



# Demographic influences on consumer decisions in the banking sector: evidence from India

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## Abstract

The aim of this research was to devise an instrument that achieves complete dimensionality of bank selection attributes considered by Indian customers in choosing a particular bank and assess how these dimensions differ across demographic subgroups. A quantitative methodology was used in the analysis of responses given by 683 bank customers, acquired by focus-group interviews and a well-structured questionnaire. The results showed that determinants of bank selection, such as convenience and service delivery, differ significantly by gender, age, educational level, occupational level, income, and the type of bank. The originality of the research was its novelty in investigating demographic differences in the bank selection decisions of Indian customers to guide India's banking management toward more effective marketing and services. The study augmented the theoretical body of knowledge in the area of bank selection decisions. The results provide practical implications for bank managers, marketing experts, and advertising executives to devise appropriate marketing strategies to accommodate their customers' preferences. Banks can use the research findings to efficiently channel their demographic-driven marketing to win over the targeted customers.

**Keywords** Bank selection · Demographics · Consumer behavior · Choice criteria · Customers

## Introduction

Banks have discovered that lasting and competitive advantage in businesses can be realized through retention of customers, a strategy that may not be easily copied by their competitors. On the other hand, education and awareness have made the modern customers not only knowledgeable concerning the products and services, but they are also interested in knowing how banks operate. These banks have also directed their attentions toward identifying factors influencing customers' choices of the bank to operate with, in addition to adopting the customer retention strategy. According to Smith and Stodghill (1994), Karaosmanoglu and

Melewar (2006), several instances exist, whereby businesses spend billions of money on charitable and public involvement activities, corporate advertisement, and sponsorships to entice customers. For this reason, scholars have widely studied the subject as to "how customers choose their banks" (Awan and Bukhari 2011; Blankson et al. 2009; Boyd et al. 1994; Holstius and Kaynak 1995; Khan et al. 2015; Krisnanto 2015; Ltifi et al. 2016; Narteh and Kuada 2014). Investigating consumer tendencies facilitates the design of improved marketing strategies to attract and retain customers (Ali et al. 2017).

Globally banking sector is growing, creating intensified competition. It is vital for individual banks to understand the customers' perceptions of service quality to effectively procure and retain customers in a competitive market. Martenson (1985) studied the Swedish market to understand more about consumer banking services; Denton and Chan (1991) investigated banking in Hong Kong; Kaynak et al. (1991) examined bank selection by Turkish consumers; Tan and Chua (1993) examined bank choice in Singapore; and Erol et al. (1990) looked at bank choice in Islamic countries. These and other past studies have substantially contributed to the understanding of bank selection, although

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their findings may not be applicable to countries that differ culturally or economically, or have different legal systems. Despite the importance of selection criteria used by customers in bank marketing, past studies have tended to overlook the dimensional structure of the factors, which they have identified as affecting the selection of a bank. When all factors are pooled into a single measure, the contribution of each aspect can be underrepresented or unnecessarily highlighted. As a result, with growing competition in terms of number of banks, bank managers lack thorough guidance pertaining to selection decisions. Moreover, studies to date are not standardized and therefore lack reliable, comparable, and valid measures of the various factors.

Banks need to identify the various parameters influencing bank selection criteria to develop strategies that effectively help grow their customer base in the competitive environment (Metwally 2002). Parameters identified in previous research as having an impact on consumers' bank selection decisions included demographic characteristics, such as gender, age, income, occupation, and education (Almossawi 2001; Litifi et al. 2016; Narteh and Kuada 2014). Demographic factors affect the general mind-set of individuals, with each unique combination of demographic characteristics shaping an individual's perspectives. Such perspectives influence expectations, perceptions, and behavior. In a study on factors influencing bank selection of Islamic banking products in South Africa, Boyd et al. (1994) found that many aspects of bank service quality determined consumers' selection of banking institution and that these determinants vary between people with different demographic characteristics (Naser et al. 1999). However, these factors have not yet been thoroughly evaluated for customers of both public and private banks in developed countries.

The present research was designed to (1) create a pool of statements that consumers use in their appraisals of banks; (2) condense these statements into important decisive factors explaining a consumer's choice of a bank; and (3) examine the extent to which bank selection criteria differ between customers with different demographic profiles. In particular, this research was based on six demographic factors—age, gender, income level, education, occupation, and type of banking institution, i.e., public and private—to determine each factor's potential impact on the banking sector. The specific demographic factors were deliberately chosen for this empirical research study as they offer noteworthy primacy in literature, with their application to reasons for customer's bank selection. The results will allow marketers and academic practitioners to accurately measure customers' perception that influence bank selection decisions and to develop more efficient marketing strategies by way of offering better-quality customer value.

The paper is structured into four sections. The “[Literature review](#)” section provides a detailed review of literature on the topic, while the “[Research design and methodology](#)” section describes research methodology. The “[Managerial and practical implications](#)” section discusses the findings and explores the implications for managers. The “[Limitations and avenues for further research](#)” section concludes with a reflection on the research limitations and future research directions.

## Literature review

The demographic transition theory, developed by Thompson (1929) and cited by Caldwell (2006), Haupt and Kane (2005), Warf (2010), describes the growth of human population. The theory states that as people progress from one developmental stage to another, their preferences, expectations, and interests change over time. Thus, this theory is most suitable for using demographic characteristics such as age, education, and income to understand why people's attitude change and why they consequently switch from one service to other when their preferences and expectations change over time. Moreover, the theory suggests demographic factors influence consumer's decisions. For example, women and men process information differently while making purchasing decisions. For example, Kraus (1995) found that men are more likely to adhere to self-relevant information than women are. It has also been suggested that men and women may fulfill different roles in the purchasing decision, with men seeking immediate personal outcomes and women seeking harmony in relationships (Meyers-Levy 1988). Similarly, age and income level influence people's behaviors, decision making, and lifestyles (Peter and Olson 1996). Thus, the role of demographic factors in the decision making process cannot be overlooked and is worthy of examination. Consequently, existing literature on this topic was reviewed while focusing on specific themes.

## Studies based on geographical factors

In the context of the banking industry, the determining factor of customer's choice of bank selection has received significant attention in recent years. The authors identified nine published studies in the USA, eight of which surveyed the general population. Kaufman (1967) was the first to provide valuable insights into the topic of bank patronage. Until recently, convenience was considered a leading factor for most consumers in the USA (Leonard and Spencer 1991; Boyd et al. 1994; Kaynak and Harcar 2005), although the number of selection attributes has changed, as found by studies conducted in the UK. Kaynak et al. (1991) analyzed the significance of selected patronage factors in commercial



bank selection of urban Turks. They exhibited significant differences in selection criteria based on gender, educational background, and age of bank customers. The authors indicated that male customers put more emphasis on bank reputation, business hours, availability of a wide range of services, parking facilities, and fast and efficient services compared to the female customers. Based on educational backgrounds, customers with primary education placed more importance on empathy, location of banks, and fast and efficient services of the banks compared to uneducated customers. Convenience emerged as an important factor for customers under the age of 40. In Canada and a south-western US city, demographic subgroups as defined by age, gender, and income have significantly different perceptions for many unique dimensions of the bank selection criteria, indicating that demographic characteristics shape level of services (Laroche et al. 1986; Boyd et al. 1994).

According to Boyd et al. (1994), American bank customer under age 21 ranked reputation more important, followed by location and hours of operation in their top 10 priorities for bank selection. The lowest ranked factors were friendliness of bank employees and modern facilities. Another demographic variable, marital status, was tested, and the study found that single customers put less prominence on reputation than married customers. Respondents' occupation was another demographic variable considered. Blue-collar households emphasized cost-benefit issues and core banking (i.e., availability of basic services). White-collar households, however, had put greater emphasis on modern facilities, reputation, and convenience. Finally, analysis according to gender of the respondents revealed exciting results. Males put greater emphasis on faster service and convenience; however, females favored longer-term aspects (e.g., organizing their finances) and turned out to be more financially secure. Similar views were corroborated by Kennington et al. (1996), Narteh and Kuada (2014), and Krisnanto (2015). Narteh (2013) studied factors that small and medium scale enterprises (SMEs) in the Ghanaian banking industry consider when making bank selection decisions. Data were collected through face-to-face interviews with 503 SMEs randomly selected from the database of the National Board for Small Scale Industries in Ghana. In terms of individual determinants, credit availability, price competitiveness, staff attributes, perceived service quality, and bank attributes were all found to be extremely vital to the success of SMEs. This is primarily because these attributes directly affect their day-to-day operations and, subsequently, their profitability. Although the researchers found differences in gender, age, and income, they stated that the occupation-based groups were not significantly different in any bank selection decisions. Narteh and Kuada (2014) studied the determinants of customer satisfaction toward services delivered by banks in Ghana. Based on the findings of the

analysis, age, occupation, and gender were found to have no moderating effects on customers' bank selection decisions. They also suggested relational and core services delivered as main determinants in customers' bank selection process, indicating that banks should attempt to relate well with their customers.

### Studies based on market segment factors

Market segment-focused studies were mainly concentrated within specific geographic locations. Most of these studies sampled young consumers. Lewis (1982) was the first to study the valuable insights of students regarding the topic of bank patronage. Lewis also acknowledged the role of parental influence in such decisions. Following this, Lewis and Bingham (1991) and Thwaites and Vere (1995) studied the determinants of services delivered by banks in the UK. Convenience, free banking, the expanse of the ATM network together with fees emerged as the most important factors which served to influence the choice of a bank. On the contrary, Edris (1997), Phuong and Har (2000), Blankson et al. (2009), Rao and Sharma (2010), and Sayani and Miniaoui (2013) found that the role of reputation, efficient bank personnel, high interest rates, and friendliness influenced the bank selection choice of patrons. However, demographic factor such as age, gender, occupation, etc., were not studied within the market segment-focused studies. There were only two studies, Narteh and Owusu-Frimpong (2011) and Okpara and Onuoha (2015), which addressed customer demographics and the way in which they influence bank selection decisions. Narteh and Owusu-Frimpong (2011) analyzed the opinions of 223 undergraduate students in Ghana to obtain information regarding the determinants of customer's bank preferences. The authors offered bank managers a deeper insight into the bank selection process to assist in the creation of tailor-made programs aimed at attracting and retaining customers. The study also identified significant differences in the bank selection decision making processes of males and females, graduates and undergraduates. The results indicated that when undergraduates placed more emphasis on the minimum bank deposits required by banks, they regarded rapid service as a priority with minimum deposit requirements. However, Okpara and Onuoha (2015) asserted that cost was the major determinant of commercial bank selection, especially for university students in Abia. These students were non-income earners and their primary aim was thus to minimize the costs associated with financial transactions. The findings suggest that factors such as close proximity to home and work and the price of the product were important criteria in the bank selection decision process. Corporate appearance, however, was found to be another important factor in the bank selection process. These findings were endorsed by Abbam et al. (2015),



Cleopas and Olawale (2011), and Iruka and Igwe (2010), who argued that this attribute instill a sense of confidence in young people and impresses them more than it impresses their elders. Overall, cost was found to be the highest rated attribute among university students.

### Studies based on religious factors

A few authors have studied the consumer preferences pertaining to the products/services offered by banks (Amin et al. 2009; Tsai et al. 2011); these authors found three different groups, such as service, cost and religion, and lower-income and higher-income consumers. In a Qatar-based study, researchers found that women, the elderly, and customers with moderate levels of education or low income were more likely to patronize Islamic banks than conventional ones (Metwally 2002). Ltifi et al. (2016) investigated explanatory factors for the selection of Islamic banks and evaluated the moderating role of demographic characteristics. They looked for a better understanding of these determinants in Tunisia, a country with a developing Islamic finance system and a culture different from those in the Muslim countries studied in previous literature. Their study found that the customers considered several factors (e.g., trust, quality of service, and, especially, compliance with Shari'a law). Age and gender emerged as the only moderators between these determinants and respondents' selection of an Islamic bank. Ali et al. (2017) examined the factors influencing customers' preference for Islamic credit cards from Islamic banks in Pakistan by adopting the theory of reasoned action (TRA) model. Due to limited awareness of Islamic credit cards, this study evaluated the impact of attitude and subjective norms on perceived financial cost when predicting customers' preference for Islamic credit cards.

All these studies (geographical, market segment, and religion) have contributed significantly to the body of literature on bank selection; however, their findings may not be valid in other countries, as they are based on information gathered within a specific cultural, legal, and economic setting. Moreover, these studies were centered on either geographic and market segment, product, or religion (Laroche et al. 1986; Martenson 1985). The previous literature provides plenty of evidence about the significance of demographic factors as a bank selection criterion. However, due to the variation between and within cultures, it is understandable that the influence of those demographic factors is not constant across cultures (Kennington et al. 1996; Narteh 2013; Krisnanto 2015). Thus, the present study is designed to investigate customer's criteria in the bank selection. Secondly, the extent to which such criteria differs significantly among Indian banks with different demographic and behavioral profiles. These facets were deliberately chosen as they offer noteworthy

primacy in the literature to describe reasons for customer's choice of particular banking service institution.

### Research design and methodology

The measurement instrument was developed by following two approaches: properly modified items from the existing literature and in-depth interviews. Using convenience sampling, we conducted focus-group sessions with 180 respondents. Twelve focus-groups each comprising 15 bank customers were conducted. On the basis of qualitative data collected from interviews, 68 statements were with the relevant literature to develop an initial list of items that represented customers' bank selection criteria. The items were evaluated for content validity which shows the extent to which a specific set of items reflects a content domain (DeVillis 2017). Content validity has been established through the development of the items from an extensive literature survey (See Boyd et al. 1994; Kennington et al. 1996; Kaynak and Harcar 2005; Blankson et al. 2009; Awan and Bukhari 2011; Katircioglu et al. 2011; Sayani and Mini-aoui 2013) and interviews. To further test the content validity, two scholars in the marketing field evaluated the items. On the basis of their suggestions, 14 repetitive items were deleted and 39 items were retained and reworded, where required, for better relevance and clarity (Arora and Kaur 2018). The revised scale was then pretested with a sample of 180 respondents. Following the pilot survey, six items were removed as they could not exhibit a high correlation with the total score. Finally, remaining 33 items were considered for the final survey.

The present study used a field survey as the research instrument among the customers of bank. A two-section questionnaire was prepared. The first section carried 33 statements on the bank selection criteria measured on a 5-point Likert scale ranging from "strongly agree" to "strongly disagree." While the second section dealt with the collection of information about the respondent's demographic profile. Top 20 banks, 10 each in the public and private sectors were selected on the basis of maximum share in deposits and advances reported by RBI's Annual Report, 2017 (Arora and Kaur 2018). In the cities where a banking institution had multiple branches, the largest branch was considered for the study. Using judgment ad snowball sampling, a total of 800 questionnaires were distributed to a sample of bank customers in each of the three cities of Punjab, i.e., Jalandhar, Ludhiana, and Amritsar. Only 683 questionnaires were found as completed and valid, thus producing a response rate of 85 percent which was more than enough to make sure the generalizability and statistical reliability (Stevens 2002). The demographic



**Table 1** Demographic profile of the respondents

Demographic variables	Frequency	Percent
<i>Gender</i>		
Male	363	53.1
Female	320	46.9
<i>Age Group</i>		
21–30 years	247	36.2
31–40 years	234	34.3
41–50 years	156	22.8
More than 50 years	46	6.7
<i>Education Background</i>		
Undergraduate	78	11.4
Graduate	257	37.6
Post graduate	293	42.9
Others	55	8.1
<i>Occupation</i>		
Business	232	34.0
Government/public sector employee	225	32.9
Private sector employee	166	24.3
Student	60	8.8
<i>Average annual income</i>		
Less than 3,00,000	162	23.7
3,00,000–6,00,000	99	14.5
6,00,000–9,00,000	215	31.5
More than 9,00,000	207	30.3
<i>Type of the bank</i>		
Private bank	363	53.1
Public bank	320	46.9

Calibration sample ( $n = 683$ )

profile of the respondents is given in Table 1. The sample consists of 53.1% males and 46.9% females.

## Analysis and results

The Bartlett test of sphericity ( $\chi^2 = 14,413.80$ ;  $df = 406$ ;  $p = 0.000$ ) and the Kaiser–Meyer–Olkin measure of sampling adequacy index (0.898) authenticated the suitability of the data for EFA. Principal component analysis (PCA) with varimax rotation (as suggested by Hair et al. 2010) was preferred to diminish the number of variables into determining factors. An Eigen value of more than one, and a cumulative percentage of variance explained more than 50% of the decisive norms employed to control the number of extracted factors. For the deletion of statements, cross-loadings ( $> 0.40$ ), communalities ( $< 0.30$ ), and factor loadings ( $< 0.50$ ) were analyzed. Four items were removed at this stage based on the above criteria. After iterative rounds of EFA, 29-item seven-factor solution was derived. Based on an arrangement of each of these seven factors, we name them as convenience, service delivery, bank reputation, referrals and incentives,

cost/price, corporal efficiency, and core banking. Table 2 provides the EFA results. All seven factors had Eigen values more than 1. Moreover, the Cronbach's alphas for all the seven dimensions were higher than the criterion of 0.70.

Following the EFA, the items were subjected to Confirmatory Factor Analysis (CFA) to evaluate the latent factor dimensional structure. To develop the researchers' explanatory ability, this was done (See Fig. 1). Results of the CFA analysis advocates good fit of the model [CMIN = 907.585 ( $p = 0.000$ ),  $df = 356$ ,  $\chi^2/df = 2.549$ , GFI = 0.921, AGFI = 0.903, CFI = 0.961, TLI = 0.956, RMSEA = 0.048]. Before the assessment of validity and reliability, we checked the dimensionality of the constructs by examining the loading of each item following EFA. As all the values had a significant loading ( $\geq 0.5$ ), this implied that the scales were unidimensional.

We decided to assess the unidimensionality. Next, both discriminant and convergent validity were ascertained, and finally, we evaluated the reliability of the scale items. For the confirmation of convergent validity, given that average variance extracted (AVE) values should be close to 0.5 (Froehle and Roth 2004; Hair et al. 2010). However, discriminant validity is determined when the shared variance between the dimensions is lesser to the AVEs of the individual measures as given in Table 3. The diagonal values (square roots of AVEs; bold values) are higher than the corresponding correlation coefficients (lower-half matrix values) confirms the discriminant validity of the seven constructs. To determine the reliability of the constructs, composite reliability should be higher than the suggested level of 0.70 (Hair et al. 2010). The composite reliability of the constructs ranged from 0.81 to 0.95, which signified that the constructs measured what they were intended to measure (Hair et al. 2010).

Following the CFA, the significance of associations between the dimensions of bank selection and demographic variables were assessed (see Table 4). The results pertaining to the relationships between the determinants of bank selection and demographic variables, such as gender, age, education level, income, occupation, and type of bank, are reported in Table 4.

These results indicate the presence of significant gender-related differences pertaining to convenience ( $t = -2.368$ ,  $p = 0.018$ ) as well as referrals and incentives ( $t = 2.323$ ,  $p = 0.020$ ) dimensions. Male and female customers have different attitudes toward bank selection criteria. When the differences in the determinants of the selection criteria were examined by age, three differences were found to be statistically significant: those related to service delivery ( $F = 5.513$ ,  $p = 0.001$ ), core banking ( $F = 3.413$ ,  $p = 0.017$ ), and corporal efficiency ( $F = 5.055$ ,  $p = 0.002$ ) dimensions. These findings indicate that the same criteria are rated as important but their relative importance varies across age groups. Further, the



**Table 2** Results of EFA and CFA

Key variables	Item label	EFA factor loadings							CFA loadings ( $\geq 0.5$ )
		I	II	III	IV	V	VI	VII	
<i>Service delivery</i> ( $\alpha=0.926$ )									
Safety of customer's funds or investments	SerDel_1	0.863							0.872
Quality of customer service (attention to the customer, no queues, personalized services, etc.) <sup>a</sup>	SerDel_2	0.862							0.826
	SerDel_3	0.849							0.825
Pleasant banking experience	SerDel_6	0.824							0.814
Overdraft privileges on current account	SerDel_5	0.803							0.803
Accuracy of monthly statements for personal accounts	SerDel_4	0.796							0.792
Easy deposit and withdrawal at different branch locations <sup>a</sup>									
<i>Convenience</i> ( $\alpha=0.938$ )									
Strong global and local network	Conv_1		0.879						0.892
Proximity of ATM's to home or workplace	Conv_5		0.874						0.853
Hours of operation	Conv_4		0.873						0.863
Convenient branch locations <sup>a</sup>	Conv_3		0.871						0.855
Available parking facilities and accessibility	Conv_2		0.868						0.871
<i>Referrals and incentives</i> ( $\alpha=0.917$ )									
Recommendation of friends, family, and relatives	ReffInc_1			0.873					0.885
New account gifts/premiums	ReffInc_3			0.871					0.852
Prior experience of family members with the bank	ReffInc_2			0.864					0.842
Cash incentives <sup>a</sup>	ReffInc_4			0.852					0.851
<i>Bank reputation</i> ( $\alpha=0.891$ )									
Financial strength of bank	BankRep_1				0.828				0.800
Prestigious image	BankRep_4				0.824				0.810
Appealing brand name <sup>a</sup>	BankRep_3				0.819				0.822
Innovativeness and adaptation of new technology	BankRep_2				0.810				0.845
<i>Corporal efficiency</i> ( $\alpha=0.897$ )									
Fast and efficient services (quick loan approval)	CorpEff_1					0.784			0.812
Friendliness of bank personnel	CorpEff_4					0.773			0.842
Efficient personnel	CorpEff_3					0.767			0.822
Knowledge of customer's business	CorpEff_2					0.762			0.835
<i>Cost/price</i> ( $\alpha=0.859$ )									
Paying high interest on deposits	CostP_1						0.864		0.828
Low service charges <sup>a</sup>	CostP_3						0.858		0.777
Fair rates of interest on loans and advances	CostP_2						0.825		0.848
<i>Core banking</i> ( $\alpha=0.875$ )									
Competitive product offerings	CoreBan_2							0.844	0.859
Expertise and professional competence of bank's consulting advisor/staff	CoreBan_1							0.821	0.824
	CoreBan_3							0.816	0.829
Product selection (availability of credit, loans, and mortgage, variety of services offered) <sup>a</sup>									
Variance explained (%)		29.61	13.59	11.52	7.63	6.507	4.66	4.15	
Eigen value		8.588	3.943	3.343	2.213	1.887	1.351	1.204	
Weighted mean		3.480	3.450	3.402	3.296	3.126	3.472	3.443	

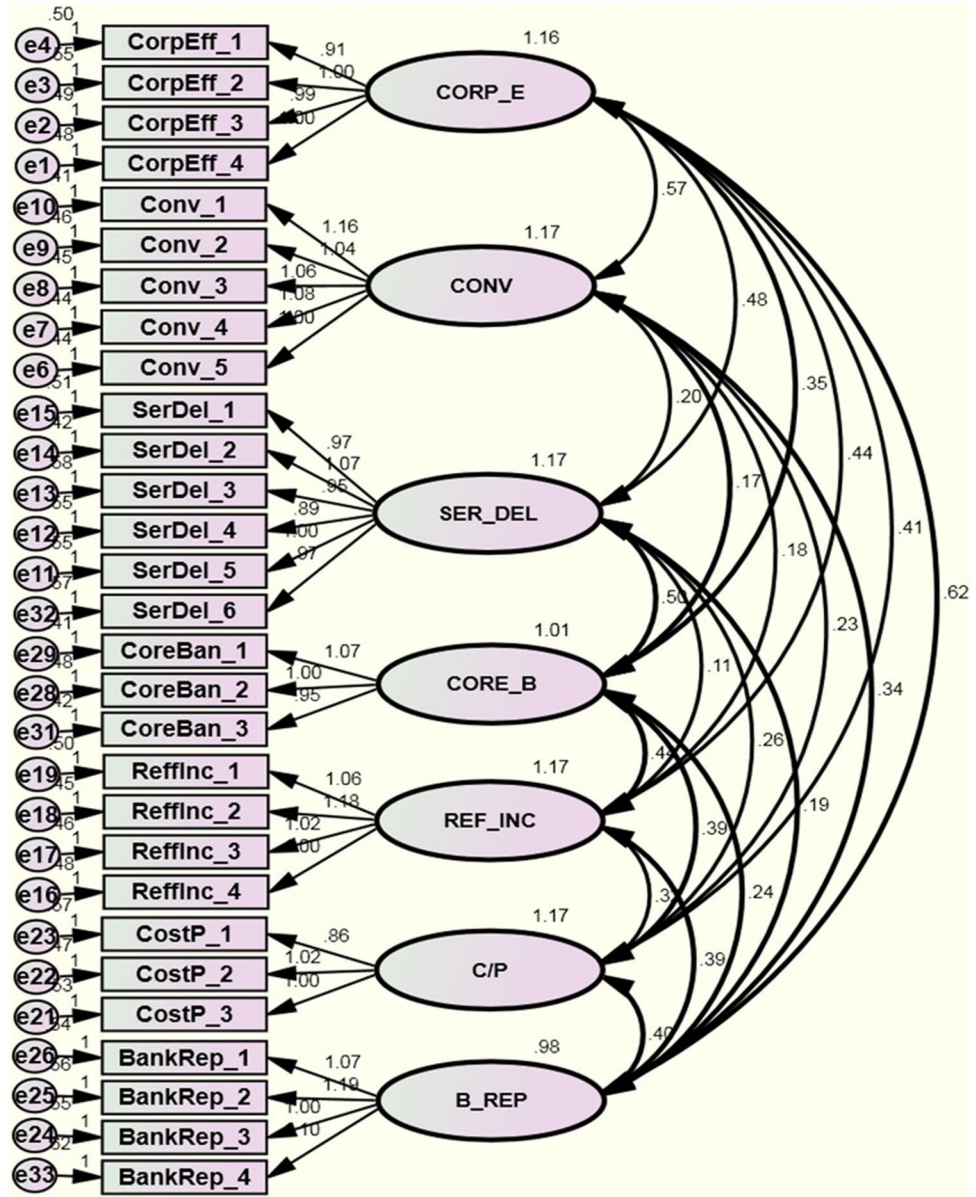
<sup>a</sup>Reverse coded items;  $\alpha$ =Cronbach's alpha

analysis suggests that young customers perceived core banking and corporal efficiency as strong factors of bank selection criteria in comparison to the experienced customers. However, older and more experienced customers seemed to place a greater emphasis on the service delivery. Table 4 summarizes the findings, indicating that for more educated customers convenience ( $F = 5.102$ ,

$p = 0.002$ ), bank reputation ( $F = 2.682$ ,  $p = 0.046$ ), and corporal efficiency ( $F = 5.757$ ,  $p = 0.001$ ) are the most important factors in the bank selection. Conversely, less educated individuals found cost/price ( $F = 2.676$ ,  $p = 0.046$ ), as the strongest determinant in bank selection decisions. Moreover, the analysis revealed that those in the higher income group place above average importance



Fig. 1 CFA results to measure bank selection criteria of customers



on convenience ( $F = 5.450, p = 0.001$ ) and service delivery ( $F = 4.487, p = 0.004$ ) dimensions, whereas cost/price ( $F = 2.645, p = 0.048$ ) is perceived as more important by the customers in the lower-income group. When the study sample was analyzed in terms of occupation, four statistically significant differences emerged, namely those pertaining to convenience ( $F = 3.458, p = 0.016$ ), bank reputation ( $F = 12.804, p < 0.001$ ), core banking ( $F = 5.163, p = 0.002$ ), and corporal efficiency ( $F = 3.002, p = 0.030$ ). In particular, convenience was rated the highest by private sector employees and students while bank reputation and corporal efficiency were considered more significant by government sector employees. Similarly, core banking was considered more relevant by private

sector employees and business professionals in choosing a certain bank. Visual inspection of Table 4 also revealed some significant differences in the degree of importance the respondents attached to the type of bank. The analysis revealed that public banks were significantly different from private banks on convenience ( $t = 2.563, p = 0.011$ ), bank reputation ( $t = -5.795, p < 0.001$ ), service delivery ( $t = -4.176, p < 0.001$ ), and referrals and incentives ( $t = -4.381, p < 0.001$ ) dimensions. In addition, customers those have accounts with private banks considered service delivery, referrals and incentives, and bank reputation as more important than did the customers of public banks, for whom convenience was imperative in bank selection decisions.



**Table 3** CFA model fit indices

Fit indices	$\chi^2$ (df)	CMIN/DF	RMR	GFI	AGFI	NFI	TLI	CFI	RMSEA
Obtained	907.585 (356)	2.549	0.051	0.921	0.903	0.938	0.956	0.961	0.048
Recommended thresholds		<3	<0.5	>0.85	>0.85	>0.9	>0.9	>0.9	<0.7
Constructs	CR ( $\geq 0.7$ )	AVE ( $\geq 0.5$ )	Bank reputation	Corporal efficiency	Convenience	Service delivery	Referrals and incentives	Cost/price	Core banking
<i>Psychometric properties of the bank selection criteria scale</i>									
Bank reputation	0.891	0.671	<b>0.819<sup>a</sup></b>	–	–	–	–	–	–
Corporal efficiency	0.897	0.685	0.578	<b>0.828<sup>a</sup></b>	–	–	–	–	–
Convenience	0.938	0.752	0.322	0.487	<b>0.867<sup>a</sup></b>	–	–	–	–
Service delivery	0.926	0.676	0.174	0.410	0.174	<b>0.822<sup>a</sup></b>	–	–	–
Referrals and incentives	0.918	0.736	0.364	0.377	0.156	0.092	<b>0.858<sup>a</sup></b>	–	–
Cost/price	0.859	0.669	0.376	0.350	0.195	0.225	0.278	<b>0.818<sup>a</sup></b>	–
Core banking	0.876	0.701	0.246	0.328	0.153	0.464	0.405	0.360	<b>0.837<sup>a</sup></b>

(<sup>a</sup>) indicates the square root of AVE; for details regarding calculations of AVE and Composite Reliability, Refer Fornell and Larcker (1981)

## Discussion

This research was conducted to determine the impact of demographics characteristics on bank selection and presented a set of demographic factors that illustrate the established criteria to investigate whether significant differences exist across various demographics. Visual inspection of Table 4 gives some idea of significant relationship between demographic variables and selection dimensions. The findings revealed that female customers' considered convenience as more important than male customers do. Our findings are consistent with the past studies done by Laroche et al. (1986) and Almosawi (2001). The reason for this may be because of the actuality that most of the females are already familiar with the products and services of banks, and thus, many do not consider them appropriate for their needs. Also, many females consider that if the banks had more flexible hours of operation and easily approachable branch locations, then there would be a greater likelihood of them choosing a particular bank. However, male customers are said to become more attached to the bank, which thus provides them some financial benefits, as confirmed by the work of Narteh and Owusu-Frimpong (2011), in that the banks perceived as money conscious in financial transactions will be more appealing to this segment. For instance, Yes bank, which appeals to their customers by providing some cash incentives or gifts/premiums. On that basis, male customers rated referrals and incentives as more important than the female customers in terms of bank selection.

The findings also suggest that young customers are influenced to a greater degree by the competitive product offerings, such as availability of credit, loans and mortgages, friendliness of bank staff, and knowledge of customer's business. The association could be ascribed to the fact that, these days, the younger generation is more conscious about the efficiency of bank staff, whereas the older generation is no more accustomed to the traditional mode of transactions. Hence, they exhibited a higher tendency to opt for banks based on their banking experiences. To examine the influence of age, respondents were divided into two groups: young customers and experienced customers based on an arbitrary cutoff point of 40 years as an average age. Kennington et al. (1996) provided similar findings.

Regarding bank selection criteria by education, respondents were divided into two groups: a less educated group and a more educated group based on an arbitrary cutoff point of graduation. The results revealed that more educated people who had more than a graduation education are greatly influenced by friendliness of bank employees, financial strength of the bank, adaptation of latest technology, and fast and efficient service. These findings are in accordance with the studies conducted by Laroche et al. (1986), Holstius and Kaynak (1995), and Kennington et al. (1996). A plausible reason for this is that all banks are more or less same in terms of service charges and interest rates; yet many less educated customers recognized some sort of peculiarity and rated the cost/price determinant more significant in their selection decisions.





Table 4 Relationship between demographic variables and factors of bank selection criteria (independent *t* test and ANOVA test results)

Factor	Gender		Age		Educational level		Income		Occupation		Type of Bank					
	Mean	( <i>t</i> value) ( <i>p</i> value)	Mean	( <i>F</i> value) ( <i>p</i> value)	Mean	( <i>F</i> value) ( <i>p</i> value)	Mean	( <i>F</i> value) ( <i>p</i> value)	Mean	( <i>F</i> value) ( <i>p</i> value)	Mean	( <i>t</i> value) ( <i>p</i> value)				
Service delivery	A = 3.5133	1.023	0.307		A = 3.1506	2.380	0.069	A = 3.0617	4.487**	0.004**	A = 3.3168	1.967	0.118	A = 3.2574	-4.197	0.000
	B = 3.4458	1.028	0.304		B = 3.1907			B = 3.1313			B = 3.1600			B = 3.7287	-4.176**	0.000**
					C = 3.3515			C = 3.4442			C = 3.4337					
					D = 3.5636			D = 3.3684			D = 3.2208					
Convenience	A = 3.3829	-2.358	0.019		A = 3.3750	5.102**	0.002**	A = 3.2948	5.450**	0.001**	A = 3.2241	3.458*	0.016*	A = 3.3687	2.577	0.010
	B = 3.5144	-2.368*	0.018*		B = 3.4475			B = 3.3636			B = 3.3856			B = 3.5280	2.563**	0.011**
					C = 3.2474			C = 3.6512			C = 3.6130					
					D = 3.5598			D = 3.2077			D = 3.4375					
Referrals and incentives	A = 3.2893	2.314	0.021		A = 2.9615	1.824	0.141	A = 3.1296	0.389	0.761	A = 3.1616	0.713	0.544	A = 3.5028	-4.381**	0.000**
	B = 3.5055	2.323*	0.020*		B = 3.1206			B = 3.0177			B = 3.0978			B = 3.2669	-4.362	0.000
					C = 3.0465			C = 3.1616			C = 3.1687					
					D = 2.8424			D = 3.1304			D = 2.9500					
Bank reputation	A = 3.3271	0.803	0.422		A = 3.6068	2.682*	0.046*	A = 3.5319	0.217	0.884	A = 3.5086	12.804**	0.000**	A = 3.1124	-5.742	0.000
	B = 3.2375	.800	0.424		B = 3.5240			B = 3.4226			B = 3.6585			B = 3.4754	-5.795**	0.000**
					C = 3.4925			C = 3.4829			C = 3.4869					
					D = 3.2862			D = 3.4694			D = 2.7000					
Corporate efficiency	A = 3.4481	-1.436	0.151		A = 3.1077	5.757**	0.001**	A = 3.5568	0.839	0.473	A = 3.4655	3.002*	0.030*	A = 2.9490	-1.743	0.082
	B = 3.5344	-1.433	0.152		B = 3.3432			B = 3.3576			B = 3.5298			B = 3.3162	-1.757	0.079
					C = 3.1603			C = 3.4698			C = 3.4542					
					D = 3.2217			D = 3.5285			D = 3.0167					
Cost/price	A = 3.4545	-1.004	0.316		A = 3.7350	2.676*	0.046*	A = 3.5453	2.645*	0.048*	A = 3.4856	0.754	0.520	A = 3.4274	-1.498	0.134
	B = 3.5083	-1.007	0.315		B = 3.4514			B = 3.6465			B = 3.4711			B = 3.5559	-1.498	0.135
					C = 3.5620			C = 3.5411			C = 3.5743					
					D = 3.4783			D = 3.3140			D = 3.3278					
Core banking	A = 3.5133	-0.649	0.517		A = 3.6453	1.620	0.183	A = 3.4385	0.820	0.483	A = 3.4756	5.163**	0.002**	A = 3.4683	-0.289	0.773
	B = 3.4458	-0.651	0.515		B = 3.4864			B = 3.5589			B = 3.4993			B = 3.4923	-0.289	0.773
					C = 3.3982			C = 3.5287			C = 3.6325					
					D = 3.2246			D = 3.3881			D = 3.0000					

Significant at \*0.05, \*\*0.01 levels; *n* = 683

To examine the influence of income, respondents were divided into a higher-income and a lower-income group based on an arbitrary cutoff point of Rs. 6,00,000 as an average annual income. The results indicated that those earning higher incomes are primarily concerned with having access to convenient branch locations, customer service quality, safety of funds, etc. This finding is expected, as wealthier customers tend to have more frequent interactions with the banks and would thus be more concerned with the aforementioned factors. In particular, in India, wealthy customers can rely on bank employees for assistance in making important financial decisions such as optimum investments (Arham 2010; Havinal et al. 2013). As younger, single individuals tend to be in the lower-income group, they give precedence to low service charges and reasonable interest rates on loans/advances. Wealthier customers are not concerned with price, as they value convenience and good customer service, as reported by Laroche et al. (1986) as well as Narteh and Owusu-Frimpong (2011).

The findings yielded by our analyses also indicate that private sector employees and students consider convenience when selecting a bank, while government sector employees and business professionals deem bank reputation and corporate efficiency as more relevant. Another determinant that customers of different occupations weighted differently was core banking, which was considered more relevant by private sector employees and business professionals. In all occupation groups, however, public servants based their bank selection on reputation and the friendly and responsive attitude of the bank's staff. Those working in business, on the other hand, were more likely to opt for a bank that would provide them with greater financial benefits (Meng et al. 2009). Consequently, for this group, the bank's financial strength was the decisive factor. However, public servants also value such parameters. These findings coincide with the results reported by Boyd et al. (1994), who investigated the differences in the selection decisions for blue and white-collar workers.

The results reported in Table 4 indicate that customers of public sector banks considered convenience more vital in the selection decisions than did the private banks' customers. In India, public sector banks are highly recognized and developed. Hence, they scored much better on the higher-ranked attributes of choice criteria, i.e., providing strong global network, convenient branch locations, flexible hours of operation, etc. As a result, in public bank selection, customers place the greatest importance on the convenience dimension. On the other hand, customers that have accounts with private banks rated service delivery, referrals and incentives, and bank reputation as more important. This discrepancy may be due to the good reputation of these banks, due to which these institutions are perceived as more reliable and efficient in service delivery relative to others. The private sector banks are perceived as highly organized and

efficiently managed (Meng et al. 2009). For example, ICICI, HDFC, and YES bank, all of which are private sector banks, attract prospective consumers through their prestigious reputation in the market, word-of-mouth advertising strategies, distinctive interest rate and service charge policies, customer service quality, and adoption of modern technology (Havinal et al. 2013). As a result, customers place above average importance on service delivery, bank reputation, as they believe that these are important dimensions that empower them to conduct beneficial and efficient financial transactions. The experiences and recommendations of their family members and friends also influence their decisions. These findings are consistent with those reported by Kaynak and Harcar (2005).

## Managerial and practical implications

This study aims to highlight the implications of banks using marketing policies that adhere to consistency in presenting economies portrayed by open or liberalized markets and fierce competition. A bank's administration, with respect to its current or future decisions, could uphold any or all of the seven constructs as established standards. Further research should focus on establishing an effective segmentation policy.

Bank customers often use banks for depositing services, business and personal loan services, and credit card services. Retail consumers are typically profit maximizers, and evidence suggests these customers tend to switch banks for two principal reasons. The first motivation is dissatisfaction with the inefficient delivery of services their current bank offers, and the second reason is that it is demonstrably inexpensive to switch to a new bank. For these reasons, competition among banks in a developing economy, like that of India, is immense. In addition, delivery of services, as it manifests in the tangible capabilities or competencies of bankers, constitutes the prime differentiator between these numerous financial institutions (Caruana 2002). However, as of 2018, India has the seventh largest economy in the world in terms of nominal GDP, and its banking industry is in the midst of transitioning (World Economic League 2018). Therefore, consumers will ultimately select a bank based on its tangible and intangible offerings, such as the costs involved, corporate efficiency, compassion, commitment, and its corporate image. This study offers extensive evidence in support of this trend. To formulate customer-centric banking strategies, Indian banks would benefit from seriously considering the determinants that motivate bank selection. Banks should foster an outward perception of quality services by investing more in developing employee competence to ensure higher levels of consumer commitment and to guarantee that



customers' problems are dealt with compassionately (Arham 2010). Due to the extremely limited education and training currently in place in the Indian banking sector, investment in the development of corporal efficiency and service delivery should be the combined goal of both the industry and of the regulators (Almossawi 2001; Havinal et al. 2013).

This study investigates demographic differences in bank selection criteria perceptions among Indian banking consumers across six demographic variables. These variables comprise gender, age, income, education, occupation, and type of bank. Research findings indicate a robust positive correlation between demographic factors and dimensions of bank selection criteria. From this analysis, it can be concluded that appropriate strategies can be implemented to target each identified demographic group. This study evaluates the precise demographic factors that can potentially impact consumers' perceptions of bank selection. Moreover, it identifies the specific selection criterion model that has been influenced by each demographic factor. While prior research exists that indicates the influences of certain demographic factors, it includes only limited empirical investigation into the demographic effects of bank selection criteria perceptions (Meng et al. 2009). Furthermore, existing research is culture-specific. This demonstrates the need for researchers to assess bank selection across demographic variables to aid banks in gaining a more thorough understanding of their customers (Lal et al. 2014). In the absence of any previous research investigating such differences in the specific context of Indian banking customers, this study fills a clearly discernible gap in knowledge. These findings provide insight and guidance that will enable Indian bank managers to understand, attract, and better serve their customers.

The findings also contribute to closing the knowledge gap by revealing information about demographic effects on the bank selection perceptions of customers attached to public and private sector banks, as well as the Indian banking sector. The results support the setting-specific nature of bank selection and demonstrate the influence of age, education, gender, occupation, and income on Indian banking customers' needs and their perceptions of the parameters for selecting a bank. Since many respondents belonging to the older age group generally perceive better delivery of service than younger respondents do, it appears that differences exist in the needs and expectations of Indian banking customers across age and income demographics. Awareness of such differences can help banks to direct their focus on learning the specific needs and expectations of customers belonging to different age groups and education levels in order to tailor their service delivery to younger and older customers. Improving service delivery facilitates higher satisfaction and loyalty in these demographic subgroups that appear to perceive somewhat lower service quality (Ladhari et al. 2011; Saini et al. 2011). Since that aspect of bank service delivery

impacts how consumers select banks (Caruana 2002; Saini et al. 2011), Indian banks can use age- and education-specific customer needs and expectations to effectively target specific population segments by marketing specific services that satisfy the unique needs and requirements of these segments.

As a final point, in future studies, the dimensions related to demographics and psychographics utilized in this research can be used as attributes of consumer attitudes toward their selection choices of a bank.

## Limitations and avenues for further research

In spite of their theoretical and managerial contribution, the findings of the study must be viewed in light of certain limitations that suggest future research directions. This research was restricted to a specific geographic area, namely the three cities of Punjab, and is cross-sectional in nature. This restriction can limit the generalization of the findings. Thus, the findings of this study should be interpreted cautiously. The next step for further research may be a longitudinal research design, so that attributes influencing bank selection can be further understood. The scope of the current exploratory research was limited to the private and public sector banks. Foreign banks were excluded from the scope of the study because of their limited presence in the province and differences in scope and scale of their operations. Future research can incorporate foreign banks depending upon the scope of the banks' work. Another clear avenue for future research is the incorporation of religious factors, such as Shari'a compliance or Islamic banking, into the criteria for bank selection. This study did not examine demographic behaviors of consumers of other banking segments, such as students, business firms' cohorts, and retail and wholesale banking customers. These consumers can be included in the scope of further research.

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