

“INFORMATION SEARCH: AN EMPIRICAL STUDY AMONG RETAIL BANKING CUSTOMERS IN INDIA”

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INTRODUCTION

Indian retail banking has witnessed phenomenal growth ever since the economic reforms started in 1991. There are many reasons cited by many authors for this growth which includes demographic changes, flexible interest rates, competition among banks, and profitability in retail banking business, less demand for credit from industry, technological development and so on. Though the economy encounters some challenges on account of global financial crisis and recent European debt crisis, retail banking business appears to have consistent growth. Hence, banks in India are applying strategies to sustain and improve their share in this business. The basic of devising and implementing strategy is to understand the borrowing behavior of Indian retail consumers. Information search is one among stages of borrowing behavior that is playing the vital role in evaluation and selection of a bank for borrowing credit.

The buying behavior models developed by Howard and Sheth (1969) and Engel, Blackwell and Miniard (1994) show that buying process of a consumer consists of five stages Starting with problem recognition, the consumer passes through the stages of information search, evaluation of alternatives, purchase decision, and post purchase behavior. As this model explains, the consumer borrowing process begins long before the actual borrowing and has consequences long afterward.

An interested borrower who recognizes a need for retail credit will be inclined to search for more information. The arousal would be distinguished between two levels of arousal. At the milder search state of heightened attention, a person simply becomes more receptive to information about a bank. At the active information search level, a

person surfs the Internet, talks with friends, and visits banks to learn more about the product. Consumer information sources include personal sources (family, friends, neighbors, acquaintances), commercial sources (advertising, Web sites, salespersons, dealers, packaging, displays), public sources (mass media, consumer-rating organizations), and experiential sources (handling, examining, using the product). The borrower usually receives the most information from commercial (marketer-dominated) sources, although the most influential information comes from personal sources. Through gathering information, the consumer learns more and more about competing banks. The individual borrower will come to know only a subset of these banks (awareness set). Some of these banks will meet initial borrowing criteria (consideration set). As the person gathers more information, only a few banks will remain as strong contenders (choice set). The person makes a final choice from this set (Narayana and Marking, 1975; Desarbo and Jedidi, 1995).

It makes it clear that a bank must strategize to get itself into the prospect's awareness set, consideration set, and choice set. The bank must also identify the other banks in the borrower's choice set so that it can plan competitive appeals. In addition, the bank should identify the consumer's information sources and evaluate their relative importance so it can prepare a range of effective communications for the target market.

SOURCES OF INFORMATION

Most of the previous researchers defined information search either explicitly or implicitly related to the specific purchase under consideration (Beatty and Smith, 1987). Information search behavior can be also classified as internal or external (Beales et al., 1981). Internal information search consists of consumers' retrieval of memory or knowledge from previous search, experience with products or passively acquired information during normal regular activities. External information search behavior comprises of consulting with friends, family members, experts, sellers, reading books, magazines articles, consumer ratings, advertising and direct inspection. The other way of categorization of sources of information includes direct experience, seller provided, personal including family and friends and third party. Seller provided information has been further divided into direct

from seller and advertisements.

In the survey conducted by the Mortgage Bankers Association of America, most of the respondents cited the phone as their favorite way to obtain information on mortgages; personal contact was the second most cited source of information followed by advertisement and real estate professionals; experience was also cited as a source of information for refinances (Lee and Cho, 2005).

Research in developed market economies constantly has established that consumers derive product knowledge from multiple sources of information which includes advertising (Arndt, 1968; Coulter, Zaltman and Coulter, 2001; Hoch and Ha, 1986), personal search (Alba and Hutchinson, 1987; Beatty and Smith, 1987; Srinivasan and Ratchford, 1991), influential others (Dichter, 1966; Feick and Price, 1987) and product experience (Hoch and Ha, 1986; Kempf and Smith, 1998).

Oberlechner and Hocking (2004) found that wire services, personal contacts, analysts, brokers, newspapers, televisions are sources of information for foreign exchange traders. Acquiring information also differs between individualist and collectivistic cultures: in the individualistic culture, people predominantly acquire information through media sources; in the collectivistic culture, people are perhaps to look for interpersonal sources of information (de Mooij, 2004).

Findings of Elliot (1994) revealed that personal search (i. e., referrals, interpersonal) was the predominant information source used while media search contributed best to the formation of evoked sets. Besides, search determinants such as age, service knowledge, perceived risk, purchase involvement, and city size were successful in explaining variation in external search effort.

A study conducted during economic transition in Hungary (Coulter et al., 2009) indicated that the market information variables explained in knowledge of consumer. Advertising was an important predictor of consumer knowledge and personal search was always important source of information. However, brand experience was positively related to knowledge in later transition and negatively related in earlier transition. Conversely interpersonal sources were not important in either period.

METHODOLOGY

As the number of people who borrowed credit is very large, sampling technique is applied to select the respondents for study. Using mal intercept method, totally 1500 questionnaires after pilot survey among 50 respondents have been distributed to retail credit customers of scheduled commercial banks in Chennai city during the period of 2010-11 but only 1264 have been received after continuous follow-up. Among collected filled questionnaires, only 895 are in usable condition. The confidence level and deviation considered in this study are 95 per cent and 3 per cent respectively. After adding 5 per cent contingency for non response the required sample size is 883 which is less than actual sample size of 895.

The questionnaire consists of personal information like age, income, gender, amount of loan, type of loan etc., and information sources including personal and other sources. The usefulness of each source of information is measured on five point scale starting with not at all useful to highly useful. The reliability of the usefulness scale is tested with cronbach alpha (0.823). Based on pilot survey and feed back of respondents, some of the sources of information are removed and some are clubbed with others. For example, all types of advertisements are kept under one head.

SOURCES OF INFORMATION AND SEGMENTS OF RETAIL BANK

The borrowers of retail credit use various sources for getting information regarding details of suppliers of credit and features of loans.

TABLE: 1. DESCRIPTIVE STATISTICS

Source of information	N	Min	Max	Mean	Std. Deviation	Rank
Advertisement	895	1	4	2.35	1.185	II
Financial adviser	895	1	4	2.07	1.119	IV
Family/friends	895	1	4	3.00	0.970	I
Previous dealings	895	1	4	2.33	1.149	III
Shopping around	895	1	4	2.01	1.037	V

Based on previous studies conducted in this area, the major sources of information are advertisement, financial advisor, family and friends, previous dealings with the bankers and shopping around.

The **table 1** witnesses that all sources of information invariably are mentioned by all respondents and have minimum of one and maximum of four. It shows that all sources are useful and the degree of usefulness varies from respondent to respondent. The conclusion elicited from the table 1 that by and large the information from family and friends are highly useful and has the least variation. The next valuable source is advertisement of banks but the deviation is the highest among sources while the least helpful source of information is shopping around. Nonetheless none of the sources is seemed to be of no use.

SOURCES OF INFORMATION AND SEGMENTATION BASED ON DEMOGRAPHIC FACTORS

Demographic segmentation such as age, income, education and gender has been considered for analyzing the sources of information used by different segments and how it varies in terms of usefulness for selection of bank and loan. ANOVA and independent T test have been applied to understand the difference between segments. The table 2 illustrates F value of each source of information and its significant value for the segments namely age, income and education.

TABLE: 2. INFLUENCE OF AGE, INCOME AND EDUCATION ON USEFULNESS OF SOURCES OF INFORMATION

Sources of information	Age		Income		Education	
	F value	Sig	F value	Sig	F value	Sig
Advertisement	.972	.405	1.318	.262	5.933	.000*
Financial advisor	3.997	.008*	6.501	.000*	1.670	.155
Family / friends	16.440	.000*	1.789	.129	2.956	.019*
Previous dealings	8.821	.000*	5.085	.000*	2.749	.027*
Shopping around	4.449	.004*	2.341	.050*	2.209	.066

* Significant at 0.05

AGE AND SOURCES OF INFORMATION

With reference to the different age group of respondents, there are significant variations in the sources such as financial advisor, family and friends, previous dealings and shopping around. Duncan post hoc method has been employed to understand the differences.

TABLE: 3. HOMOGENEITY TABLE FOR USE OF FINANCIAL ADVISOR AND FAMILY/FRIENDS AMONG AGE GROUPS

Age	N	Financial advisor			Family /Friends	
		1	2	3	1	2
30 and below	297	1.98	1.98			3.15
31-40	231			2.25		2.99
41-50	198		2.15	2.15		3.15
Above 50	169	1.91			2.56	

The table 3 indicates that based on the level of usefulness of information from the source of financial advisor, the total respondents are divided in to three subgroups. It is obvious from the data that the respondents in the age group of 31-50 have found information given by financial advisor is more helpful than other age group. Conversely, respondents of above 50 and below 30 age groups have viewed this source as less useful source.

Regarding information from family and friends on banks and retail credit, the mean values in the table 3 confirms that there is significant variation between different segments of respondents in terms of usefulness. Apart from respondents belonging to above 50 age segment, all other respondents have meant this source as highly valuable source for selection of bank. Though mean score is significantly less for the above 50 age segment, it is seemed to be useful to some extent.

TABLE: 4. HOMOGENEITY TABLE FOR USE OF PREVIOUS DEALINGS AND SHOPPED AROUND AMONG AGE GROUPS

Age	N	Pervious Dealings		Shopped Around	
		1	2	1	2
30 and below	297	2.07		2.04	
31-40	231	2.40		2.03	
41-50	198	2.58		2.16	
Above 50	169	2.41		1.78	

As far as information derived from previous dealing is concerned, the worthiness of information is classified in to two categories based on mean value. The first category contains only group of respondents below thirty age with the mean value of 2.07 that explains relatively less value in terms of usefulness. It may be due to the fact that the young respondents would have had only few previous dealings. Mean value of other age groups is significantly higher than the former.

For making out the difference in the worth of information collected by respondents through window shopping between age based segments, the table 4 has been presented. The information from shopping around has been considered as less valuable by the respondents with more than 50 age while, the respondents of 50 and less ages rate information of this source is of more use.

INCOME AND SOURCE OF INFORMATION

Respondents are classified based on their average monthly income level in to four categories such as respondents with the income of below Rs10000, Rs10001-20000, Rs20001-30000, Rs30001- 40000 and above Rs40000. The result of ANOVA reveals that there is significant difference between income segments in the case of financial advisor and previous dealings. Duncan post hoc analysis has been used for further understanding on variation in the mean score of each source's usefulness.

TABLE: 5. HOMOGENEITY TABLE FOR USE OF FINANCIAL ADVISOR, SHOPPING AROUND AND PREVIOUS DEALINGS AMONG INCOME SEGMENTS.

Respondents	N	Financial Advisor		Shopped Around		Previous Dealings		
		1	2	1	2	1	2	3
Income								
10000 and below	86	1.77		1.86		2.00		
10001 - 20000	350	1.92		1.98			2.30	2.30
20001 - 30000	259		2.19	2.04	2.04			2.56
30001 - 40000	100		2.27	1.92		2.25	2.25	
Above 40000	100		2.36		2.27	2.19	2.19	

The Duncan post hoc table for information from financial advisor depicts that the difference in terms of value of information is significant between Rs10000 and below and other segments. However, the variation is not found to be significant between Rs20001-30000 and Rs30001-40000. It is also observed from the table 5 that the respondents of income less than Rs20000 find information of this source is of less utility than the level of utility derived by respondents with more than Rs20000 income. But none of the segments has rated this source as highly useful.

As far as information collected through previous dealings of respondents is concerned, there is significant difference between different segments of income groups. The mean value in the table 5 ranges between 2 and 2.56 that show that the information is helpful from a little extent to some extent. The information is more worth for Rs10001-30000 income group than the other two segments appeared in the set 1 and set 2 of the above table. Conversely respondents with income of less than Rs10000 have found this as significantly less useful.

The yet another source of information which has significant variation between different income segments is information collected through shopping around. The highest mean score is given by the respondents of Rs40000 income segment which means that the usefulness of information received by shopping around is higher. This is significantly different from the mean value of other income segments. The first set reveals relatively less mean value. Among the various segments in the first set, respondents of Rs20001-30000 income group regard information from shopped around as more useful than other income group in the first set.

EDUCATION LEVEL AND SOURCE OF INFORMATION

Respondent's education level has been classified as school level, degree, post graduate, professional and others. The ANOVA test result reports that there is significant difference in mean value of all sources of information except financial advisor source and shopping around source. Duncan post hoc analysis is used to ascertain how the usefulness of information varies.

TABLE: 6. HOMOGENEITY TABLE FOR USE OF ADVERTISEMENT, FAMILY/FRIENDS AND PREVIOUS DEALINGS AMONG EDUCATION SEGMENTS.

Education Level	N	Advertisement			Family /	Previous
		1	2	3	Friends	Dealings
			2.57		3.17	2.26
School	53					
Degree	318	2.14			3.12	2.36
Post Graduate	288	2.38	2.38		2.93	2.18
Professional Degree	199	2.49	2.49		2.86	2.52
Others	37			2.92	3.00	2.30

Total segments have been stratified in to three subsets based on the mean value with reference to usefulness of advertisement. The first set includes degree, post graduate and professional degree. The second set consists of school, professional degree, and post graduate. And third set is made up of others.

Among the respondents of different educational levels, the degree holders have stated the information through advertisement is less useful where as the respondents of other qualification have found more useful for patronizing particular bank for loan. Besides, people with school education have opined the utility of advertisement above the level of degree holders but below the level of other qualification people. It is evident from the above table that the significant difference is found between respondents with degree and respondents with school education, school and other qualification.

Though it has been looked significant in ANOVA table, the Duncan post hoc table shows means of family and friends and previous dealings in one set. However, there is substantial level of differences among the usefulness of sources of information in selection of bank for availing loan. As per the table 6, customers of retail banking with qualification of school level have found the information given by family members and friends more useful than that of others. It may be reason that people of this category usually rely on their own circle for decision and may not be well aware of other sources available. Conversely customers who qualified with professional degree have felt the information offered by family and friends source less utility in comparison with the former. But it has been rated per se by all respondents irrespective of educational qualifications helpful to a great extent for patronizing a bank. On the basis of differences, it can be grouped as professional degree, post graduate and others under one and the remaining under other.

Of the sources of information depicting significant differences between the segments of various educational qualifications, the last one that has the least F value is information with help of previous dealings. Previous dealing means here that information gathered while respondents have availed some other or same type of services with the banks. This is possible only for the existing customers of banks.

On an average the usefulness of information through this source falls between useful to some extent to useful to great extent. The differences have been elicited from the table that the highest utility is drawn through previous dealings by professionally qualified customers and the least by post graduate customers. Notwithstanding the differences among respondents with diverse

qualifications, none of the segments witnesses unhelpfulness of information drawn from previous experiences.

GENDER AND SOURCES OF INFORMATION

The retail customers consist of both male and female. For finding out the dissimilarities in terms of value of information from different sources between male and female respondents, independent T test has been exercised. It is evident from the result that almost all sources barring pamphlets and family and friends sources are nearly similar in terms of utility regardless of gender difference.

TABLE: 8. T TEST TABLE FOR GENDER AND SOURCES OF INFORMATION

Sources of information	Gender	N	Mean	Std. Deviation	t	Sig. (2-tailed)
Advertisement	Male	617	2.32	1.198	1.191	.234
	Female	278	2.42	1.152		
Financial Adviser	Male	617	2.06	1.120	.678	.498
	Female	278	2.11	1.117		
Family / Friends	Male	617	2.95	1.004	2.413	.016*
	Female	278	3.12	.880		
Previous dealings	Male	617	2.34	1.145	.248	.804
	Female	278	2.32	1.159		
Shopped around	Male	617	2.05	1.064	1.444	.149

* Significant at 0.05

The significant difference has been found in the case of family and friends between male and female respondents. Both the classes of respondents have stated that information provided by family members and friends are highly worth for selection of bank but relatively female respondents have found more useful than male respondents that is noticed from the mean values in the table. Nearly all female have assigned same weight to this source it is evident from the less standard deviation value. It is not similar in the case of male respondents. The least difference has been discovered in the usefulness of previous dealings followed by financial advisor.

CONCLUSION

It clearly reveals that by and large, the most useful source of information is family and friends followed by advertisement. The least helpful source is shopping around. However, there are differences in average level of utility of sources of information between segments. Segments below 50 years, school and degree segments, and female segment found to have more use in information provided by family and friends.

Previous dealings with banks helped income segment relatively to a greater extent whereas the role of financial advisor is high in the case of Rs 20000 to 30000 income segment, female segment and other qualification segment. By shopping around, all age groups except above 50 and income groups more than Rs 40000 have obtained more useful information than others. These inferences may be very helpful for the bankers while designing their promotion strategies for target consumers. Moreover, new retail banking products are introduced frequently by the bankers to meet the needs of different segments of the market. Hence they can prepare separate information dissemination formula for each product based on targeting segment for attaining optimum resource utilization.

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