverage of the measures.

Split-half reliability and **test-retest reliability** were the **reliability tests** conducted in the study to ensure the reliability of the measuring instrument used. As per the usual procedure for split-half reliability test, overall items included in the measuring scale split into two scales, each containing half the original items. Then the first scale containing the half items was assigned to one group of respondents and the second one to another group. The scores of the two groups were compared to ascertain the internal consistency and the scores of the two groups in respect of concerned scales were almost the same.

To ensure that the measuring-instrument taken over different intervals of time showed the same results, **test-retest reliability** was conducted. When the item of measuring-instrument was administered twice to the same group of respondents over different intervals, the responses were almost the same. A summary of the research methodology used in the study is presented in Table 3.5.

Table 3.5

Summary of the research methodology

Research topic / Title	Competitiveness of Financial Institutions Impact on saving and investment behavior of households
Research approach	Both qualitative and quantitative
Research method	Survey method
Type of survey	Sample survey
Sample design	Stratified random sampling
Population of the study	Customers of FIs belonging to household sector
Sample frame	List of customers supplied by FIs
Method of data collection	Questionnaire, interview
Place of study	Southern, central and northern regions of Kerala
Research participants	Customers and executives of FIs
Source of data	Primary and secondary
Scaling technique	Itemised comparative rating scale

Table 3.5 Contd…

Source of secondary data	Research journal, research report, CD-Rom
Statistical measures	Mean, standard deviation, correlation, T-test etc.
Data display	Narrative text, matrix, tables, graphs

CHAPTER FOUR

RESULTS AND DISCUSSIONS

Market Segmentation Competitiveness of FIs

Financial institutions' ability to become successful in market segmentation approach in marketing of financial product differs according to how strong an FI in it, relative to the approach of competitors. FIs' segmentation competitiveness is a measure of their actual strengths in different customer segments, which is determined by objective evaluation of FIs' competence to satisfy the specific needs of each segment, relative to competitors. For this analysis, certain segmentation competitiveness factors are employed, as suggested by McDonald (1995), Rajshekar (1999) and Tony Martin (1991) in their theories formulated on market segmentation for financial product marketing. Appropriate modifications were incorporated in these factors to fit them in this research context.

The competitiveness factors identified for the analysis are principally a combination of FIs' relative strengths versus competitors in connection with customers facing needs in each segment. To win the business in a customer segment, the FI has to be more successful than its competitors in designing the offers to satisfy the customers facing needs.

Importance rating of Competitiveness Factors

To assign appropriate weightage to factors, respondents assign score to various factors on the basis of their perceived value of importance attached to these factors. The mean importance scores in respect of various factors are taken as their weightage. Table 4.1 exhibits the result of the analysis of importance scores by respondent customers.

Table 4.1

Market segmentation competitiveness factors - importance score analysis

Factors	Mean scores	Standard error	99% confi-dential interval	Ranking
Product attributes	3.02	0.039	(3.137, 2.903)	6
Price attributes	3.78	0.027	(3.861, 3.699)	1
Promotion attributes	2.77	0.052	(2.926, 2.614)	7
Place attributes	3.52	0.034	(3.622, 3.418)	3
Process attributes	3.65	0.037	(3.761, 3.539)	2
People attributes	3.48	0.044	(3.612, 3.348)	5
Provision of service attributes	3.34	0.036	(3.448, 3.232)	4
Sample size	300			

Source : Primary Data

Importance rating in respect of competitiveness factors suggests that customers assign the highest score to price attributes, which include various factors relating to price policies, financial incentives, terms and conditions of payment. In a way, the rate of return from a financial product, to a great extent, depends on the price policies of FIs and consequently customers consider this factor in their purchase decision for financial products and this also reflects the high price sensitivity of different customer segments. The suggests that customers also give greater importance to transparency, simplicity and quickness of procedures in the dealings which are presented as process attributes in the Table 4.1. The mean score of this attribute is the second highest which is very close to the mean score of the most important attribute. Similarly, the weightage assigned to different factors indicates the importance given by customers to different attributes and FIs should thoroughly examine the results of this analysis to formulate various offers in tune with customer's perception regarding the importance of various attributes. One of the interesting results of this analysis is that the last three factors secure second, third and fourth position respectively in importance, which are the three additional elements of marketing mix (3 Ps) of financial service products. Therefore, without improving the overall attractiveness of these factors, FIs endeavour to satisfy the various segments will not produce positive results.

Analysis of performance of FIs in respect of segmentation competitiveness factors

Market segmentation competitiveness of FIs is objectively evaluated in terms of their perceived performance in respect of competitiveness factors as per the score assigned by respondent customers. An itemized comparative four point rating scale was employed to measure the competitiveness. In this analysis, an important component is the Fishbein Formula of brand-preference-standing that used to select the most competitive FI in market segmentation approach. For

measuring the competitiveness of FIs in market segmentation, performance scores assigned by a panel of judges and respondent customers are taken into account. There are thirty members in the panel of judges who belong to this field of study with both practical experience and theoretical knowledge. Financial analysts, share brokers, top executives of FIs, academicians and researchers in the field are various categories of individuals included in the panel. Table exhibits the analysis of perceived performance score assigned by panel judges.

Four point itemized comparative rating scale is employed to measure the perceived performance score in respect of competitiveness assigned by panel judges and respondent customers.

Table 4.2

Market segmentation competitiveness of FIs – Analysis of perceived performance
(Mean score by panel of judges)

Competitiveness factors	Mean scores					
	LIC	ICICI	SBI	HDFC	UTI	FT
Product attributes	2.82	2.59	2.18	2.57	3.25	2.25
Price attributes	2.15	1.98	2.09	2.28	3.17	3.08
Promotion attributes	2.83	2.58	2.25	2.32	3.14	2.18
Place attributes	2.65	1.62	2.75	2.78	2.72	2.52
Process attributes	2.42	1.78	2.12	2.37	3.02	1.85

People attributes	2.53	2.31	2.29	2.75	3.19	1.72
Provision of service attributes	2.39	2.21	2.01	2.78	3.07	1.65
Overall perceived performance index	17.79	15.07	15.69	18.85	21.09	15.20
Sample	30	30	30	30	30	30

Source : Primary data

Table 4.3

Market segmentation competitiveness of FIs – Analysis of perceived performance (Mean score by customers)

Competitiveness factors	**Mean scores**					
	LIC	**ICICI**	**UTI**	**HDFC**	**SBI**	**FT**
Product attributes	2.85	2.57	2.15	2.46	3.15	2.21
Price attributes	2.02	1.92	2.03	2.23	3.28	3.07
Promotion attributes	2.75	2.67	2.16	2.26	3.02	2.83
Place attributes	2.71	1.67	2.61	2.74	2.65	2.53
Process attributes	2.47	1.73	2.27	2.42	3.04	1.73
People attributes	2.48	2.35	2.19	2.83	3.22	1.68
Provision of service attributes	2.42	2.16	2.05	2.76	2.98	1.62
Overall perceived performance index	17.70	15.07	15.46	17.90	20.98	15.67

Sample	189	143	157	154	105	198

Source : Primary data

Table 4.4

Market segmentation competitiveness of FIs

Mean score by panel of judges and customers
(P values at 99% confidential level)

Financial institutions	Mean score panel of judges	Mean score by customers
LIC	17.79	17.70
ICICI	15.07	15.07
UTI	15.69	15.46
HDFC	18.85	17.90
SBI	21.09	20.98
FT	15.20	15.67

Source : Primary data

Since the respondent customers have dealings with different FIs simultaneously, sample sizes in respect of all the six FIs are more than 50. The analysis of mean scores of the panel of judges and customers regarding the seven competitiveness factors and overall scores clearly suggests the degree of competitiveness of FIs in market segmentation. There is no significant difference between the scores assigned by customers and the panel of judges which shows a reconciliation in the perception of both the groups on the competitiveness of FIs. As per the result, SBI with the highest overall score and individual scores in respect of almost all factors secures the first position in competitiveness, followed by LIC, UTI, ICICI, FT and HDFC in the order of competitiveness in

market segmentation. The deficiency of FT in locational convenience is very clear from the low score assigned to this attribute both by the panel of judges and the respondent customers. However, its excellent performance in respect of other factors is high, compared to the performance of other FIs.

Fishbein formula for measuring segmentation competitiveness

Application of the Fishbein Formula of Brand-Preference Standing is the most important step in ascertaining the segmentation competitiveness of FIs. This formula is widely employed in marketing research to ascertain the brand preferences of different customer segments. In this study, this formula is used to calculate the overall perceived performance score index to measure segmentation competitiveness of FIs and to rank them in terms of degree of competitiveness. The Fishbein formula and its technicalities may be

Where

*P_{pc} represents preference standing (overall perceived performance value) for FI p by customer C.

*V_{ic} is the relative importance value of attribute i to customer C and

A_{ip} is the perceived value of attribute in terms of actual performance of FI p by customer C.

In this context, the overall performance of all the six FIs can be calculated and it is possible to determine which FIs is the most competitive one in terms of segmentation competitiveness index, the second best and so on. In this measurement and analysis process, the first problem is to ascertain the

importance scores of different competitiveness factors and the next step involves the performance of FIs in respect of these factors as per the evaluation by customers. The Fishbein's formula enables one to calculate the overall performance of different FIs in market segmentation, which assigns due weightage to the competitiveness factors.

Analysis of segmentation competitiveness of FIs without any weightage to different competitiveness factors is not considered as a sound measure to determine the exact competitiveness. Therefore, calculation of overall market segmentation competitiveness index on the basis of the Fishbein Formula is more reliable and accurate, since it takes into account the weightage of different factors. Because though an FI scores high value for performance in respect of a particular attribute its weighted average score will be considerably reduced if customers consider the factor as the least important one. As per the analysis, though the impact of the importance score (weightage) of different attribute does make some difference in the scores, the difference is not very significant considering the overall index and the ranking of FIs in terms of competitiveness.

Market segmentation and post purchase customer behavior

Measurement and analysis of the satisfaction of customers to examine the impact of competitiveness of market segmentation on post saving and investment behavior of customers who belong to different segments is also an important component in the framework of this study. In a heterogeneous financial market, an FI that follows market segmentation is better able to identify specific needs of customers and develop suitable marketing mix which provides maximum possible satisfaction to different customer segments. Thus, in this section the impact of competitiveness of market segmentation on the customer satisfaction is measured in terms of seven factors which are basically the elements of marketing mix in the context of marketing of products by FIs. The

level of satisfaction is measured quantitatively by measuring the satisfaction derived by customers in respect of these seven attributes by using four-points itemized-comparative rating scale. The result of the analysis is given in Table 4.5

Table 4.5

Degree of customer satisfaction
(Mean score)

Customer facing attributes	Financial institutions					
	LIC	ICICI	FT	UTI	SBI	HDFC
Product attributes	2.75	2.62	2.24	2.48	3.19	2.24
Price attributes	2.12	2.04	2.08	2.29	3.09	3.15
Promotion attributes	2.82	2.55	2.24	2.61	3.08	2.75
Place attributes	2.78	1.79	2.71	2.81	2.47	2.58
Process attributes	2.36	1.81	2.32	2.49	3.12	1.71
People attributes	2.57	2.32	2.23	2.78	3.28	1.62
Provision of service attributes	2.68	2.23	2.12	2.83	2.92	1.67
Overall customer satisfaction index	18.08	15.36	15.94	18.29	21.15	15.72
Sample size	189	143	157	154	105	198

Source : Primary data

Analysis of the mean scores of customer satisfaction in respect of different attributes and overall satisfaction score clearly suggests that the FIs, which are more competitive in market segmentation are able to satisfy customers more effectively. State Bank of India is the most competitive FI among all the six FIs under study, which has an edge over other FIs in respect of various customer-facing needs. Naturally it has more competence in satisfying customers in a better way. LIC is in the second position in satisfying their customers in a better way on account of higher segmentation competitiveness. Satisfaction scores assigned to other FIs also show the same pattern.

As mentioned in the previous paragraphs and tables, the market segmentation competitiveness of the six FIs under this study is measured in terms of weighted scores assigned by respondents. Then an important question that needs to be answered in this context is the difference in mean scores obtained by these FIs in respect of segmentation competitiveness.

As per the hypothesis, the market segmentation competitiveness of all the six FIs is equal. To test this hypothesis, P values of mean score of the FIs are calculated to ascertain whether the scores assigned to FIs are all equal. The comparative table prepared to present P values calculated for this purpose is presented in Table 4.6

Table 4.6

Market segmentation competitiveness of FIs
(P value at 5 per cent significance level)

FIs	**LIC**	**ICICI**	**FT**	**UTI**	**SBI**	**HDFC**
LIC	-	0	0	0.0106	0	0
ICICI	-	-	0.0056	0	0	0.0039
FT	-	-	-	-0	0	0.116
UTI	-	-	-	-	0	0
SBI	-	-	-	-	-	0
HDFC	-	-	-	-	-	-

Source : Primary data

Table 4.6 indicates whether the market segmentation competitiveness of the six FIs under the study is equal or not in terms of mean score assigned. P values calculated with regard to different FIs show that all the six FIs have different segmentation competitiveness in terms of mean scores. P values of all other FIs (P values 0) indicate very significant difference among them in segmentation competitiveness. Therefore market segmentation competitiveness of other FIs is not equal. Hence the null hypothesis that market segmentation competitiveness of all the six FIs is equal has been rejected by the above result. Thus, the alternative hypothesis that the market segmentation competitiveness of FIs is not equal is accepted on the basis of the above finding.

Market segmentation competitiveness and post purchase customer behavior and action

The analysis of the existence of the relationship between market segmentation competitiveness and post purchase customer behavior is an important aspect of the analysis of variables. As per the hypothesis of the study, there exists a correlation between market segmentation competitiveness and post purchase behaviour. To verify this hypothesis, the correlation between these variables has been analysed and presented in Table 4.7

Table 4.7

Correlation between segmentation competitiveness and post purchase customer behavior

FIs	Segmentation competitiveness		Customer satisfaction		Correlation
	Mean score	Standard error	Mean score	Standard error	
LIC	17.70	0.777	18.08	0.231	0.6186

ICICI	15.07	0.182	15.36	0.212	0.5656
FT	15.46	0.163	15.94	0.229	0.5248
UTI	17.90	0.192	18.29	0.198	0.5536
SBI	20.98	0.224	21.15	0.231	0.6447
HDFC	15.67	15.72	15.72	0.165	0.5461

Source : Primary data

As per Table 4.7 there is a significant correlation between segmentation competitiveness of FIs and post purchase customer behavior (customer satisfaction). Karl Pearson's correlation test shows that there is a significant correlation between these variables. This suggests that the higher the segmentation competitiveness of FIs, the higher the satisfaction derived by customers in their dealings with FIs. Thus, the result of the analysis supports the alternative hypothesis that the correlation between segmentation competitiveness of FIs and post purchase customer behavior is significant.

Market segmentation competitiveness and post purchase customer action

The analysis of the relationship between segmentation competitiveness of FIs and post purchase customer actions is another important aspect of the segmentation competitiveness analysis under this study. For this purpose the mean score of segmentation competitiveness of FIs has been compared with the mean score of word-of-mouth decisions and loyalty and patronage of customers. Table 4.8 presents the result of the analysis of relationships between these variables.

Table 4.8

Correlation between market segmentation competitiveness and post purchase customer actions

Karl Pearson's coefficient of correlation has been calculated to verify whether the degree of correlation between these variables is significant or not. The results of the analysis presented in the Table 4.8 clearly indicate the strength of the correlation between segmentation competitiveness and word-of-mouth decision and also between segmentation competitiveness and customer loyalty and patronage. In all these situations the values of correlation coefficient are within the range of 0.554 to 0.662 which is an indication of a strong positive correlation between these variable, i.e., the higher the segmentation competitiveness the higher will be the possibility of positive word-of-mouth decisions and continued patronage and loyalty. Thus, the above analysis rejects the fifth null hypothesis of the study. Thus, the above analysis supports the alternative hypothesis that the degree of correlation between segmentation competitiveness and post purchase customer behavior and actions is significant.

Table 4.9

Correlation Matrix

Dependent Variables / Independent variables	Customers response	Customers Actions	Word of mouth Decision	Loyalty & Patronage	Fls Growth in revenue	Performance of financial sector	Performance of service sector
Product	0.72	0.65	0.62	0.68	0.64	0.71	0.73

Price	0.68	0.78	0.73	0.71	0.64	0.75	0.81
Place	0.65	0.67	0.66	0.63	0.62	0.65	0.65
Promotion	0.54	0.61	0.54	0.52	0.53	0.68	0.71
Process	0.82	0.72	0.73	0.71	0.68	0.77	0.78
People	0.78	0.69	0.74	0.65	0.69	0.71	0.76
Provision of service	0.63	0.68	0.71	0.72	0.65	0.69	0.69
Note: Significance at 5 percent level p value>0.05							

Table 4.10

Regression Matrix

Response variable	Responses (Mean value)	Fitted value (Mean)	Residual	Leverage
Customer Response	2.68	2.72	-0.23	0.14
Purchase	3.47	3.53	-0.77	0.29

Behaviour				
Growth in Financial sector	7.18	7.38	0.53	0.35
Growth in service sector	6.68	6.77	0.48	0.86

Table 4.11

Competitiveness of FIs- Comparative analysis in terms of means score (P Value at 5 percent significance level)

FIs	LIC	ICICI	HDFC bank	SBI	UTI	FT
LIC	-	0	0	0.0106	0	0
ICICI	-	-	0.0056	0	0	0.0039
HDFC Bank	-	-	-	0	0	0.116
SBI	-	-	-	-	0	0
UTI	-	-	-	-	-	0
FT	-	-	-	-	-	-

Source: Primary data

Measurement of analysis of the correlation between competitiveness factors and customer's behaviour, growth in financial sector and growth in service sector to examine the impact of competitiveness FIs is an important component in the frame work of this study. In a dynamic financial market, FIs that have high degree of competitiveness is better able to faces the challenges of globalization. Thus, in this section the impact of competitiveness of FIs in terms of seven factors on the

dependent variables mentioned above is measured. The impact of competitiveness of financial institution on performance of financial service sectors is measured by calculating Person's correlation among these variables. There is high degree of correlation between these variables which clearly indicates that competitiveness of FIs exerts strong impact on the performance of different sectors of the economy. The results of regression analysis in respect of these variables are also presented to have a clear idea on the impact of competitiveness of FIs on the performance of financial service sector.

Table 4.11 indicates whether the competitiveness of the six FIs under the study is equal or not in terms of mean score assigned. P values calculated with regard to different categories FIs show that all the six FIs have different competitiveness in terms of means scores. P values of all other FIs [Pvalues0] indicate significant difference among them in competitiveness. Hence the null hypothesis that means score of competitiveness of FIs are equal has been rejected on the basis of the above result. Thus, the alternative hypothesis that the competitiveness of FIs is not equal is accepted on the basis of the above finding.

Gaps/ deficiencies of FIs on critical success factors

Analysis of gaps/deficiencies in the competitiveness of FIs is measured in respect of twelve critical factors identified. Questions on measuring gaps were included in the questionnaire administered. Gap analysis offers a detailed framework, which can be used to measure and analysis the deficiency in the performance of FIs in terms of different critical success factors determining competitiveness. The method adapted for analyzing gaps / deficiencies are explained in the methodology.

As FIs are often perceived to be extremely similar to each other, it is very important to understand which critical success factors are particularly important to customers. The deficiency/ gaps in respect of these attributes was measured by comparing customers perceived value of these attributes and excepted value on the

basis of score assigned to these attributes by customers. Scores assigned by customers in respect of these attributes were presented in terms of unity where'1' would be the maximum value. Assigned scores would be equal to unity or one and less than unity are considered as the index for expected performance and perceive performance of FIs respect of these attributes.

Table 4.12

Gaps of Financial Institutions in critical success factors

Expected and received value indices

Critical success factors		Expected value index							Perceived value index					
		LIC	ICICI	HDFC	SBI	UTI	FT		LIC	ICICI	HDFC	SBI	UTI	FT
Product design, Differentiation		0.75	0.72	0.65	0.68	0.72	0.68		0.87	0.78	0.60	0.64	0.75	0.78
Innovations		0.60	0.65	0.68	0.72	0.74	0.69		0.69	0.72	0.75	0.69	0.78	0.65
Responsiv-eness		0.83	0.88	0.65	0.78	0.75	0.68		0.72	0.79	0.73	0.69	0.65	0.75
Reliability		0.78	0.68	0.72	0.75	0.79	0.70		0.64	0.60	0.73	0.76	0.68	0.75

Table 4.12 contd……

Locational convenience		0.84	0.73	0.68	0.82	0.69	0.73		0.85	0.55	0.58	0.83	0.65	0.63
Non-personal communication		0.62	0.67	0.60	0.64	0.69	0.68		0.72	0.74	0.48	0.55	0.66	0.62
Financial incentives		0.89	0.85	0.70	0.75	0.78	0.79		0.73	0.74	0.65	0.62	0.79	0.72
Customer relationship		0.82	0.79	0.75	0.75	0.72	0.71		0.76	0.78	0.58	0.69	0.71	0.70
Provision of financial advice		0.79	0.70	0.63	0.79	0.78	0.64		0.48	0.80	0.75	0.54	0.79	0.57
Employee's knowledge, courtesy		0.64	0.63	0.70	0.68	0.73	0.67		0.78	0.75	0.58	0.69	0.74	0.65
Time convenience		0.72	0.72	0.89	0.67	0.62	0.73		0.78	0.61	0.51	0.59	0.64	0.64
Image of FIs		0.58	0.58	0.65	0.73	0.69	0.69		0.62	0.66	0.78	0.72	0.71	0.67

Source: Primary Data

Table 4.13

Factor Analysis for critical success factors determining competitiveness of FIs Rotated component matrix

Critical success factors	Component											
	1	2	3	4	5	6	7	8	9	10	11	12
Product design, Differentiation	0.65											
Innovations		0.78										
Responsiveness			0.80									
Reliability				0.85								
Locational convenience					0.75							
Non-personal communication						0.68						
Financial incentives							0.87					
Customer relationship								0.73				
Provision of financial advice									0.63			
Employee's knowledge, courtesy										0.75		
Time											0.78	

convenience												
Image of FIs												0.63
Note: Extraction method: Principal Component Analysis **Rotation Method**: Varimax with Kaiser Normalization												

Source: Primary data

Table 4.14

Perceived performance FIs in critical success

(P value at 5 percent significance level)

FIs	LIC	ICICI	HDFC	SBI	UTI	FT
LIC	-	0.0053	0.0021	0.0106	0	0.0039
ICICI	-	-	0.0056	0	0	0
HDFC	-	-	-	0	0	0.012
SBI	-	-	-	-	-	0
UTI	-	-	-	-	-	0.0041
FT	-	-	-	-	-	-

Source: Primary data

Results of the gap analysis to diagnose deficiencies in competitiveness of FIs in respect of selected attributes reveal that reliability, responsiveness, financial incentives customer relationship etc are very important to customers and the expected value index in respect of these are deficiencies on the part of LIC because it cannot perform according to the expectation of customers in respect of provision of financial advice, but from the low perceived value index the poor performance of LIC in providing financial advice to the customers can be understood.

But in respect of product design, differentiation, innovations, employee's knowledge courtesy, image etc., LIC performed much above the expectation of customers. There should be match between expected value and perceived value to satisfy customers and to ensure optimum utilization of resources and competitiveness. In order to improve competitiveness in respect of some critical success factors, LIC should infuse more innovations in the offerings and show more responsiveness by providing prompt service. LIC is almost successful in creating good image about company and its offerings, which is very clear from the higher perceived value in respect of the attribute of image. However, generally the customers are dissatisfied with the present hours of service and the corporation should allocate more resources in respect of this attributes to remove its deficiency.

As depicted in table 4.14 the deficiencies of unit Trust of India in respect of responsiveness and reliability, which are very important attribute sought by customers. However, by putting little effort, UTI can improve its position in respect of these attributes, which help UTI to render dependable and reliable financial service. The UTI is successful in terms of customer relationship, provision of financial advice, employee's knowledge and courtesy to which UTI get higher perceived value. The achievements of UTI in designing innovating financial products to satisfy the financial needs of customer segments is very clear from the high perceived value index against this attribute. The weakness of UTI in respect of certain prominent critical success factors such as time convenience and locational convenience also need special attention.

Therefore, UTI should analyse the deficiencies the above mentioned attributes and it should allocate more resources of enhance the performance. In fact, UTI have the resources and competence in addressing such deficiencies which is very urgent considering the challenges posed by the private players in the mutual fund market.

Analysis of deficiencies/gaps of State bank of India in market segmentation suggests that, SBI is very weak in providing prompt service (responsiveness) customer relationship (individual care and attention), provision of financial advice etc. However, State bank of India is performing well in distribution of braches (locational convenience) in creating better impression in the mind of different customer segments (Image) and reliability. In maintaining knowledgeable and courteous employees the bank is very close to the expectation of their customers. Overall the SBI needs to improve it performance with regard to various attributes by judicious allocation of resources to the areas of deficiencies. It is to be noted that there is lot of scope for improvement in respect of these attributes since the SBI is the leading public sector bank in India having substantial financial and physical resources and expertise to excel in any area.

The deficiency of the ICICI prudential with regard to locational convenience, financial incentives etc.,is evident from the fact that customers assign lower perceived value in respect of these attributes in comparison to expected values. However, the excellence of ICICI prudential with regard to product design, innovation, customer relationship etc., can be inferred from the relatively high perceived value obtained by ICICI in respect of these attributes. Particularly, ICICI is successful in matching the expectations of customers with the perceived performance in respect of these attributes, which naturally eliminates over utilisation of the resources for the creation of higher of perceived value, which do harm to FI in the long run.

HDFC Bank exhibits high degree of competitiveness in respect of factors such as innovation, responsiveness, financial advises etc. However in respect of locational convenience, financial incentives HDFC show deficiencies. Therefore HDFC should allocate more resources to various critical factors in which there is deficiencies .More importantly, since HDFC bank target mainly upper class and affluent customer, a slight deficiency in respect of these attributes may results in substantial reduction in customer base.

As per the analysis expected value index and perceived value index shows the superiority of Franklin Templeton in responsiveness. However, the perceived value index of FT with regard to some other attributes is comparatively low that reflects the underutilisation of resources in respect of these attributes. Especially, the gaps/deficiencies of FT in respect of locational convenience financial incentives are very high considering the wide gap between expected value index and perceived value index. Therefore, more allocation of resources is needed to these attributes to do away the above gaps.

Managerial Implication

Clamoring for ways to improve the competitiveness and to squeeze out more output from scare resources, Fls try to strengthen and streamline their strategies and programmes in globalization scenario. However, improvement in competitiveness demands drastic and pragmatic change in the approaches because in the new economic environment, the society expects better performance from FIs in terms of global standards. In this situation, top managers of Fls should address the problem of attaining global competitiveness with the support of reliable results derived from the investigations covering different facets of the problem. The results of the present study may have certain practical implications for top executives of Fls, administrators, financial regulatory bodies, for effective financial planning and decision making since it may enable them to improve competitiveness.

For many Fls, a futuristic approach in global competitiveness provides the right platform for winning initiatives. For this, the first and foremost task of the Fls is to diagnose the effective strategies for improving competitiveness very effectively by implementing practical suggestions provided by research studies on the above problem. The ranking of competitiveness factors in terms of mean value and principle component analysis reveals valuable clues to top executives and policy makers in the financial sector to reshape the strategies and programmes of Fls to improve the competitiveness. Similarly measurement and analysis of twelve critical

success factors determining competitiveness of FIs should be. Clearly examined in a professional perspective eliminate lacunae in respect of these variables which is the major hurdle in achieving competitiveness.

The competitiveness gap analysis reveals the gap between the expected performance and the perceived performance of FIs from the point of view of customers regarding certain critical success factors. From the aggregate results of the gap analysis, the FIs can diagnose the areas where they are failing to rise up to the expectation of customers and where more resources allocation is required. Similarly, where the perceived performance is greater than the expected performance in respect of certain attributes, naturally, FIs can understand that there is misallocation of resources with regard to such attributes.

Analysis of the competitiveness factors, which are basically various components of the marketing mix, suggests that in developing a marketing mix strategy, FIs managers should consider the impact of marketing mix element on the competitiveness. This clearly implies that for high degree of competitiveness there should be a match between marketing mix and target segments and FIs strategic capabilities. The results of the study demonstrate that in the activities of FIs, the competitiveness is at the heart of the strategy and programme which maximizes the strength of FIs in facing the challenges of financial crisis and in ensuring optimum allocation of resources to different elements of marketing mixes and related factors.

The results of the study shows that higher competitiveness the terms of critical success factors leads to positive customer behaviour and better performance of FIs in different function areas and overall performance of financial and service sector. The policy makers and executives of FIs should seriously investigate different dimension of impact of competitiveness to face the challenges of financial adversities.

CHAPTER FIVE

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSIONS

Summary of Findings, Suggestions and Conclusions

In this part, the results of the analysis of market segmentation competitiveness of FIs, which is measured in terms of seven competitiveness factors are presented. The major findings derived from the analysis are :

- Analysis of segmentation competitiveness factors shows that different customer segments attach the highest weightage to price policies and strategies of FIs. The ranking of these segmentation competitiveness factors reveals that transparency, simplicity and quickness of procedures, proximity and accessibility to FIs are very important factors for the customers belonging to different segments.

- In the analysis of market segmentation competitiveness in terms of perceived performance score by both the customers and a panel of judges, it is found that SBI gained the maximum score in respect of different factors and its overall score is the highest, followed by LIC, UTI, FT, HDFC and ICICI respectively.

- Competitiveness factor-wise analysis suggests that the performance of ICICI in respect of the service related attributes is very low in comparison to the performance of other FIs. However, the performance of ICICI with regard to promotion and product is satisfactory.

- A high degree of correlation is found between market segmentation competitiveness and customer satisfaction, customer repurchase intention and word-of-mouth-decisions. The higher the market segmentation competitiveness of FIs, the higher the customer satisfaction and customer retention which positively influence saving and investment behavior of households.

- The results of Fishbein formula of brand preference standing also reveals the same pattern of competitiveness of FIs in respect of various factors. According to this analysis the overall competitiveness index of FIs is calculated as – LIC – 56.97, ICICI – 50.39, HDFC – 52.92, SBI – 64.50, UTI – 59.55 and FT – 58.28. Thus the performance of financial institutions in the public sector is better than the performance of FIs in the private sector.

Gaps/deficiencies in market segmentation competitiveness by FIs

In this part, the gaps/deficiencies with regard to market segmentation competitiveness, all the six FIs are examined in terms of 12 attributes, which different customer segment consider as important in purchasing a financial product. The major findings are :

- Financial product design and differentiation, innovations, responsiveness, reliability, locational convenience, non-personal communication, financial incentives, provision of financial advice, employees' knowledge, time convenience and image of FIs are the attributes identified for diagnosing the gaps/deficiencies of FIs in market segmentation.

- Gap analysis in respect of LIC reveals that customers of different segments do not feel that there are any deficiencies in respect of product design and differentiation of insurance products. However, customers find deficiencies in respect of financial incentives and customer service. Gap analysis suggests that LIC does not provide dependable and consistent service, personal care and individualized attention according to the expectation of customers.

- Segmentation competitiveness deficiency analysis of UTI shows that even though UTI has a wide product range and diversity in product mix, customers of different segments find deficiencies in product design and diversity. Customers are dissatisfied with the failure of UTI in fulfilling promises in respect of certain financial products like MEP and especially the failure in providing timely financial advice for the creation of portfolios.

- The most prominent segmentation competitiveness gaps or deficiencies of SBI identified are in respect of responsiveness, customer relationship, employees' courtesy, knowledge etc. which is very clear from the low perceived performance score assigned to these attributes. However, the superiority of SBI on locational convenience, financial incentives, image etc. are revealed in higher perceived values of these attributes.

- HDFC bank shows segmentation competitiveness gaps/deficiencies in non-personal communication, provision of financial advice and financial incentives. The difference between the expected value indices and the perceived value indices with regard to these attributes are significant.

- Segmentation competitiveness gaps/deficiencies of FT are with regard to locational convenience, non-personal communication and image in respect of which it gets a low perceived performance index.

Recommendations

Although a single research study with limited objectives cannot provide a scientific basis for competitiveness in market segmentation in financial product marketing, findings of this type of researches may be helpful to give some suggestions for practice. The results of the analysis may throw light on certain dimensions of financial market segmentation especially in understanding the customer behavior by analyzing various variables influencing customers in respect of the purchase decision process for financial products.

In the light of the implication of the research findings, some specific recommendations are given in the following points for enhanced competitiveness in market segmentation by FIs for marketing of financial products.

- To achieve competitiveness in market segmentation, FIs should adopt a more dynamic and prognostic approach in market segmentation by giving more weightage to multivariable segmentation involving behavioural and psychographic variables. Single variable segmentation is found to be ineffective in certain contexts in which only one variable is taken into account for creating micro segments.

- FIs should conduct in-depth periodic customer surveys to diagnose the interactive impacts of demographic, psychographic, behavioural and socio-economic variables in multivariable segmentation through cluster analysis, determinant attribute analysis, factor analysis etc.

- While selecting additional segmentation variables in multivariable segmentation, it should be ensured that additional variables are really useful in improving the perceived value of financial product mix, so that there is no wastage of resources, time and energy to collect data on such additional variables.

- Well planned marketing promotion programme should be framed attaching more importance to innovative promotional programmes to motivate upper class and upper middle class segment, young full nest. Old full nest professionals, businessmen etc. who have substantial savings and exhibit a high saving propensity. Special attention should be given to convince these segments the distinctiveness and special benefits of financial product since they look for real difference in the product offerings.

- FIs should attach more weightage to behaviouristic segmentation variables in multivariable segmentation, when financial products are similar to other competing products and customers' needs are not affected significantly by other variables because behaviouristic variables are very powerful in effecting differentiation in financial product offering.

- Customers who belong to the young full nest, business, profession and self-employment should be the main target of LIC and UTI. Instead of following pressure tactics in marketing insurance products, the LIC should formulate a positive and educative promotional approach in creating insurance consciousness and product awareness among these potential segments and to sell insurance products.

- Risk tolerance being the most dominant psychographic segmentation variable employed by investment intermediaries and risk appetite of customers varies in accordance with change in economic conditions and other extraneous variables, UTI and FT should conduct objective and scientific risk tolerance tests periodically, to ascertain the level of risk tolerance of customers so as to effect necessary modifications in financial products in respect of risk dimensions.

- Yet another important dimension which needs special attention is the consideration of saving motives in designing financial products. Safety, having emerged as one of the most important saving motives of the customers in all segments, FIs should formulate a long term marketing strategy to enhance their reputation, image and credit – worthiness.

- Since customers of different segments attach a high priority to services, elements in marketing mix, maximum efforts should be put in incorporating transparency, convenient hours, commitment, accuracy and punctuality of employees, personal care and individualized attention in the creation and delivery of financial services.

- Though customers do not give much importance to non-personal communication in financial product marketing, lack of awareness of the availability of diversified products and their financial need satisfying capacity, FIs may undertake aggressive promotional programmes to create positive responses to offers and for inculcating a rational saving behavior among target customers.

- Since customers of depositories give more weightage to locational convenience, more attention is to be given to improve locational convenience by ensuring adequacy of branch offices, physical facilities and accessibility to branch offices. Though E-Banking to a great extent reduces the necessity for branch offices, the need for branches and other physical facilities continue to be an important factor for personal and face to face customer service which is definitely an added advantage for market segmentation.

- Since customer' satisfaction, retention, word-of-mouth-decisions are positively correlated to market segmentation competitiveness, FIs should infuse more innovations to product offers, offering more financial incentives and concessions. They should use more creative and educative advertisement in

the appropriate media including TV commercials and provide reliable and quick customer service to improve the competitiveness of market segmentation.

- While designing financial products, FIs should take special care to create differentiation in the financial product offered since core product offered by FIs in the same category appear to be similar. Therefore differentiation should be achieved by infusing more transparency, simplicity, quickness in procedures and by showing sincerity, friendliness, personal care and individualized attention in customer service.

- Since liquidity is one of the main considerations of customers of the different segments and since insurance products have long term maturity, contractual intermediary i.e., LIC should design more money back policies in different product lines.

- Similarly, since customers of LIC expect both risk coverage and fair return from insurance products, LIC should design more attractive and customer-friendly product with profit options.

- Since risk tolerance of the different customer segments in general irrespective of their demographic psychographic difference is moderate and below average, mutual funds, viz., UTI and FT should formulate more mutual products with low equity component and guaranteed minimum return.

- Effective personal and non-personal promotional programmes should be implemented by investment and contractual intermediaries to popularize tax saving financial products among those customers having income tax liability because a large number of customers are not fully aware of the various tax concessions available from these financial products.

- Depository intermediaries viz., SBI and HDFC bank should introduce more product versions having more liquidity and flexibility in the demand and time deposit product lines similar to salary-plus account designed by SBI for the salaried class which is a classic example of segment-specific financial product.

- FIs should initiate appropriate measures to eliminate various segmentation deficiencies to ensure optimum utilization of resources among various attributes, which are the basic controllable variables for marketing financial products. This can be accomplished by achieving a fairly good match between the customer's expectation and the perceived performance in respect of these attributes.

Conclusions

In the light of the analysis and interpretation of empirical results of the study it can be concluded that the competitiveness of Indian financial institutions has been gradually improving which has a positive impact on facing financial problems and

saving and investment behavior of individual households The competitiveness gaps measured in terms of the difference between perceived performance and actual performance in respect of critical success factors shows that even through there are some lacunae in some factors their overall perceived performance is encouraging. Though global financial institution have a spirit of professionalism in their approach and strategies, lack of social control and financial / administrative regulations over their functioning often lead to frequent financial quandary and crises. On the contrary, Indian financial institutions have some distinctive core competencies and inbuilt administrative controls which help them to stand in good stead during the period of financial crises and difficulties. This inherent strength of Indian financial institutions helped them to overcome the present global financial crisis very confidently which even surprised world leaders, economists and financial experts alike. However, in the globalised environment Indian financial institutions should improve a lot in different functional areas especially in the area where there are deficiencies and incompetencies . Therefore, overconfidence in the decade old historical stability and strength of Indian financial Institutions is not a guarantee for their sustainability and progress rather initiation of futuristic and pragmatic strategies and programs are highly necessary to meet the global challenges. The empirical findings of the study, if properly perceived and implemented in a spirit of achieving global standard, Indian financial institutions can excel in any functional areas that will be a real surprise to global financial institutions posing new challenges and threats to Indian Fls in the new economic order.

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